AHLSTRÖM CAPITAL

ANNUAL REPORT 2014

Heritage counts...

CONTENTS

YEAR 2014 IN BRIEF

>> Investments in Destia, Suominen and Outokumpu, exit from Vacon and concentration of the Ahlström family's financial and industrial assets in Ahlström Capital were the landmarks of Ahlström Capital's year 2014.

RESTRUCTURING OF THE AHLSTRÖM FAMILY'S COMPANIES IMPLEMENTED

Reorganization of the Ahlström family-controlled companies Antti Ahlström Perilliset Oy, A. Ahlström Osakeyhtiö and Ahlström Capital Oy was finalized in 2014. The management and development of the Ahlström family's financial and industrial assets were concentrated in Ahlström Capital Oy – including significant shareholdings in the listed companies Ahlstrom and Munksjö, as well as substantial real estate and forest assets.

ACQUISITION OF DESTIA FROM THE STATE OF FINLAND

Ahlström Capital acquired the infrastructure and construction service company Destia Ltd from the State of Finland. Destia is a leading player in its field in Finland with a turnover of EUR 430 million, and has sustainable growth opportunities in the infrastructure sector as an integrated service provider.

LARGEST SHAREHOLDER IN SUOMINEN

Ahlström Capital became the largest shareholder in Suominen, a global market leader in nonwovens for wipes, with a 27.3 percent holding. In a financing arrangement, as Suominen purchased Ahlstrom's Paulínia plant in Brazil, Ahlström Capital received an option to acquire Ahlstrom's shareholding in Suominen, exercised then in October 2014.

INVESTMENT IN OUTOKUMPU

In February, Ahlström Capital finalized the transaction whereby it acquired shares in Outokumpu Oyj. In March, the company subscribed its pro rate share of the rights issue. At the end of the year, Ahlström Capital was the third largest shareholder in Outokumpu.

EXIT FROM VACON

Shareholding in Vacon, the manufacturer of variable-speed AC drives, was sold to Danfoss. Prior to that, Ahlström Capital was Vacon's largest shareholder with a 10.6 percent ownership. Danfoss announced a public tender offer for Vacon shares in September.

> "The year 2014 was an active year for Ahlström Capital.

AHLSTRÖM CAPITAL IN FIGURES

Revenue **1,149.1** Meur	Operating profit **186.6** Meur	Profit for the period **153.2** Meur
Balance sheet total **1,274.3** Meur	External fair value (EFV) of the portfolio **634.0** Meur	External fair value value (EFV) per share **1,008.14** euros

EVENTFUL YEAR 2014

For Ahlström Capital, 2014 represented an active year, even of change. Our year is characterized by significant new investments in Outokumpu, Destia and Suominen. During the year, we sold our long-term holding in Vacon and divested part of our holding in Outokumpu, which secured our result. At the same time, we experienced growth when the management of the Ahlström family's financial and industrial assets was concentrated in Ahlström Capital.

During the last few years, Ahlström Capital has emerged to the forefront of Finnish investors. Our strong industrial expertise, long entrepreneurial tradition, significant financial resources and active participation in the development of our portfolio companies form the pillars of our work. At the end of 2014, our balance sheet increased to over 1 billion euros and the Group's annual net sales to about 1.5 billion euros.

A reorganization of the Ahlström family's companies was finalized in May 2014, whereby the management and development of the family's financial and industrial assets were concentrated in Ahlström Capital. After the restructuring, our portfolio now includes significant shareholdings in Ahlstrom and Munksjö, as well as substantial real estate and forest assets. In the future, we will focus on the ownership of listed and non-listed companies, forests and real estate. Of these, non-listed companies have the most significant impact on our profitability as well as on increasing our external fair value.

THREE NEW SIGNIFICANT INVESTMENTS

It is noteworthy that we expanded our portfolio with three significant investments during the year. At the end of 2013, we committed to acquiring Outokumpu's shares, and subscribed new shares in the 2014 rights issue in proportion to our ownership. Later in the year, we reduced our holding in the company from 5.0 to 3.1 percent.

In May 2014, we signed an agreement with the State of Finland to acquire the infrastructure and construction service company Destia Ltd from the State. In Finland, Destia is a leading company in the industry, and we feel Destia has sustainable growth potential as a provider of comprehensive infrastructure services. Destia has developed considerably since its incorporation, creating a basis for us to continue to build on as an active owner. In terms of our portfolio, I consider Destia a strong company capable of yielding dividends.

The third significant investment of our rather enterprising year was Suominen, a global market leader in nonwovens for wipes. In the beginning of the year, we participated in a financing arrangement which enabled the sale of Ahlstrom's Paulínia plant in Brazil to Suominen. As consideration for the arrangement we received an option, which we exercised to acquire shares in Suominen. Consequently Ahlström Capital is now the largest shareholder in Suominen. We have been pleased to observe the company's development and the changes implemented by the management during the year.

> We want to be an active and committed owner at the forefront of Finnish investors.

WE SOLD OUR LONG-TERM HOLDING IN VACON

The most significant exit of the year occurred when we sold our holding in Vacon, the manufacturer of variable-speed AC drives, to the Denmark-based Danfoss. By joining forces Danfoss and Vacon will become strong in the market and be able to give customers a broader and more innovative offering of drives faster. Together the entities will also get a base for enhancing growth from critical mass in mature and emerging markets and be able to invest further in both R&D and sales force and gain scale, which is a key success factor in the drives business. As a major shareholder, Ahlström Capital has contributed to Vacon's growth story since 2001. Owing to the positive development of Vacon's share price, the company has had a significant weight in our portfolio and we believe that the consideration offered by Danfoss gave Ahlström Capital the opportunity to exit Vacon at fully priced valuation. I consider Vacon's development over the years an excellent example of value creation for shareholders through our active ownership. Additionally, Vacon's success is an excellent indicator of the importance of good cooperation between shareholders and company management.

To streamline our portfolio in 2014, we focused in particular on balancing our real estate assets by selling a considerable portion of our residential real estate. This work will continue also in 2015.

WE ARE A PROFESSIONAL, ACTIVE OWNER

I am pleased with our 2014 performance. We worked hard to develop our companies, we built our portfolio and achieved excellent financial results. Together with the people at Ahlström Capital and our portfolio companies, we have moved Ahlström Capital significantly forward, for which I would like to extend my warmest thanks. I also want to thank our shareholders and Board for the trust and commitment and our partners for good cooperation.

Ahlström Capital has an excellent starting point for an active year 2015. Our balance sheet enables new investments, which we will continue pursuing. Within our portfolio companies, we will act as a professional and active owner with entrepreneurial drive to create added value for our shareholders over the long term.

Panu Routila
CEO

DIVERGENT MARKET DEVELOPMENT

Although the uncertainty in global economy and market volatility remained high, Ahlström Capital's active, long-term investment strategy continues to bear fruit.

Ahlström Capital is an active investor seeking to add value through its ownership, contributing to the growth and competitiveness of the companies in its portfolio. To this end, Ahlström Capital works in continuous cooperation with the management and boards of its portfolio companies. The importance of this cooperation is accentuated in times of economic uncertainty. During times like these, Ahlström Capital's active investment strategy shows its strengths.

THE UNITED STATES GOING STRONG WHILE OTHERS LAG BEHIND

In 2014, the global economy showed divergent development. The US economy witnessed strong growth and the S&P 500 index reached its new all-time high level in November. At the same time, the growth in the euro area, and also in the emerging economies, was slower than expected.

The crises in Ukraine and Russia and the related economic sanctions are putting extra pressure on the future development of the world economy in general and the European and Russian economies in particular. Even though the lower oil price supports economic growth in most countries, it has hit the Russian economy hard.

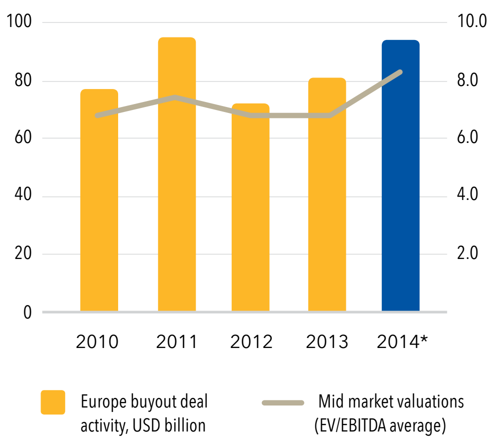
To ward off the threat of deflation and to improve the euro area's growth prospects, the European Central Bank (ECB) has decided to increase liquidity on the markets by purchasing government bonds from the euro area to the ECB's balance sheet. However, in the US, it is likely that the Federal Reserve (Fed) will increase its interest rates during 2015 as a response to the strengthening of the economy and in order to normalize monetary policy after the crisis. In the foreseeable economic environment inflation is expected to remain modest.

The business of Ahlström Capital's portfolio companies is not immune to these market trends. Due to the large variety in growth rates around the globe and recently increased FX volatility, many customers are cautious in their decision-making and are operating with shorter time spans.

HIGH COMPANY VALUATIONS AND HISTORICALLY LOW INTEREST RATES

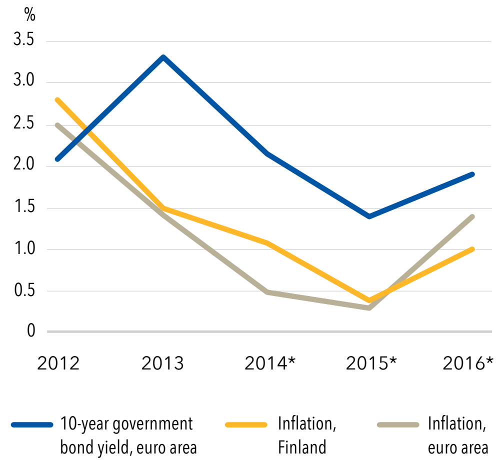
In 2014, both transaction volumes for mergers & acquisitions and companies' valuations

PRIVATE EQUITY INVESTMENTS IN EUROPE



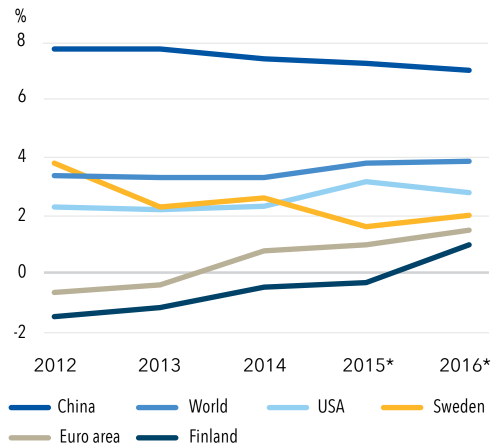
* Estimate
Source: Combination of multiple data sources

INTEREST RATES AND INFLATION



* Estimate
Source: Nordea

GDP GROWTH OUTLOOK



* Estimate
Source: Nordea

> Historically low bond yields make investors seek growth from other investment instruments.

increased and are now above the historical average. These developments were supported by the historically low bond yields and financing costs. Similarly the equity markets were buoyed by the lack of available returns in debt instruments, driving investments and pushing listed shares higher during the year. Low interest rates were also supporting the development of the real estate market.

OUTLOOK

The uncertainty in global economy and high market volatility are expected to continue in 2015. The year has opened with many unresolved issues ranging from the Ukrainian situation and the Greek debt renegotiations to interest rate hikes in the USA, all of which have the potential to drive volatility across markets. Regardless, this uncertainty and volatility may present new investment opportunities for an agile private investor like Ahlström Capital.

> “Depending on the asset class, our targeted rate of return is 5–15 percent.

A LEADING FAMILY-OWNED INVESTOR

The mission of Ahlström Capital is to build consistent long-term shareholder value and to offer stable and attractive annual cash returns. This is achieved by making high-quality investments and by professionally managing and developing the asset base in the spirit of the entrepreneurial heritage and values of the Ahlström family.

Ahlström Capital delivers consistent long-term value to its shareholders and offers a predictable and competitive annual distribution, with a total return target that is higher than what may be expected from regular stock exchange share investments. To this end, Ahlström Capital diversifies its financial exposure across different asset classes, industries and companies, thus reducing the volatility of its annual earnings and cash flow.

In order to maximize the return on the portfolio assets, Ahlström Capital develops its companies in a commercially driven manner. This means building enduring and dynamic businesses with modern leadership and management practices capable of promptly pursuing arising business opportunities.

Investments are made primarily in listed and non-listed companies, and in real estate (including forest) in the area that follows the Nordic corporate governance principles. The invest-

> We invest in listed and non-listed companies as well as real estate and forests.

ment holding horizon is generally relatively long, five to seven years. Regardless, Ahlström Capital maintains flexibility and agility in its decision making in order to seize arising opportunities and to manage its portfolio efficiently in a rapidly changing environment. New equity investments are typically in the range of EUR 20–50 million.

Ahlström Capital utilizes the best available skills and talent, in-house and external expertise and competence in managing and developing its assets. The company strives for systematic, results oriented and highly professional operations. The cornerstones for Ahlström Capital's operations are consistent decision-making, follow-up and reporting procedures, and Ahlström Capital and its portfolio companies have appropriate internal policies, instructions and risk management procedures.

The Ahlström family's past success has been created through a proactive attitude towards change and continuous renewal. Ahlström Capital continues this proactive approach in the new emerging industrial and technological era. Ahlström Capital has a long-term perspective but is capable of making quick decisions and of transforming itself whenever necessary.

INVESTMENTS IN SEVERAL CATEGORIES

Ahlström Capital's holdings can be divided into four main asset classes: investments in listed companies, non-listed companies, real estate and forests. Through a cleantech fund, the company has also invested in growth stage companies in the cleantech industry. Moreover, Ahlström Capital's investment capital includes liquid assets, which mainly consist of short-term money market instruments. Of the external fair value of the assets under management, investments in listed companies represented 24.2 percent, investments in non-listed companies 32.5 percent, real estate 22.6 percent, forests 13.3 percent and cash & other assets 7.4 percent at year-end.

Ahlström Capital invests primarily in industry and service sectors by acquiring a majority or a minority stake, which secures Ahlström Capital either control or significant influence in the portfolio company's decision-making.

INVESTMENTS IN LISTED COMPANIES

In February, Ahlström Capital finalized the transaction whereby it acquired shares in Outokumpu Oyj. In March, it subscribed for its pro rata share of Outokumpu's rights issue. In September, Ahlström Capital sold its holding in Vacon, a manufacturer of variable-speed AC drives, to Danfoss. In October, Ahlström Capital announced that it would acquire Ahlstrom Corporation's shares in Suominen Corporation, representing a 26.9 stake in the company. As a result of the transaction, Ahlström Capital became the largest shareholder in Suominen with 27.3 percent ownership.

At the end of 2014, Ahlström Capital's listed company investments included Ahlstrom Corporation, Munksjö Oyj, Outokumpu Oyj and Suominen Corporation.

INVESTMENTS IN NON-LISTED COMPANIES

In May, Ahlström Capital announced that it would acquire the infrastructure and construction service company Destia Ltd from the State of Finland. After the acquisition, Ahlström Capital's non-listed investments include AR Packaging Group AB, Destia Group Oyj and Enics AG.

Ahlström Capital's cleantech fund invests in interesting targets in the cleantech industry. The cleantech portfolio currently comprises Ripasso Energy AB, Scandinavian Biogas Fuels International AB and Frangible Safety Posts Ltd.

REAL ESTATE INVESTMENTS

Ahlström Capital's real estate investments consist mainly of the Eteläesplanadi property as well as residential, industrial and commercial properties in Southern Finland. Ahlström Capital is also building a new residential area near Bucharest, Romania, where the fourth apartment building was completed in spring 2014.

Since the beginning of 2013, several housing companies or apartment houses have been sold and, consequently, the number of rental agreements in Ahlström Capital's portfolio will be reduced substantially by the end of 2015.

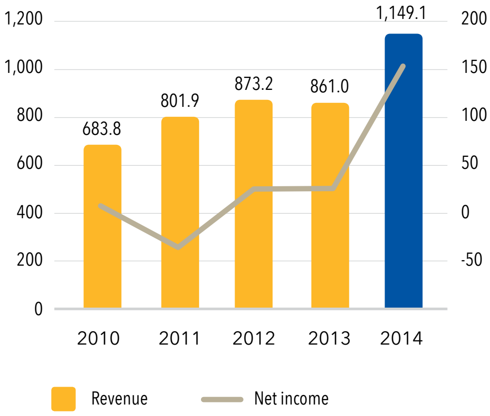
FORESTS

Ahlström Capital has a long tradition in sustainable forest business. Ahlström Capital's forest investments reside mainly in Western

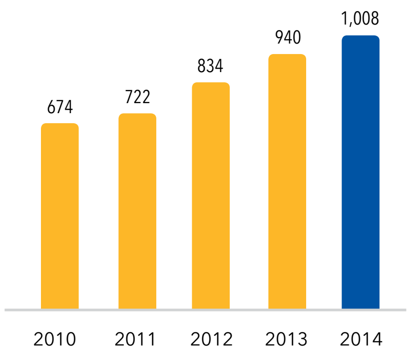
AHLSTRÖM CAPITAL'S MAIN INDUSTRIAL INVESTMENTS ON DECEMBER 31, 2014

Portfolio company	Products/Services	Net sales, EUR million	Holding, %
Listed companies			
Ahlstrom	Fiber-based materials	1,001	10.9
Munksjö	Specialty papers	1,137	11.1
Outokumpu	Stainless steel	6,844	3.1
Suominen	Nonwovens for wipes	402	27.3
Non-listed companies			
AR Packaging Group	Paperboard and flexible packaging	404	63.8
Destia	Infrastructure and construction services	432	100.0
Enics	Electronics manufacturing services	451	99.0

REVENUE AND NET INCOME, EUR MILLION



EXTERNAL FAIR VALUE (EFV) PER SHARE, EUR



Finland in the Satakunta region and in Central and Eastern Finland. At the end of 2014, Ahlström Capital had some 32,000 hectares of forest holdings. This makes Ahlström Capital one of the largest private forest owners in Finland.

SEARCHING FOR NEW INVESTMENTS

Ahlström Capital is constantly monitoring markets for interesting new investment opportunities. The company focuses on companies based in the Nordic region with a local or global focus and on real estate primarily in the Nordic region. Ahlström Capital invests in established companies with strong cash flow and identified growth potential. Investments are mainly done in industry, service and trade sectors.

PHOTO: OUTOKUMPU

> “At the end of 2014, our investments in listed companies included holdings in Ahlstrom, Munksjö, Suominen and Outokumpu.

LISTED COMPANIES

Our investments in listed companies include Ahlstrom Corporation, a high performance fiber-based materials company; Munksjö Oyj, a specialty paper manufacturer; Suominen Corporation, a leading supplier of nonwovens for wiping, hygiene and medical applications; and Outokumpu Oyj, a global leader in stainless steel production.

GLOBAL LEADER IN HIGH-PERFORMANCE MATERIALS

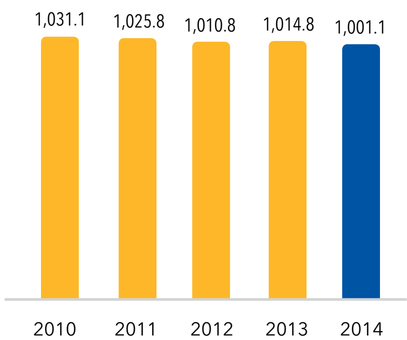
Ahlstrom is a high performance fiber-based materials company, partnering with leading businesses around the world. The company aims to grow with a product offering for a clean and healthy environment. Ahlstrom's materials are used in everyday applications, such as filters, medical fabrics, life science and diagnostics, wallcoverings and food packaging.

Ahlstrom's business is characterized by a large, decentralized customer base with specific needs. In order to be able to competitively serve a customer base like this, it is vital that Ahlstrom is able to offer highly tailored solutions. None of Ahlstrom's products are off-the-shelf, but are made according to exact customer specifications.

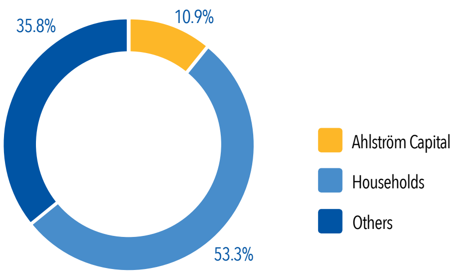
Ahlstrom works in close cooperation with its customers in product and technology development in order to ensure an optimal time to market. Ahlstrom's innovation and R&D activity focuses on customer-driven innovations and product improvements. In 2014, 15 percent of net sales were generated by products developed during the last three years.

Ahlstrom's main markets are Europe (48%), North America (28%), South America (6%), and Asia-Pacific (16%). The company has 29 manufacturing plants around the world. Ahlstrom

AHLSTROM – NET SALES 2010–2014, M€ (CONTINUING OPERATIONS)



AHLSTROM – OWNERSHIP 2014



PHOTOS: AHLSTROM CORPORATION

employs approximately 3,400 people in 22 countries. Ahlstrom's shares are listed on NASDAQ OMX Helsinki.

AHLSTROM'S YEAR 2014

In 2014, Ahlstrom's net sales were EUR 1,001.1 million (2013: EUR 1,014.8 million). The company more than doubled its operative result in 2014. The result was driven by cost savings achieved through the company's rightsizing program, improved pricing, and better performance in the Advanced Filtration, Transportation Filtration and Food business areas.

OUTLOOK

Ahlstrom expects its net sales in 2015 to be in the range of EUR 1,000–1,100 million. The process of simplifying the company's organizational structure and processes is well underway, which is expected to further reduce the cost base. These focused initiatives will gradually bring improved efficiency and cost competitiveness in 2015 and beyond.

Ahlstrom Corporation 2014

1,001.1
Net sales, Meur

10.9%
Shareholding

STRONG RESULT AND COMPLETED INTEGRATION PROJECT

Munksjö Group has a strong position in specialty papers and is among the market leaders within several attractive product segments. The different types of paper are used in several industrial applications and consumer-driven products, including those within the furniture and interior design industry and sustainable energy distribution. The offering includes, for example, decor paper, release paper, electrotechnical paper, abrasive backings, graphic and industrial paper and interleaving paper.

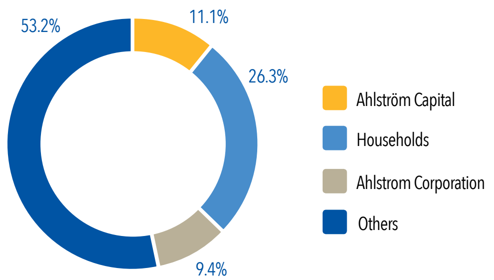
Munksjö is known for its expertise in pulp and paper technologies. The company uses this knowledge for selected industry sectors where pulp and paper can deliver functional and environmental benefits that increase customers' capability to design and produce products in a successful way.

Munksjö develops its input goods to meet the special customer demands. This is done in close cooperation with the procurement organization, the suppliers and customers. New product development is based on an intensive monitoring of the process chain regarding new technologies and new applications.

Munksjö is one of the world's largest specialty paper companies with 15 production and conversion facilities, and a global service organization. The company employs approximately

MUNKSJÖ – PRO FORMA* NET SALES 2012–2014, M€

MUNKSJÖ – OWNERSHIP 2014



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

PHOTO: MUNKSJÖ OYJ

2,900 people. Munksjö Oyj has been listed on NASDAQ OMX Helsinki since June 2013 and NASDAQ OMX Stockholm since December 2014.

MUNKSJÖ'S YEAR 2014

In 2014, Munksjö's net sales were EUR 1,137.3 million (2013: EUR 863.3 million). The substantial increase in net sales was primarily due to the business combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing completed in 2013. In 2014, Munksjö refocused from integration and transformation to bringing the integration process to completion, increasing the cash flow and improving profitability.

OUTLOOK

Munksjö's efficient organization, strong product portfolio and close customer relations create a sound basis for long-term success. The demand outlook of specialty paper products for 2015 is stable.

Munksjö Oyj 2014

1,137.3

Net sales, Meur

11.1%

Shareholding

OUTOKUMPU SHOWED CLEAR IMPROVEMENT IN FINANCIAL PERFORMANCE

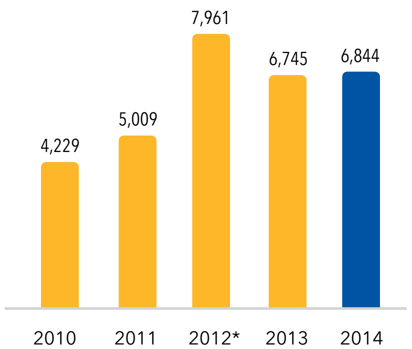
Outokumpu is a global leader in stainless steel with a cold-rolling capacity of 2.6 million tonnes. The company creates advanced materials that are efficient, long-lasting and recyclable. Stainless steel is an ideal material to create lasting solutions in demanding applications from cutlery to bridges and from energy to medical equipment.

Outokumpu has had a crucial role in developing the stainless steel industry into what it is today. Stainless steel as a material is 100 years old. New grades are constantly being developed and further characterizations made in order to fully utilize the properties of stainless steel: corrosion resistance, durability, temperature resistance, surface appearance and machinability.

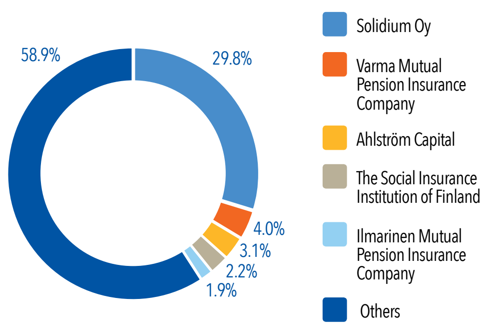
The company's R&D work focuses on design properties and formability of stainless, which are opening new application areas for stainless steel. This includes polished, brushed and decorated surfaces as well as work-hardened, high strength stainless steels and grades with a special corrosion resistance.

Outokumpu's production facilities are located in China, Finland, Germany, Mexico,

OUTOKUMPU – SALES 2010–2014, M€



OUTOKUMPU – OWNERSHIP 2014



* The figures for 2010-2011 are for Outokumpu stand-alone. 2012 is presented as if Outokumpu would have completed the Inoxum transaction at the beginning of 2012.

PHOTO: OUTOKUMPU OYJ

Sweden, the UK and USA, with a global sales and service center network close to customers. Outokumpu employs more than 12,000 people in more than 30 countries. Outokumpu's shares are listed on NASDAQ OMX Helsinki.

OUTOKUMPU'S YEAR 2014

In 2014, Outokumpu's sales were EUR 6,844 million (2013: EUR 6,745 million), and stainless steel deliveries 2,554,000 tonnes (2,585,000). The year 2014 marked the second year since the merger of Outokumpu and Inoxum, and the company started to see tangible results of the strategy. Profitability was clearly improved, and the strengthened customer focus was reflected in improved delivery performance.

OUTLOOK

In 2015, Outokumpu continues the work to improve delivery accuracy and customer service, which are both essential to strengthen the company's market position despite competitive market. Likewise, profitability improvement and debt reduction remain in focus to bring Outokumpu back to sustainable profitability.

Outokumpu Oyj 2014

6,844
Sales, Meur

3.1%
Shareholding

SUOMINEN PUBLISHED ITS RENEWED STRATEGY

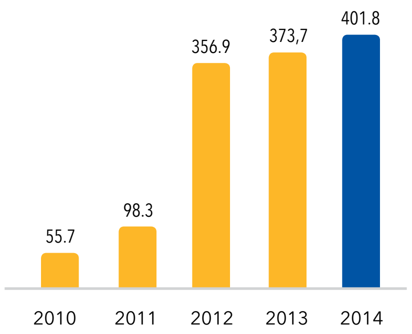
Suominen is a global manufacturer of nonwovens as roll goods for wipes as well as for medical and hygiene products. Suominen's nonwovens are used in such end products as wet wipes, feminine care products and swabs. Suominen is the global market leader in nonwovens for wipes.

Suominen operates through two business areas: Convenience and Care. In July 2014, Suominen divested its Flexibles business area to the UK-based private equity firm Lonsdale Capital Partners LLP and the MBI team, consisting of the management of the business. The transaction included the company's flexible packaging business, comprising Suominen Joustopakkaukset Oy and its subsidiaries as well as Suominen Polska Sp. z.o.o. The deal transformed Suominen into a company focused purely on nonwovens, in line with its strategic focus.

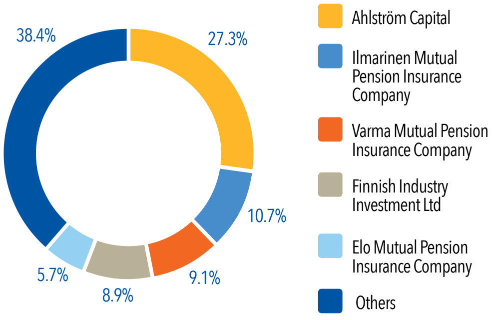
In October 2014, Ahlström Capital became the largest shareholder in Suominen, as the company utilized its option to acquire 66,666,666 Suominen shares from Ahlstrom Corporation. Ahlström Capital's holding of Suominen increased to 27.3 percent.

Suominen employs approximately 600 people in Europe and in the Americas. The company has altogether eight production

SUOMINEN – NET SALES 2010–2014, M€



SUOMINEN – OWNERSHIP 2014



PHOTOS: SUOMINEN CORPORATION

plants. Suominen Corporation shares are listed on NASDAQ OMX Helsinki.

SUOMINEN'S YEAR 2014

Suominen's net sales were EUR 401.8 million in 2014 (2013: EUR 373.7 million). In 2014, Suominen achieved the targeted level for all of the financial targets set by the company's Board of Directors in 2012: the return on investments of continuing operations increased to 15.7 percent (target level >10%) and gearing ratio fell to 34.7 percent (target level 40–80%). The third target, organic net sales growth at a rate faster than the industry average (approx. 3%), was also achieved. Net sales from Suominen's continuing operations increased organically by 3.5 percent.

OUTLOOK

In the last quarter of 2014, Suominen published its strategy for 2015–2017 aiming at growth and product leadership. To execute the strategy, Suominen initiated a growth investment program. The first investments will be implemented at Suominen's plants in Paulínia, Brazil, Alicante, Spain and Nakkila, Finland.

Suominen expects that for the full year 2015, its net sales and operating profit excluding non-recurring items will improve from year 2014.

Suominen Corporation 2014

401.8

Net sales, Meur

27.3%

Shareholding

PHOTO: DESTIA GROUP OYJ

> “In 2014, Ahlström Capital acquired Destia. Prior to that, our investments in non-listed companies included Enics and AR Packaging as well as cleantech companies.

NON-LISTED COMPANIES

Our investments in non-listed companies include Destia Group Oyj, a Finnish infrastructure and construction service company; Enics AG, an industrial electronics manufacturing company; AR Packaging Group AB, a leading European packaging company; and Scandinavian Biogas Fuels International AB, Ripasso Energy AB and Frangible Safety Posts Ltd. as part of Ahlström Capital's cleantech portfolio.

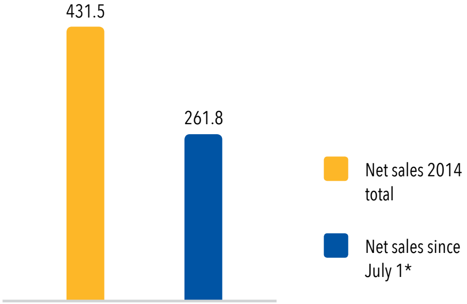
DESTIA PERFORMED WELL IN CHALLENGING MARKET SITUATION

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

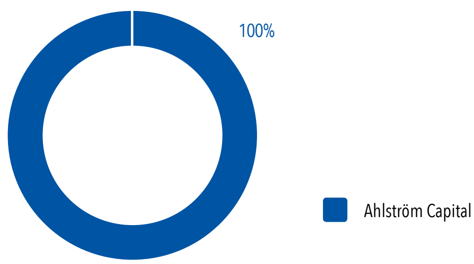
In May 2014, Ahlström Capital acquired the infrastructure and construction service company Destia Ltd from the State of Finland at a purchase price of EUR 148 million. The transaction clarified the competitive landscape of the Finnish infrastructure and construction industry. Destia is a leading player in its field in Finland with sustainable growth opportunities in the infrastructure sector as an integrated service provider. The company has interesting growth opportunities, among others, in the maintenance of train tracks, rock and mine construction, as well as energy construction.

Destia's range of services is extensive, covering the entire infrastructure life cycle from planning to maintenance. The company's customer base includes industrial and business companies, cities, municipalities and government

DESTIA – NET SALES 2014, M€



DESTIA – OWNERSHIP 2014



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

PHOTOS: DESTIA GROUP OYJ

agencies. Destia has an extensive network of regional offices in Finland. The company employs 1,502 people.

DESTIA'S YEAR 2014

In 2014, Destia's net sales were EUR 431.5 million (2013: EUR 489.7 million). Destia's operating result was good despite a decline in revenue and the challenging market situation. Competition for contracts remained tight throughout the year, but Destia's order book developed favorably.

OUTLOOK

The company's order book is bigger than the previous year and is spread over more years than previously. Destia estimates that the revenue for 2015 will increase slightly but that operating profit will fall short of the previous year.

Destia Group Oyj 2014

431.5
Net sales, Meur

100.0%
Shareholding

ANOTHER YEAR OF GROWTH AND IMPROVEMENT

Enics is one of the biggest electronics manufacturing services (EMS) providers for industrial electronics and a partner of choice for leading equipment manufacturers. The company produces electronics for transportation, building automation, energy, industrial automation and instrumentation to optimize its customers' value chains and improve their competitiveness.

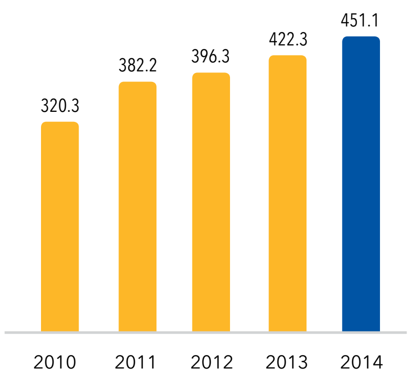
Enics provides life cycle services from design to manufacture and after-market services, including sourcing and supply management. The services also include fast prototyping, industrialization, cost optimization, test system design, circuit board and system assembly, repair and maintenance.

Enics serves its customers globally in eight productions plants on two continents: two sites in China and Sweden, and one site in Estonia, Finland, Slovakia and Switzerland. Enics employs about 3,200 people and is headquartered in Zurich, Switzerland.

ENICS' YEAR 2014

In 2014, Enics' net sales were EUR 451.1 million (2013: EUR 422.3 million). Operating environment in general continued to be challenging during the year. The visibility to the future

ENICS – NET SALES 2010–2014, M€



ENICS – OWNERSHIP 2014

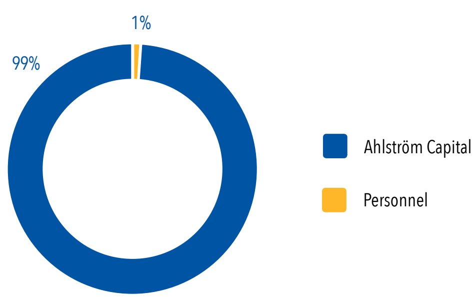


PHOTO: ENICS AG

remained limited and volatile demand development dominated the year.

Enics continued to implement its successful industrial electronics focused strategy and grew its net sales by close to 7 percent. In 2014, the performance of the company improved again from previous year.

OUTLOOK

Visibility to the business outlook and economic development in general is limited, and operating environment is expected to continue to be challenging also in 2015. According to research institutes, relevant industrial electronics segments will enjoy growth, albeit more moderate than previously estimated, also in coming years. This, together with Enics' solid customer base and strong presence in growing markets, provides the company with growth opportunities for the foreseeable future.

Enics AG 2014

451.1
Net sales, Meur

99.0%
Shareholding

AR PACKAGING SHOWED A STRONG FINANCIAL PERFORMANCE IN 2014

AR Packaging is one of Europe's leading companies in the packaging sector. The company creates added value to customers by a broad product offering and deep knowledge of packaging.

AR Packaging business is divided into three key market segments: Food Packaging, Barrier Packaging and Branded Products. The company consists of five geographical business areas: Sweden, Germany, Russia, France and Nordic. AR Packaging has 14 production sites across seven European countries. The company employs approximately 1,600 people.

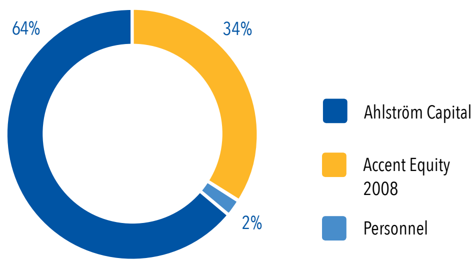
AR PACKAGING GROUP'S YEAR 2014

In 2014, AR Packaging Group's net sales were EUR 404.3 million (2013: EUR 424.5 million). A strong strategic market presence and the com-

AR PACKAGING – NET SALES 2012–2014, M€

* Excluding divested beverage packaging business.

AR PACKAGING – OWNERSHIP 2014



PHOTOS: AR PACKAGING GROUP AB

pany's internal efficiency process have led to improved margins. During the past two years, AR Packaging has focused on securing sustainable profitability.

The corporate bond of EUR 80 million issued by AR Packaging Group in June 2013 was listed on NASDAQ OMX Stockholm Exchange with effect from July 1, 2014.

OUTLOOK

In the beginning of 2015, AR Packaging announced the agreement to acquire the European tobacco, confectionery and consumer goods packaging operations from MeadWestvaco Corporation. With the acquisition from MeadWestvaco Corporation, AR Packaging will increase its strength and market presence for the benefit of its customers in 2015.

To finance the acquisition, AR Packaging arranged in March 2015 a EUR 35 million bond issue, which was well received by investors.

AR Packaging Group AB 2014

404.3
Net sales, Meur

63.8%
Shareholding

PHOTO: RIPASSO ENERGY AB

AHLSTRÖM CAPITAL DEVELOPS CLEANTECH COMPANIES

Ahlström Capital's cleantech fund invests in interesting targets in the cleantech industry. The cleantech portfolio currently comprises Scandinavian Biogas Fuels International AB, Ripasso Energy AB and Frangible Safety Posts Ltd. Ahlström Capital's target is to develop the business of the cleantech companies to the point where they are ready to commercialize their products. In 2014, Ahlström Capital exited TD Light Sweden AB and Mervento Oy.

SCANDINAVIAN BIOGAS FUELS INTERNATIONAL AB

Scandinavian Biogas is one of Sweden's largest private producers of biogas. The company focuses on industrial level production and possesses leading expertise in the design and operation of biogas plants to achieve consistently high levels of biogas production, generated through resource and energy efficient processes.

The company's method for large-scale production is one of the most efficient in the world. Biogas projects are managed in close cooperation with private and municipal stakeholders in the Nordic region, particularly in east-central Sweden, which is the company's main market today. The majority of the buses in Stockholm, for example, are run on biogas produced by the company. Using biogas as a vehicle fuel helps to improve air quality in the city substantially.

In 2014, the company began identifying new projects for further expansion based on an ambitious growth plan and strategy in order to meet the continuously growing need for emission free vehicle fuel.

Fund's holding:

34.1%

RIPASSO ENERGY AB

Ripasso Energy is a Swedish company that engineers technology to convert solar energy to electrical energy efficiently and affordably using a stirling power converter. The company's Concentrated Solar Power systems are delivered to utility companies and power systems suppliers on the global market.

The company's competence around stirling motor technology is on a very high level with proven world-class efficiency, bringing considerable competitive advantages to the company. Ripasso Energy demonstrated a new solar-to-grid-quality-electricity efficiency world record, 32 percent, in 2012.

Fund's holding:

75.0%

FRANGIBLE SAFETY POSTS LTD.

Frangible Safety Posts is a British company that focuses on the passive traffic safety market. Sign posts supplied by the company help save lives in vehicle collisions by giving way when struck. The Frangible Safety Posts has a unique, patent-protected design, which combines the strength required to support large signs in strong winds with the ability to shatter, collapsing in a predictable and safe manner, if struck by an errant vehicle.

Compared to steel posts, the frangible safety posts improve safety, provide cost savings in maintenance and have a smaller environmental impact. Frangible Safety Posts has built a strong supply chain and is expanding its services to international markets.

Fund's holding:

40.0%

Real estate investments balance the risk of our investment portfolio and provide more steady returns.

REAL ESTATE INVESTMENTS

Active development of premium properties and constant monitoring of the market for new investment opportunities are essential parts of Ahlström Capital's real estate strategy.

ENHANCING RETURNS BY ACTIVE DEVELOPMENT OF PROPERTIES

>> Holding and development of real estate are important functions in Ahlström Capital's investment activities. Real estate assets have a significant role in Ahlström Capital's investment strategy as they balance out the risks associated with other investments and offer steadier returns.

Ahlström Capital's real estate investments consist mainly of the Eteläesplanadi property and residential, industrial and commercial properties in Southern Finland. The portfolio also includes a plot in Bragadiru in Romania, near Bucharest, where Ahlström Capital and its local partner are engaged in the construction of several residential buildings.

Although Ahlström Capital's aim is to actively develop the real estate portfolio, there are some real estate assets that are to stay. The heritage real estate assets of the Ahlström family, such as the areas in Noormarkku and Kauttua are part of the Finnish industrial and cultural history. They include numerous buildings dating back to the turn of the 19th and 20th centu-

> Ahlström Capital is constantly monitoring also new investment opportunities.

ries, designed by renowned Finnish architects of the time. Among them is Villa Mairea, created by world-famous Alvar Aalto. Since completion in 1939 it has been a globally admired landmark of modern architecture. These buildings and their surroundings are impeccably maintained and they offer today meeting and hotel services.

At the end of 2014, the value of Ahlström Capital's real estate portfolio was some EUR 180 million and it accounted for 23 percent of Ahlström Capital's investments.

CHALLENGING MARKET ENVIRONMENT

In 2014, the real estate market was challenging in most European countries. The Finnish real estate market is small, and many foreign players have entered the market during the past few years. This has intensified the competition for good properties. In this kind of market situation, Ahlström Capital selects its real estate targets very carefully.

Romania was one of the few countries in Europe where the real estate market grew in 2014. Especially the demand for middle-class and lower middle-class apartments was high.

ACTIVE DEVELOPMENT OF REAL ESTATE PORTFOLIO

The Eteläesplanadi property is a long-term investment for Ahlström Capital. For other properties, Ahlström Capital's strategy is to invest and actively develop them for possible future divestment.

Since the beginning of 2013, several housing companies or apartment houses have been sold and, consequently, the number of rental agreements in our portfolio will be reduced from over 1,200 in 2013 to approximately 300 by the end of 2015.

In the City of Lahti, Ahlström Capital is engaged in the Lahden Kulmala real estate project. It is planned that the renovation of the apartments and business premises in this functionalist building will be finished during spring 2015. The rental market for retail space remained challenging in 2014, mostly due to the general economic situation.

Ahlström Capital is constantly monitoring the real estate market especially in Finland and, to some extent, also in other Nordic countries for new investment opportunities.

ETELÄESPLANADI PROPERTY FULLY LEASED OUT

The Eteläesplanadi property was fully leased out throughout the year 2014. There were no major changes in tenants and the business continued its stable performance.

DEVELOPMENT PROJECTS IN LÖNNROTINKATU AND KASARMIKATU

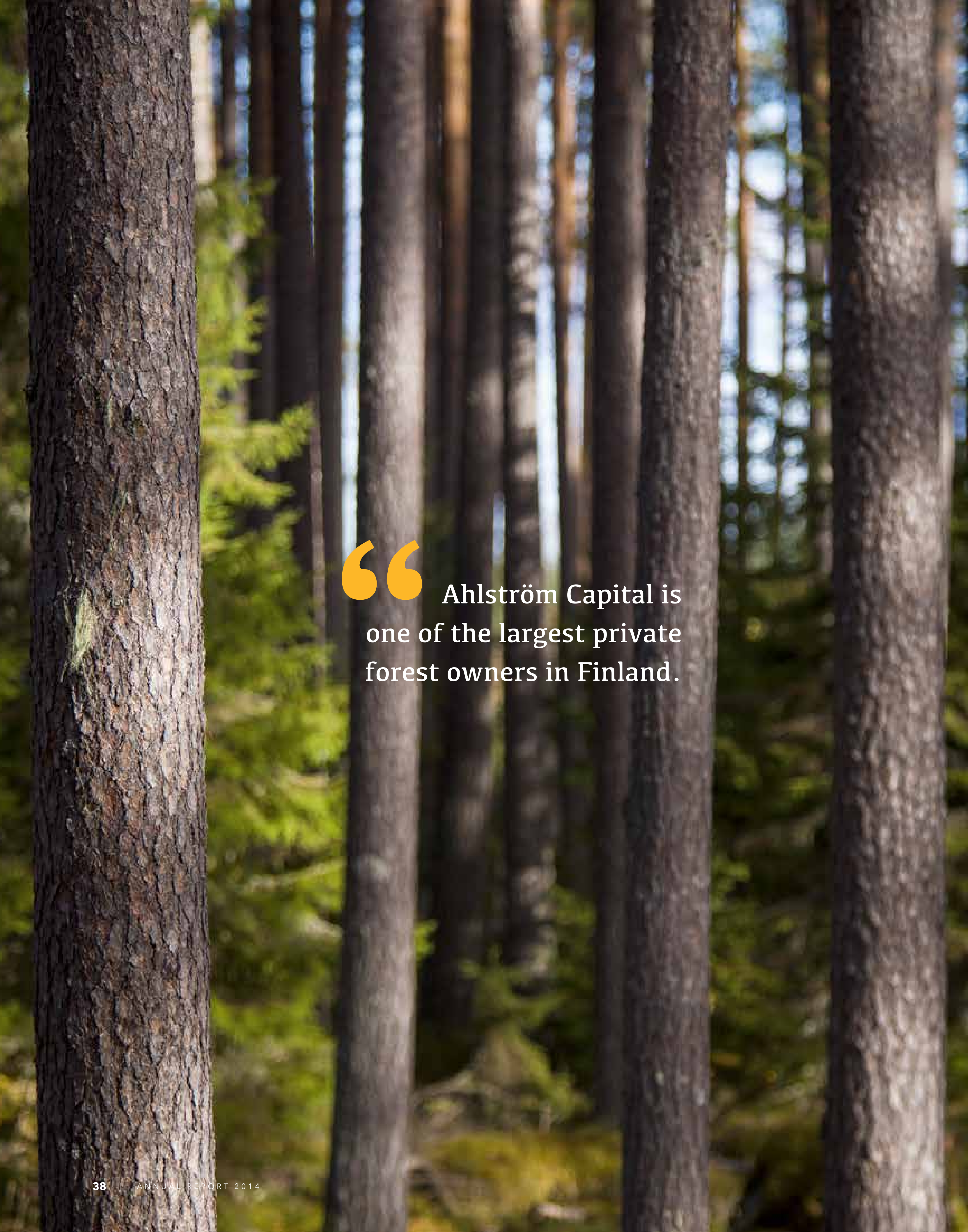
Ahlström Capital continued developing the Lönnrotinkatu property together with a partner. The building has been converted to residential apartments and, as part of the property is protected, the renovation has been done with great care, taking the cultural history values into account.

Ahlström Capital has together with a partner been negotiating with the City of Helsinki regarding the property at Kasarmikatu 21. The plan is to tear down the current building, which is occupied by the City of Helsinki's Public Works Department, and to build a new office building on the site. It is currently estimated that the construction work will begin in early 2016.

REAL ESTATE MARKET GROWING IN ROMANIA

Work on the properties in Romania progressed on schedule. The fourth residential building was completed in spring 2014, and sales work regarding the apartments proceeded well. All apartments in the three previously completed houses have been sold. Construction of the fifth building started in March 2014, and it is estimated to be finished in spring 2015. Planning of the sixth building is underway, and the construction work is estimated to begin in spring 2015.

> The value of Ahlström Capital's real estate portfolio is some EUR 180 million.



“Ahlström Capital is one of the largest private forest owners in Finland.

FOREST
INVESTMENTS

Ahlström Capital has strong traditions in sustainable forest business. Forest investments balance out the risks associated with other investments.

RESPONSIBLE, LONG-TERM FOREST OWNER

Forestry is an important part of Ahlström Capital's investment activities. Like real estates, they balance out the risks associated with other investments and offer steady returns.

Ahlström Capital has long traditions in sustainable forest business. Its forest investments reside mainly in Western Finland in the Satakunta region, and in Central and Eastern Finland. Today, Ahlström Capital has some 32,000 hectares of forest holdings. This makes the company one of the largest private forest owners in Finland. At the end of 2014, the value of forests owned by Ahlström Capital was some EUR 107 million, and they accounted for 13.5 percent of the investments.

Ahlström Capital's forest investments are currently managed by its subsidiary A. Ahlström Kiinteistöt Oy. The forests are managed efficiently and economically with the best known forestry methods. At the same time, the expansion of the income base and the vitality of the forests are looked after.

MAINTAINING FOREST BIODIVERSITY

Maintaining forest biodiversity has an important role in Ahlström Capital's forest business. Wood production is the foundation of forestry, and regular silvicultural measures are used to ensure maximum wood production. At the same time, the maintenance of forest biodiversity, the multipurpose use of forests and the cultural values generated by the forests' long usage in history are taken into account. These different ways of using forests are balanced and support each other.

STABLE MARKET DEVELOPMENT

In 2014, the production, export and export prices of Finnish forest industry products continued to grow. However, this growth has been slower than last year due to declining growth in demand in several market areas. The production of sawn wood has increased by some 5 percent compared to the previous year. At the same time, the export prices of sawn wood have increased. However, the outlook for sawn wood exports worsened during the autumn and several saw mills announced reductions in production volumes. Pulp production decreased by some 1 percent in 2014, albeit pulp exports increased slightly. Also, the export prices of pulp products increased. In the paper industry, the production volumes and export prices continued their slight decline. Wood prices decreased slightly during autumn.

Forest sales are customarily divided into stumpage sales, delivery sales and energy wood sales. In 2014, 29,000 m^3 of wood was delivered in stumpage sales, 86,000 m^3 in delivery sales and 15,000 m^3 as energy wood. Ahlström Capital's goal is to increase the share of delivery sales in its forest business.

The combined net sales of the forest business were approx. EUR 6 million. The target return for Ahlström Capital's forest business is 5 percent.

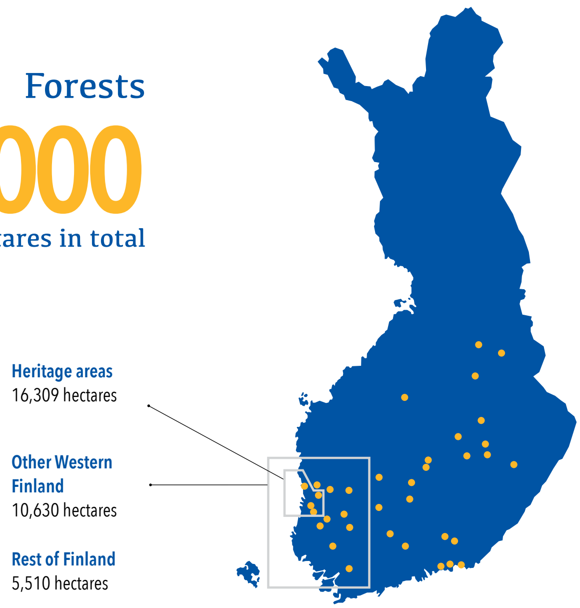
IMPORTANCE OF RENEWABLE ENERGY INCREASES

Main customers for Ahlström Capital's forest business are Finland's largest forestry companies, numerous local sawmills and energy companies.

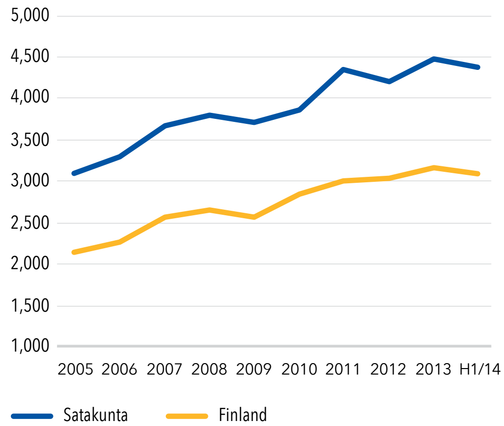
Forests

32,000

hectares in total



AVERAGE PRICE FOR FOREST LAND IN SATAKUNTA AND FINLAND, €/ha



Ahlström Capital believes that the importance of renewable energy increases in the future. This also impacts the usage of wood as an energy source. This is, however, largely dependent on how the Finnish government supports different energy forms. Currently, Finland is committed to increasing the use of renewable energy sources to 27 percent by 2030, in accordance with the EU's goals.

One example of the increasing importance of renewable energy is the planning of wind energy production in some land areas owned by Ahlström Capital. When the planning progresses, Ahlström Capital will define whether it will rent the land area to the wind power operator or take a larger role in the wind power business.

IMPLEMENTATION OF NEW FOREST INFORMATION SYSTEM

One of the key activities in 2014 was the implementation of a new forest information system. The system provides, among other things, more information on Ahlström Capital's forests as well as the size and location of wood stocks. It also enables real-time connection with the subcontractors of Ahlström Capital's forest business. The new system supports Ahlström Capital's strategy to increase the share of delivery sales in its forest business.

RESPONSIBILITY AT THE CORE OF AHLSTRÖM CAPITAL'S FOREST BUSINESS

Responsibility is at the core of Ahlström Capital's forest business. All our forests have been certified and part of the forests reside in the Natura nature reserves. Ahlström Capital also has some 100 hectares of virgin forests in Noormarkku.


We follow good corporate governance practices in all of our operations.

CORPORATE GOVERNANCE

Ahlström Capital Oy (hereinafter "Ahlström Capital" or the "company") is a private limited company registered in Finland. The company is committed to good corporate governance practices in accordance with the Finnish Limited Liability Companies Act, the company's Articles of Association and the principles of the Corporate Governance Code for Finnish listed companies. The company adheres to insider guidelines. However, as a privately held company, it does not have insider administration in place. The Finnish Corporate Governance Code is available online at www.cgfinland.fi/en/.

The parent company of the Ahlström Capital Group (the "Group") is Ahlström Capital Oy, the administrative and executive bodies of which are the General Meeting of Shareholders, Board of Directors, the Board's Nomination and Compensation Committee and the President.

The company has significant minority interests in associates. It is responsible for the development of the Group's business, handles the Group's financial reporting, provides Group and associate companies with services relating to risk management, finance, legal affairs and governance and advises them in strategic and investment matters.

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

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

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

GENERAL MEETING OF SHAREHOLDERS

The highest authority in Ahlström Capital is exercised by the shareholders at General Meetings of Shareholders. The Annual General Meeting decides on the number of members on the Board of Directors and elects the Board members, as well as decides on the fees payable to Board members and auditors. In addition, the General Meeting of Shareholders has exclusive authority over matters such as amending the Articles of Association, adopting the financial statements, deciding on the distribution of profits, deciding on releasing the Board and President from liability and electing auditors.

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

In 2014, the Annual General Meeting was held on March 26 in Helsinki. In addition, an extraordinary general meeting was held on May 12.

BOARD OF DIRECTORS

According to the Articles of Association, the Board has no fewer than five and no more than seven ordinary members. The members are elected in the Annual General Meeting of Shareholders for a term ending at the close of the next Annual General Meeting. The Board elects a Chairman and, if it deems necessary, a Vice Chairman from among its members.

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

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

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

The Board of Directors during the period 1 January to 26 March was composed as follows: Chairman Stig Gustavson, Thomas Ahlström, Mats Danielsson, Johannes Gullichsen, Kaj Hedvall, Jouko Oksanen and Peter Seligson. The Annual General Meeting of Shareholders held on 26 March elected Stig Gustavson, Thomas Ahlström, Mats Danielsson, Kaj Hedvall, Jouko Oksanen and Peter Seligson to continue as Board members. Malin Persson was elected as a new Board member. At its constituent meeting, the Board elected Stig Gustavson as the Chairman. The Board has both genders represented.

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

In 2014, the Board held 19 meetings, three of them per capsulam. The average attendance rate of its members was 98 percent.

The Board conducts annually a self-assessment study; this was done also in 2014.

NOMINATION AND COMPENSATION COMMITTEE

The role of the Nomination and Compensation Committee is to prepare proposals regarding the company's and Group's administration, salaries and incentives applicable within the company, and management's terms of employment for the consideration of the Board. The committee has a chairman and two members, appointed annually by the Board.

During 2014, the Nomination and Compensation Committee was chaired by Stig Gustavson with Jouko Oksanen and Thomas Ahlström as its members. In 2014, the committee held four meetings. The average attendance rate of the committee members was 100 percent.

PRESIDENT AND PERSONNEL

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

The company's President is Panu Routila, M.Sc. (Econ.), who has held the position since April 1, 2008. The terms and conditions of the position of President are defined in written contract confirmed by the Board. Should the contract be terminated on Ahlström Capital's initiative, the severance pay is equivalent to eighteen months' salary. Panu Routila has the right to retire at the age of 63.

In addition to the President, the company has 12 employees. They assist the President, actively monitor and develop the company's operations in accordance with the objectives set, handle reporting, and prepare decisions on investments and divestments for discussion by the Boards of the company and the company's associates and subsidiaries.

SALARIES AND REMUNERATION

The Annual General Meeting decides on the remuneration of Board members. In compliance with the resolution of the Annual General Meeting of 2014, the Chairman receives an annual remuneration of EUR 80,000 and the members EUR 32,000. No separate meeting fees are paid for board meetings. For each committee meeting, a fee of EUR 800 is paid. The fees payable to the Board members were not changed in the Annual General Meeting.

The Board decides on the President's salary and benefits and confirms the salaries, incentives and benefits of other members of the management. The company's employees are entitled to incentives according to the company's incentive policy. Incentives are based on the company's financial performance.

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 2014 elected Ernst & Young Oy, company of auditors, as the company's auditor, with Kristina Sandin, Authorized Public Accountant, as the auditor in charge. Sandin has been the company's auditor in charge since the financial period of 2012.

The Group's auditing fees in 2014 were EUR 887 thousand (669). In addition, the auditor was paid EUR 455 thousand for services not related to the audit (621).

BOARD OF DIRECTORS AS OF 31 DECEMBER 2014

Stig Gustavson
Chairman of the Board 30 August 2011–
Board member 31 March 2011–
Chairman of the Nomination and Compensation Committee 30 August 2011–

b. 1945, M.Sc. (Eng.), Dr.Tech. (hon.)

Primary working experience
KCI Konecranes Plc, President and CEO, 1994–2005
KONE Cranes division, President, 1988–1994
KONE Corporation, various executive positions 1982–1988. Prior to 1982, various executive positions in major Finnish corporations

Key positions of trust
Chairman of the Board: Handelsbanken Regional Bank Finland, Konecranes Plc, Technology Academy Finland
Vice Chairman of the Board: Dynea Oy, Mercantile Oy Ab
Member of the Board: Outokumpu Group, IK Investment Partner Funds
Supervisory Board member: Varma Mutual Pension Insurance Company
Senior Advisor: IK Investment Partners

Thomas Ahlström
Board member 22 August 2013–
Member of the Nomination and Compensation Committee 28 June 2012–

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

Primary working experience
Antti Ahlström Perilliset Oy, Managing Director 2011–
Helmi Capital Ltd., Founder 2007–2011
SEB 1991–2007: various senior executive positions in London and Helsinki, including Managing Director, SEB Merchant Banking, Finland
Scandinavian Bank plc, London 1985–1990

Key positions of trust
Member of the Board: CorpNordic AB, Ursviken Holding Oy

Mats Danielsson
Board member 7 November 2011–

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

Primary working experience
Paulig Group, CFO, 2010–
Martela Corporation, CFO, 2007–2010
Axfood AB, Group Business Controller, 2001–2007

Kaj Hedvall
Board member 22 August 2013–

b. 1960, D.Sc. (Econ.), M.Sc. (Eng.)

Primary working experience
Senate Properties, Director, 2002–
RAKLI - The Finnish Association of Building Owners and Construction Clients, Development Director, 1998–2002
Hanken Swedish School of Economics, Associate Professor (acting), 1985–1998

Key positions of trust
Member of the Board: Aktia Fund Management Ltd, Algol Oy, Julius Tallberg-Kiinteistöt Oyj

From left to right: Kaj Hedvall, Jouko Oksanen, Peter Seligson, Malin Persson, Stig Gustavson, Mats Danielsson and Thomas Ahlström.

Jouko Oksanen

Board member 30 June 2001–
Member of the Nomination and Compensation Committee 29 August 2005–

b. 1951, M.Sc. (Econ.)

Primary working experience
Varma Mutual Pension Insurance Company, CFO, CRO, 1998–2012
Pension Varma, CFO, CIO, 1990–1998
Fazer Music Inc., CFO 1984–1990

Key positions of trust
Chairman of the Board: F-Musiikki Oy, Kyllikki and Uolevi Lehikoinen Foundation, Finnish National Theatre Actors´ Pension Fund, Hilda and Aapo Pihlajamäki Foundation
Vice Chairman of the Board: The Finnish Diabetes Research Foundation
Member of the Board: HYKS Clinical Services, If Skadeförsäkring AB (publ.), Steveco Oy

Malin Persson

Board member 26 March 2014–

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

Primary working experience
Accuracy AB, CEO, 2012–
Chalmers University of Technology Foundation, President and CEO, 2013–2014
Volvo Group, various executive positions including: Volvo Technology Corporation, President and CEO, 2007–2011
AB Volvo, Vice President, Corporate Strategy and Business Development, 2000–2007
Volvo Transport Corporation, Vice President, Business & Logistics Development, 1995–2000

Key positions of trust
Board member: Becker Industrial Coatings Ltd, Getinge AB, HEXPOL AB, Konecranes Plc, Kongsberg Automotive AB, Magnora AB, Mobile Climate Control Group Holding AB, Hexatronic AB

Peter Seligson

Board member 22 August 2013–

b. 1964, Lic. oec. (HSG)

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

Key positions of trust
Chairman of the Board: Aurajoki Oy, Broadius Partners Ltd, Hercculia Oy Ab, Munksjö Oyj
Board member: Seligson & Co Oyj
Other positions of trust: Skatte- och Företagsekonomiska Stiftelsen, Chairman; Folkhälsan, Member

Sitting: Olli Valtonen and Johanna Raehalme. Standing from left to right: Sandra Sandholm, Andreas Ahlström, Suvi Uoti, Mikael Lilius, Helena Staffans and Sebastian Burmeister.

PERSONNEL AS OF 31 DECEMBER 2014

Olli Valtonen
1978, MSc (Eng)
Director, Group Control & Services

Johanna Raehalme
1983, MSc (Econ)
Investment Analyst, Netherlands

Sandra Sandholm
1988, LL.M, BSc (Econ)
Assistant Legal Counsel

Andreas Ahlström
1976, MSc (Econ)
Investment Manager

Suvi Uoti
1987, BBA
Assistant

Mikael Lilius
1983, MSc (Econ)
Investment Analyst

Helena Staffans
1956, BSc
Executive Assistant to CEO

Sebastian Burmeister
1975, MSc (Econ)
Chief Financial Officer

Sitting: Albert van der Zee and Ulla Palmunen. Standing from left to right:
Jacob af Forselles, Emmi Markkanen, Anna Eklund, Panu Routila and Henrik Mikander.

Albert van der Zee
1959
General Manager,
Netherlands

Ulla Palmunen
1974, LL.M
General Counsel

Jacob af Forselles
1973, MSc (Econ), LL.M
Chief Investment Officer

Emmi Markkanen
1984, Bachelor of
Hospitality Management
Assistant

Anna Eklund
1980, Bachelor of
Hospitality Management
Receptionist

Panu Routila
1964, MSc (Econ)
President & CEO

Henrik Mikander
1949, MBA
Investment Director

2014

FINANCIAL STATEMENTS

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REPORT OF THE BOARD OF DIRECTORS

Ahlström Capital is a family-owned investment company and a significant industrial group. The company invests in listed and non-listed companies, real estate and forest assets. Ahlström Capital is an active and responsible owner who develops the portfolio companies to create long-term shareholder value.

In 2014, the total net sales of Ahlström Capital Group amounted to EUR 1.1 billion, the balance sheet total was EUR 1.3 billion, and the Group employed on average 6,329 people.

Depending on the risk nature of asset classes, Ahlström Capital's required return is between 5 and 15 percent, with a lower expected return on real estate and forest assets, while the requirement for direct equity investments is higher. The company strives for an average annual increase in external fair value of 6–10 percent over time. Continuous value increase requires an active turnover of portfolio assets, which generally involves three to five structural transactions in the portfolio per year. The targeted dividend yield is three to five percent of the external fair value.

REORGANIZATION OF THE MANAGEMENT OF THE AHLSTRÖM FAMILY'S OWNERSHIP

In August 2013, the shareholders of the companies controlled by the Ahlström family, Antti Ahlström Perilliset Oy, A. Ahlström Osakeyhtiö and Ahlström Capital Oy, decided to reorganize the ownership so that management and development of the Ahlström family's financial and industrial assets would be concentrated into Ahlström Capital Oy. As the first step in the process, the real estate and forest business of A. Ahlström Osakeyhtiö was transferred to its new subsidiary A. Ahlström Kiinteistöt Oy on September 30, 2013. On May 28, 2014, Antti Ahlström Perilliset Oy was demerged, whereby Ahlström Capital received Perilliset's shares in A. Ahlström Osakeyhtiö, Ahlstrom Corporation and Munksjö Oyj, and issued in consideration 111,070 new shares. Antti Ahlström Perilliset Oy was liquidated in the process, and a new Antti Ahlström Perilliset Oy was formed. This new company will focus mainly on ownership-related issues. As the final step, A. Ahlström Osakeyhtiö was merged with Ahlström Capital Oy on May 30, 2014, whereby Ahlström Capital issued 170,914 new shares. A. Ahlström Kiinteistöt Oy became a subsidiary of Ahlström Capital Oy, and, as the result, Ahlström Capital's portfolio came to include substantial real estate and forest assets.

The exchange rates applied in the restructuring process were the following: in exchange for each Antti Ahlström Perilliset share, 0.59606 shares in Ahlström Capital Oy were given, and in exchange for each A. Ahlström Osakeyhtiö share, 0.55899 shares in Ahlström Capital Oy were given. Following the transactions, the number of shares in Ahlström Capital Oy increased from 360,919 to 628,876, while the issued share capital increased from EUR 36,091,900 to EUR 38,771,470. The Ahlström Capital share was valued at EUR 811.87 for the purposes of the share exchange.

EXTERNAL FAIR VALUE (EFV) OF AHLSTRÖM CAPITAL'S SHARE

For an investment company like Ahlström Capital, the development of the external fair value of the company's share is the most relevant long-term performance indicator and the most accurate way of measuring and monitoring the development of the value of investments. The External Fair Value (EFV) can be 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 International Private Equity and Venture (IPEV) Capital Valuation Guidelines 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 EFV of an investment is realized upon exit, and then the balance sheet value of the holding converges with its EFV.

At year-end 2014, the total external fair value of Ahlström Capital's portfolio was EUR 634.0 million. The comparable value for the combined post-merger assets at the beginning of 2014 was EUR 561.1 million. Including the dividends paid during the period, in total EUR 13.9 million, the dividend adjusted value increase was 15.5 percent for the year. At the end of 2014, the external fair value of Ahlström Capital Oy's share was EUR 1,008.14 (2013: EUR 940.29).

BUSINESS ENVIRONMENT

In 2014, the global economy showed divergent development. The US economy witnessed strong growth and the S&P 500 index reached its new all-time high level in November. On the other hand, the growth in the euro area, and also in the emerging economies, was slower than expected. In 2014, market volatility increased and it is expected to continue in 2015.

The crises in Ukraine and Russia and the related economic sanctions are putting extra pressure on the future development of the world economy in general and the European and Russian economies in particular. Even though the lower oil price supports economic growth in most countries, it has hit the Russian economy hard.

To ward off the threat of deflation and to improve the euro area's growth prospects, the European Central Bank (ECB) has decided to increase liquidity on the markets by purchasing government bonds from the euro area to the ECB's balance sheet. However, in the US, it is likely that the Federal Reserve (Fed) will increase their interest rates during 2015 as a response to the strengthening of the economy and in order to normalize monetary policy after the crisis.

In 2014, private equity volumes and companies' valuations increased and are now above the historical average. Globally, the real estate markets have been supported by the low interest rates, but in Finland the weak economy did not support the development. The Finnish real estate market is gaining interest among international investors, which may give rise to opportunities for Ahlström Capital to enhance real estate returns through active development. The Finnish forests have shown value growth, mainly based on yield compression. In the future, returns are mainly expected from harvesting and forest growth.

INVESTMENTS AND PORTFOLIO DEVELOPMENT

2014 was a very active year for Ahlström Capital. The concentration of the Ahlström family's financial and industrial assets into Ahlström Capital was finalized during the year. New investments were made in Destia Ltd, Outokumpu Oyj and Suominen Corporation. In September, Ahlström Capital sold its holding in Vacon Plc to Danfoss. At year-end, listed shares represented 24.2 percent, non-listed shares 32.5 percent, real estate 22.6 percent, forests 13.3 percent and liquid and other assets 7.4 percent of the external fair value.

New investments

In February, Ahlström Capital finalized the transaction whereby it acquired shares in Outokumpu Oyj. In March, the company subscribed for its pro rata share of Outokumpu's rights issue.

In May, Ahlström Capital announced that it would acquire the infrastructure and construction service company Destia Ltd from the State of Finland. The Finnish Competition and Consumer Authority approved the deal, and as of July 1, the ownership of Destia Ltd was transferred to Ahlström Capital.

In October, Ahlström Capital announced that it would acquire Ahlstrom Corporation's shares in Suominen Corporation, representing a 26.9 stake in the company. As a result of the transaction, Ahlström Capital became the largest shareholder in Suominen with 27.3 percent ownership.

Exits

In September-November, Ahlström Capital sold its holding in Vacon Plc to Danfoss. Prior to the sale, Ahlström Capital was Vacon's largest shareholder with 10.6 percent of the issued shares in Vacon.

During May, Ahlström Capital divested part of its holding in Outokumpu, as a result of which its ownership was reduced from 5.0 percent to 3.1 percent.

LISTED COMPANIES

Ahlstrom (10.9% shareholding) Ahlstrom, headquartered in Helsinki, Finland, is a high performance fiber-based materials company, partnering with leading businesses around the world to help them stay ahead. The company aims to grow with a product offering for a clean and healthy environment. Ahlstrom's materials are used in everyday applications, such as filters, medical fabrics, life science and diagnostics, wallcoverings and food packaging. Ahlstrom has around 3,500 employees in 24 countries on four continents. The company is listed on NASDAQ OMX Helsinki and had a market cap of EUR 327.6 million at the year-end 2014.

In 2014, Ahlstrom's net sales of continuing operations fell by 1.3% from the comparable period being EUR 1,001.1 million (1,014.8). Higher selling prices and improved product mix impacted net sales positively. Lower volumes in the Building and Energy, and Medical business areas had a negative impact. Ahlstrom's operating profit excluding non-recurring items was EUR 28.6 million (13.4), operating margin being 2.9 percent (1.3). Non-recurring items affecting the operating profit totaled EUR -32.3 million (EUR -2.7 million). The most significant non-recurring items were approximately EUR 12 million related to the rightsizing program, an impairment loss of approximately EUR 11.9 million related to the withdrawal from Porous Power Technologies, additional depreciation on the Chirnside production line and certain obsolete glass fiber production assets. Profit/loss before taxes was EUR -9.4 million (-15.4).

In September 2014, Ahlstrom issued a EUR 100 million senior unsecured callable bond. The bond matures on September 15, 2019, and it carries a fixed coupon interest rate of 4.125 percent per annum.

Ahlstrom expects net sales in 2015 to be in the range of EUR 1,000–1,100 million. The operating profit margin excluding non-recurring items is expected to be 3.5–5% of net sales.

Munksjö (11.1% shareholding) Munksjö Group is one of the world's largest specialty paper companies, headquartered in Helsinki, Finland. The company produces specialty papers, which are central elements in the design and manufacturing processes of its customers. The company's unique product offering includes, for example, decor paper, release paper, electrotechnical paper, abrasive backings, graphic and industrial paper and interleaving paper. The different types of paper are used in several industrial applications and consumer-driven products, including those within the furniture and interior design industry, and they are also used to develop a more sustainable system for energy distribution. Munksjö has around 2,900 employees, 15 production facilities and a global service organization. The company is listed on NASDAQ OMX Helsinki and Stockholm and had a market cap of EUR 457.0 million at the year-end 2014.

In 2014, Munksjö's net sales grew from the comparable period being EUR 1,137.3 million (863.3). This was primarily due to the business combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing completed in 2013. Adjusted EBITDA was EUR 105.0 million (55.0) and the adjusted EBITDA margin 9.2 percent (6.4). Munksjö's operating result adjusted for non-recurring items increased to EUR 51.0 million (15.7). Operating result was EUR 45.4 million (-33.4) and net result EUR 7.7 million (-57.4).

In September 2014, Munksjö entered into a new EUR 345 million term loan and revolving credit facilities agreement with a maturity of five years to increase operating flexibility and reduce the cost of financing.

The market situation and demand for Munksjö's products are expected to remain stable during the first quarter of 2015 following a seasonally somewhat weaker fourth quarter of 2014. Prices of Munksjö's specialty paper products in local currencies are expected to remain at the same level as in 2014 during the first quarter of 2015.

Outokumpu (3.1% shareholding) Outokumpu, headquartered in Espoo, Finland, is the global leader in stainless steel with cold-rolling capacity of 2.6 million tonnes. Stainless steel is an ideal material to create lasting solutions in demanding applications from cutlery to bridges, energy to medical equipment. Outokumpu creates advanced materials that are efficient, long-lasting and recyclable.

Outokumpu's production facilities are located in China, Finland, Germany, Mexico, Sweden, the UK and USA, with a global sales and service center network close to the customers. The company employs more than 12,000 professionals in 41 countries. Outokumpu is listed on NASDAQ OMX Helsinki and had a market cap of EUR 1,986.1 million at the year-end 2014.

In 2014, global stainless steel real demand grew by 5.5 percent compared to 2013. Outokumpu's stainless steel deliveries were stable at 2,544,000 tonnes (2,585,000). Outokumpu's sales totaled EUR 6,844 million (6,745). The underlying EBIT improved to EUR -88 million (-377). The main drivers for reduced losses were the improved performance of Coil Americas and Coil EMEA, as well as decreased overall cost levels. In addition, Outokumpu was successful in pricing.

In September, Outokumpu announced the issuing of a EUR 250 million senior secured bond. The proceeds from the issuance of the bond will be used to refinance the existing indebtedness, including the redemption of the bond maturing in June 2015.

Business and financial outlook for the first quarter of 2015: Outokumpu estimates higher delivery volumes quarter-on-quarter and base prices to be slightly down. Continued improvement in profitability is expected, resulting in slightly positive underlying EBIT for the first quarter. With current prices, the net impact of raw material-related inventory and metal hedging gains/losses on profitability is expected to be EUR 5–10 million negative. Outokumpu's operating result may be impacted by non-recurring items associated with the ongoing restructuring programs. This outlook reflects the current scope of operations.

Suominen (27.3% shareholding) Suominen is the global market leader in nonwovens for wipes, headquartered in Helsinki, Finland. The company manufactures nonwovens as roll goods for wipes as well as for medical and hygiene products. The end products made of Suominen's nonwovens include wet wipes, feminine care products and swabs, for instance. The company employs approximately 600 people in Europe and in the Americas, and is listed on NASDAQ OMX Helsinki. The market cap of Suominen amounted to EUR 200.8 million at the year-end 2014.

In 2014, Suominen's net sales grew by 7.5% from the comparable period being EUR 401.8 million (373.7). The positive development in net sales was influenced by the strengthening US dollar, the acquisition of the Paulínia plant and the improved demand in European markets. Operating profit excluding non-recurring items amounted to EUR 26.9 million (19.4). The share of products with higher added value in Suominen's portfolio grew, which was reflected in the gross profit as well as in operating profit. Profit for the financial year (continuing operations) was EUR 10.2 million (5.7).

Suominen completed the acquisition of Paulínia plant in Brazil from Ahlstrom Corporation in February 2014. The Paulínia plant was part of Ahlstrom's former Home and Personal business operations, acquired by Suominen in 2011, but the acquisition of the Brazilian unit was prolonged due to a delay in receiving approval from the authorities and consequent renegotiations. The company divested its Flexibles business area to a private equity company in July 2014.

In September 2014, Suominen extended and diversified its financing by issuing a EUR 75 million bond and renewing its bank facilities.

Suominen expects that for the full year 2015, its net sales and operating profit excluding non-recurring items will improve from year 2014.

NON-LISTED COMPANIES

AR Packaging Group (63.8% shareholding) AR Packaging Group is a leading manufacturer of paperboard and flexible packaging headquartered in Lund, Sweden. The company has some 1,600 employees in 14 factories in seven countries.

AR Packaging showed a strong financial performance in 2014: the Group's net sales amounted to 404.3 million (424.5) and operating profit excluding non-recurring items to EUR 27.4 million (24.1). The stable result despite the weaker sales development shows that the company has established a sustainable profitability level and continues to generate returns.

Destia (100.0% shareholding) Destia is a Finnish infrastructure and construction service company headquartered in Vantaa. The company builds, maintains and designs traffic routes, industrial and traffic environments, as well as complete living environments. Destia's services cover the whole spectrum, from comprehensive overground operations to subterranean construction. The company has four business areas: Infra Construction, Infra Maintenance, Rock Construction & Aggregates, and Consulting Services. Prior to the acquisition by Ahlström Capital in 2014, Destia was fully owned by the State of Finland.

In 2014, Destia's revenue for continuing operations was EUR 431.5 million (489.7). The decrease in revenue was particularly attributable to the small number of large individual projects ongoing during the comparison period. Operating profit for continuing operations was 15.1 (18.9). Relative profitability was improved by an improvement in project management. Result for the financial year was EUR 10.5 million (14.9). The result in the comparison period was improved by profit of MEUR 2.3 from discontinued operations. The order book at the end of the year was strong and at a higher level than the previous year, standing at EUR 628.2 million.

In 2014, demand in the infrastructure sector remained moderate, but the slowing down of the entire construction market was evident as a low amount of work in infrastructure design, among other things. Competition for projects was fierce throughout the entire year. Despite the decline in the total market, basic demand in the infrastructure field is created by the large projects planned for the next few years in the public-sector project program.

Enics (99.0% shareholding) Enics is one of the leading electronics manufacturing service providers of industrial electronics. The company is headquartered in Zurich, Switzerland. Enics operates in the fields of transportation, building automation, energy, industrial automation and instrumentation to optimize its customers' value chains and improve their competitiveness.

The company's net sales in 2014 amounted to EUR 451.1 million (422.3). Increasing profitability is one of the cornerstones of Enics' strategy. As part of the strategy, Enics has reprofiled and assigned new roles to its factories in low-cost countries (LCC) and high-cost countries (HCC) respectively. Both categories have their own objectives. The majority of the business now comes from the LCCs. There has been a shift towards LCCs due to the fact that the markets showing the highest growth are also located in these countries.

Refinancing arrangements made during the third quarter in 2014 will release funds to Ahlström Capital for new investments in 2015.

CLEANTECH PORTFOLIO

Established in 2010, the AC Cleantech Growth Fund I Ky invests in interesting targets in the cleantech industry. In addition to Ahlström Capital, Varma, Sitra and Stiftelsen för Åbo Akademi have also invested in the fund. The funds raised are fully invested. Ahlström Capital's ownership in the fund is 30 percent, and it is consolidated as an associate in the Ahlström Capital Group.

The cleantech portfolio currently comprises Ripasso Energy AB, Scandinavian Biogas Fuels International AB and Frangible Safety Posts Ltd. Of these, Ripasso Energy and Scandinavian Biogas have the best future prospects, and both time and most of the other resources of the fund are allocated accordingly. No new investments were made during the year 2014. TD Light Sweden AB was exited in March and Mervento Oy in November 2014.

Ripasso (the fund's shareholding 75.0%) Ripasso Energy AB headquartered in Gothenburg, Sweden, is developing a concentrated solar power solution enabling conversion of solar energy to electrical energy at a high efficiency. In addition to Ahlström Capital's cleantech fund, Ripasso shareholders and management include seasoned senior managers from the Swedish industry.

Scandinavian Biogas (the fund's shareholding 34.1%) Scandinavian Biogas is one of Sweden's largest private producers of biogas. The operations focus on industrial level production and the company possesses leading expertise in the design and operation of biogas plants to achieve consistently high levels of biogas production, generated through resource and energy efficient processes.

REAL ESTATE

Ahlström Capital's real estate investments consist mainly of the Eteläesplanadi property as well as residential, industrial and commercial properties in Southern Finland. Since the beginning of 2013, several housing companies or apartment houses have been sold and, consequently, the number of rental agreements in our portfolio will be reduced from 1,228 to 310 by the end of the year 2015.

The properties in Noormarkku and Kauttua are valued at roughly EUR 20 million. The result of the real estate business was burdened by business activities related to these unique heritage assets.

In the city of Lahti, Ahlström Capital is engaged in the Lahden Kulmala real estate project. It is planned that the renovation of the apartments and business premises in this functionalist building will be finished during spring 2015. The rental market for retail space remained challenging in 2014, mostly due to the general economic situation.

The Eteläesplanadi property was fully leased out throughout the year 2014, and the business continued as before. Ahlström Capital continued developing the Lönnrotinkatu property together with HGR Property Partners. The building has been converted to residential apartments and the renovation was finalized in October 2014.

Ahlström Capital and HGR Property Partners are currently negotiating with the City of Helsinki regarding the Kasarmikatu 21 property. The plan is to tear down the current building, which is occupied by the City of Helsinki's Public Works Department, and to erect a new office building on the site. It is currently estimated that the construction work would begin in early 2016.

Work on the properties in Bragadiru, Romania, progressed on schedule. The fourth residential building was completed in spring 2014, and sales work regarding the apartments proceeded well. All apartments in the three previously completed houses have been sold. Construction of the fifth building started in March 2014.

FORESTS

Ahlström Capital's forest investments reside mainly in Western Finland in the Satakunta region, and in Central and Eastern Finland. Today, Ahlström Capital has some 32,000 hectares of forest holdings. In 2014, logging of the timber proceeded as planned. Ahlström Capital delivered 29,000 m^3 of wood in standing sales, 86,000 m^3 in delivery sales and 15,000 m^3 as energy wood.

GROUP STRUCTURE

Ahlström Capital Group consists of the parent company Ahlström Capital Oy domiciled in Finland and 88 subsidiaries in 18 countries. As the result of the mergers and liquidations carried out in 2013 with the purpose of simplifying the group structure, 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 arrange financing and risks between investments in an international environment. A Finnish holding company AC Infra Oy was established during the year to manage 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, IT and HR services for the Group as a whole. Suominen Corporation, Ahlstrom Corporation, Munksjö Oyj and the Romanian real estate company West Residential Park SRL are associated companies in the Group. AC Cleantech Management Oy is the management company for AC Cleantech Growth Fund I Ky. The cleantech fund and the legal group that it constitutes are consolidated as an associated company.

GROUP EARNINGS IN 2014

The comparative figures are for the same period in 2013, unless stated otherwise.

Ahlström Capital's financial year 2014 shows a result that clearly exceeds the result for 2013. Also the operational result improved substantially compared with previous years. The figures are not fully comparable with those from previous years as Vacon was an associated company until Q3 2014. Further, Elbi was included in the Group only until August 2013, A. Ahlström Kiinteistöt Oy with subsidiaries was consolidated in the Group's figures from June 2014 and Destia from Q3 2014.

The revenue of the Ahlström Capital Group increased from the previous year and was EUR 1,149.1 million (852.2), of which the EMS business accounted for EUR 451.1 million (422.3), the packaging business for EUR 404.3 million (424.5), the infrastructure and construction services for EUR 261.8 million, the real estate business for EUR 27.9 million (5.4), forest business for EUR 2.9 million, and other businesses for EUR 1.1 million. Other operating income amounted to EUR 145.8 million (25.3), mainly consisting of capital gains associated with exits. Ahlström Capital's share of the results of its associates was EUR 0.6 million (1.0).

Return on capital employed was 18.6 percent. Financial income was EUR 6.5 million (3.5). Financial expenses totaled EUR 26.6 million (21.2). The administrative costs of the parent company Ahlström Capital Oy and holding companies amounted to EUR 6.6 million (5.8) in the reporting period, representing an average of 1.0 percent (1.7) of the EFV of the Group's capital stock. Pre-tax profit was EUR 166.5 million (34.8). Taxes recorded for the period were EUR 7.2 million (4.7). The Group's net profit was EUR 153.2 million (27.5).

FINANCIAL POSITION AND FINANCING

Ahlström Capital's financial position strengthened during the reporting year due to the sale of shares in Vacon and Outokumpu, and also thanks to a good operating result and cash flow. At the end of the year, consolidated shareholders' equity was EUR 541.5 million (210.1). The equity ratio at the end of the year was 44 percent (35) and the EFV-adjusted net gearing stood at 29 percent (28). Company's return on equity (ROE) was 44 percent (15). At the end of December 2014, the interest-bearing liabilities amounted to EUR 339.4 million (197.1). At year-end, parent company Ahlström Capital Oy and its holding companies had EUR 40.8 million available for new investments (55.0). Including unutilized credit lines Ahlström Capital had EUR 113 million. The guarantees issued by Ahlström Capital Oy on behalf of its subsidiaries or portfolio companies totaled EUR 16.8 million on December 31, 2014 (5.2). In addition, Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' overdraft credit lines. Net cash flow from operating activities (cash flow after net financial income, taxes paid and change in net working capital) was EUR 71.6 million. EUR 61.7 million was spent on investments in fixed assets and on new investments.

Net cash flow from financing activities was EUR 38.2 million. At year-end, the Group had liquid assets of EUR 152.4 million (103.6). Based on the Annual General Meeting's decision, the company paid for 360,919 shares a dividend of EUR 28.20 per share, totaling EUR 10,177,915.80 and for 628,876 shares an extra dividend of EUR 5.88 per share, being in total EUR 3,697,790.88.

In June, Destia Group Oyj placed a five-year EUR 65 million bond. Together with shareholder contributions from Ahlström Capital, the proceeds from the bond issue were sufficient to finance the acquisition of Destia Ltd. The transaction was well-received by the market and it was significantly oversubscribed.

ACCOUNTING PRINCIPLES

Ahlström Capital's consolidated financial statements for the year 2014 are the first prepared in accordance with the International Financial Reporting Standards (IFRS). Before the year ended 31 December 2013, the Group prepared its financial statements in accordance with Finnish generally accepted accounting practice (Finnish GAAP). Due to the IFRS transition in the Group, the opening balance of January 1, 2013, and the financial statements for the year 2013 have been restated in accordance with IFRS.

RISK MANAGEMENT

To manage its risks, Ahlström Capital evaluates its risk position annually and maintains a quarterly risk quantification exercise related to its assets. The most recent risk position evaluation highlighted five focus areas for ongoing monitoring and development: weaker economic development and missing targets; reduced ability to execute investments and exits as planned; higher interest rates, tighter financial conditions and financial risks resulting in a lower value for Ahlström Capital's assets; reputational, environmental, governance and regulatory risks; and human resource related risks.

To mitigate the five key risks identified above, Ahlström Capital applies the following approaches to the identified areas: general agility in actions (quality in planning, monitoring and reporting; a balanced and reasonably allocated asset portfolio); flexible exit rules (minding our track record; own organization supplemented with a good external network); a diversified portfolio; diversified banking contacts and good reputation in the bond market; a strong balance sheet with moderate leverage; Ahlström Capital's guidelines with controls and rigid monitoring; and organizational development.

In addition to these self-performed risk analyses and monitoring, Ahlström Capital promotes and monitors internal risk management practices in each of its subsidiaries. To limit its risks, ring fencing is generally applied to its subsidiaries' liabilities, and Ahlström Capital participates in all financing negotiations of the Group companies. The company has utilized its listed share assets as collateral for financing facilities, with the resulting risk of margin calls depending on the development of the share values in question. Ahlström Capital monitors the share and collateral value developments related to these financing facilities closely in order to manage its margin call risk. These facilities are used mainly as complementary financing, not as last resort, to achieve a cost efficient overall financing structure.

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 on the Group level.

PERSONNEL, ADMINISTRATION AND AUDITORS

The Ahlström Capital Group had an average of 6,329 employees during the period (4,727). Wages, salaries and fees paid amounted to EUR 216.1 million (167.6). At the end of the year, the parent company's personnel numbered 13.

During the year, the Board of Directors of Ahlström Capital Oy has consisted of Stig Gustavson (Chairman), Thomas Ahlström, Mats Danielsson, Johannes Gullichsen (until March), Kaj Hedvall, Jouko Oksanen, Malin Persson (from March) and Peter Seligson.

The auditor was the auditing firm Ernst & Young Oy, with Kristina Sandin, Authorized Public Accountant, as the auditor in charge.

COURT PROCEEDINGS AND DISPUTES

Ahlström Capital Oy is plaintiff in the case concerning the price cartel that existed in the Finnish timber market between 1997 and 2004. Preparatory work progressed ahead of legal proceedings in the Helsinki City Court.

The dispute with Savcor Group Oy regarding a debt continues. In the Netherlands the district court as well as the court of appeal ruled in favor of Ahlstrom Capital B.V. Savcor has made an appeal to Supreme Court. In Finland the execution proceedings in relation to the debt continue. The unpaid debt including interest totals EUR 3.15 million.

MAJOR SHAREHOLDERS ON DECEMBER 31, 2014

At the end of 2014, Ahlström Capital Oy had 235 shareholders (211).

	Number of shares	Percentage of capital stock
Antti Ahlström Perilliset Oy	38,085	6.1
Mona Huber	26,170	4.2
Varma Mutual Pension Insurance Company	23,490	3.7
Jacqueline Tracewski	19,823	3.2
Kaj Nahi	17,599	2.8
Johan Gullichsen	16,249	2.6
Kim Kylmälä	15,639	2.5
Anneli Studer	14,914	2.4
Michael Sumelius	14,271	2.3
Linda Emmet	14,248	2.3
Others	428,388	68.1
Total	**628,876**	**100.0**

EVENTS AFTER THE REPORTING PERIOD

In January 2015, AR Packaging Group announced that it will acquire the European packaging operations from MeadWestvaco. The acquisition includes the tobacco, confectionary and consumer goods packaging operations of the company. The acquisition supports AR Packaging Group's strategy to be a strong and significant long-term packaging supplier.

In February 2015 Ahlström Capital divested part of its holding in Outokumpu, as a result of which its ownership was reduced from 3.1 percent to 2.2 percent. Proceeds from the sale of 3.6 million shares exceeded 20 MEUR.

OUTLOOK FOR 2015

While there are signs of a slight upturn in some parts of the world, Ahlström Capital does not foresee a noticeable improvement in the operating environment, particularly in Europe, during 2015. Despite this, thanks to internal measures, Ahlström Capital has faith in that its portfolio companies are well-equipped to meet the challenges presented by the difficult operating environment and are well able to seize new business opportunities.

Ahlström Capital expects the comparable net sales and operative result to increase slightly from last year.

Ahlström Capital continues to develop its companies, and is actively seeking new investments to ensure a continuous increase in value.

Ahlström Capital's financial position is solid, and current financial arrangements support the group's activities and structure.

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

The Board of Directors proposes that a dividend of 40.00 euros per share be paid for the year 2014.

KEY FIGURES

	IFRS		FAS*			
MEUR	**2014**	**2013**	**2013**	**2012**	**2011**	**2010**
Revenue	1,149.1	852.2	861.0	873.2	801.9	683.8
Operating profit	186.6	52.5	38.1	37.7	-2.2	11.1
Profit for the period	153.2	27.5	25.3	24.9	-35.0	6.5

	IFRS		FAS*			
	Dec. 31, 2014	**Dec. 31, 2013**	**Dec. 31, 2013**	**Dec. 31, 2012**	**Dec. 31, 2011**	**Dec. 31, 2010**
Equity ratio	44%	35%	39%	36%	31%	41%
Net gearing	35%	45%	33%	53%	86%	42%
Net gearing, EFV adjusted	29%	28%	20%	34%	55%	33%
Return on Capital Employed (ROCE)	18.6%	11.7%	11.6%	11.0%	-0.5%	4.0%
Return on Equity (ROE)	44.0%	15.0%	14.4%	16.0%	-21.6%	3.5%
Net debt (EUR million)	187.0	93.5	68.9	103.9	143.9	79.2
Equity per share, EUR	816.64	506.58	509.61	468.84	391.33	508.05
External Fair Value per share, EUR	1,008.14	940.29	940.29	834.16	721.92	674.01
Earnings per share, EUR**	243.65	76.26	70.21	68.95	-96.94	17.98
Dividend per share, EUR***	40.00	34.08	20.85	20.85	12.50	12.50

* The figures for 2010–2012 are according to FAS and thus non-comparable to IFRS figures of 2013–2014.
** Earnings per share is calculated by using the number of shares at the end of fiscal year as the divisor.
*** The 2014 figure is based on proposal by the board, 2013 amount consists of dividend of 28.20 eur/share for 360,191 shares and extra dividend of 5.88 eur/share for 628,876 shares.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

TEUR	Note	2014	2013
Continuing operations:			
Revenue		1,138,486	848,064
Rental income		10,566	4,105
Revenue	9	**1,149,052**	**852,169**
Other operating income	12	145,830	25,257
Materials and services	11	-711,435	-513,599
Depreciation	19, 21	-34,094	-24,629
Personnel expenses	14	-216,066	-167,620
Other operating expenses	13	-147,280	-120,096
		-963,045	-800,687
Share in results of associated companies	37	614	998
Operating profit		**186,621**	**52,480**
Financial income	16	6,487	3,494
Financial expenses	17	-26,617	-21,205
Profit before tax		**166,491**	**34,769**
Income taxes	18	-7,248	-4,683
Profit for the period from continuing operations		**159,243**	**30,086**
Discontinued operations:	7		
Profit after tax for the period from discontinued operations			**143**
Profit for the period		**159,243**	**30,229**
Profit for the period attributable to:			
Equity holders of the parent		153,227	27,523
Non-controlling interests		6,016	2,706
		159,243	**30,229**

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

TEUR	Note	2014	2013
Profit for the period		**159,243**	**30,229**
Other comprehensive income:			
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gains (losses) on defined benefit plans		-5,646	3,792
Income tax relating to items not to be reclassified to profit or loss		1,061	-751
Share of other comprehensive income of associates		-2,293	-118
		-6,878	**2,923**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		331	-1,536
		331	-1,536
Net loss/gain on available-for-sale financial assets		36,176	186
Income tax relating to items to be reclassified to profit or loss		-952	-70
		35,224	116
Cash flow hedges		-3,220	262
Income tax relating to items to be reclassified to profit or loss		644	-90
		-2,576	172
Share of other comprehensive income of associates		1,567	-37
		1,567	-37
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**34,546**	**-1,285**
Other comprehensive income for the period, net of tax	29	**27,668**	**1,638**
Total comprehensive income for the period		**186,911**	**31,867**
Total comprehensive income attributable to:			
Equity holders of the parent		182,464	29,216
Non-controlling interests		4,447	2,651
		186,911	**31,867**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TEUR	Note	31 December 2014	31 December 2013	1 January 2013
Assets				
Non-current assets				
Goodwill	21, 22	98,020	15,840	23,614
Other intangible assets	21	9,966	7,843	6,723
Property, plant and equipment	19	195,552	113,965	131,922
Investment property	23	149,475	62,848	62,000
Biological assets	20	92,982		
Investments in associates and a joint venture	37, 39	120,923	29,397	35,603
Non-current financial assets	24	78,720	3,218	3,080
Non-current receivables	24	2,918	3,229	1,968
Deferred tax assets	25	29,296	15,864	16,444
		777,852	**252,204**	**281,354**
Current assets				
Inventories	26	171,964	148,613	132,394
Trade and other receivables	27	170,535	99,465	175,181
Tax receivable, income tax		1,527	1,372	2,334
Cash and cash equivalents	28	152,425	103,565	65,759
		496,451	**353,015**	**375,668**
Total assets		**1,274,303**	**605,219**	**657,022**
Equity and liabilities	29			
Equity attributable to equity shareholders of the parent company				
Share capital		38,771	36,092	36,092
Share premium		12,774	12,774	12,774
Unrestricted equity reserve		104,336		
Reserves		34,357	1,464	307
Translation differences		-645	-1,484	
Retained earnings		323,970	133,987	113,055
		513,563	**182,833**	**162,228**
Equity attributable to equity of non-controlling holders		**27,911**	**27,238**	**24,713**
Total equity		**541,474**	**210,071**	**186,941**
Non-current liabilities				
Interest-bearing loans and borrowings	24	252,892	120,685	124,709
Net employee defined benefit liabilities	31	36,620	29,964	33,316
Provisions	32	21,410	1,500	4,011
Deferred tax liabilities	25	36,258	8,980	9,032
Other liabilities	24	2,665	578	869
		349,845	**161,707**	**171,937**
Current liabilities				
Interest-bearing loans and borrowings	24	86,527	76,423	130,304
Trade and other payables	34	276,244	153,584	162,335
Provisions	32	15,645	2,499	4,760
Tax liability, income tax		4,568	935	745
		382,984	**233,441**	**298,144**
Total liabilities		**732,829**	**395,148**	**470,081**
Total equity and liabilities		**1,274,303**	**605,219**	**657,022**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

TEUR	Share capital	Share premium	Unrestricted equity reserve	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to equity shareholders of the parent company										
1 January 2014	**36,092**	**12,774**		**-1,128**	**-462**	**3,055**	**-1,485**	**133,987**	**182,833**	**27,238**	**210,071**
Profit for the period								153,227	153,227	6,016	159,243
Other compehensive income				36,233	-2,589		840	-5,247	29,237	-1,569	27,668
Total comprehensive income				36,233	-2,589		840	147,980	182,464	4,447	186,911
Issue of share capital	2,679							-2,679			
Dividends								-13,876	-13,876		-13,876
Business combinations			104,336					64,214	168,550		168,550
Other changes						-752		-5,656	-6,408	-3,774	-10,182
31 December 2014	**38,771**	**12,774**	**104,336**	**35,105**	**-3,051**	**2,303**	**-645**	**323,970**	**513,563**	**27,911**	**541,474**

TEUR	Share capital	Share premium	Unrestricted equity reserve	Available-for-sale reserve	Cash flow hedge reserve	Legal reserve	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interests	Total equity
	Equity attributable to equity shareholders of the parent company										
1 January 2013 (as previously reported)	**36,092**	**12,774**					**-7,715**	**128,062**	**169,213**	**25,215**	**194,428**
First time adoption of IFRS				-1,245	-634	2,186	7,715	-15,007	-6,985	-502	-7,487
1 January 2013	**36,092**	**12,774**		**-1,245**	**-634**	**2,186**		**113,055**	**162,228**	**24,713**	**186,941**
Profit for the period								27,523	27,523	2,706	30,229
Other compehensive income				117	172		-1,485	2,889	1,693	-55	1,638
Total comprehensive income				117	172		-1,485	30,412	29,216	2,651	31,867
Dividends								-7,525	-7,525		-7,525
Other changes						869		-1,955	-1,086	-126	-1,212
31 December 2013	**36,092**	**12,774**		**-1,128**	**-462**	**3,055**	**-1,485**	**133,987**	**182,833**	**27,238**	**210,071**

CONSOLIDATED STATEMENT OF CASH FLOWS

TEUR	2014	2013
Operating activities		
Profit for the period	159,243	30,229
Adjustments to reconcile profit to net cash flows:		
Depreciation and impairment	34,094	24,970
Gains and losses on disposal of fixed assets and other non-current assets	-137,874	-17,316
Share in results of associated companies	-614	-998
Change in value of investment properties and biological assets	-2,096	-848
Financial income and expenses	20,628	17,697
Income taxes	7,248	4,683
Change in working capital:		
Change in trade and other receivables	-311	75,280
Change in inventories	-341	-16,220
Change in trade and other payables	18,019	-5,558
Change in provisions	-2,192	-12,239
Interest paid	-15,770	-12,813
Dividends received	2,230	17
Interest received	944	1,051
Other financing items	-5,196	-5,271
Income taxes paid	-6,449	-3,548
Net cash flows from operating activities	**71,563**	**79,116**
Investing activities		
Acquisition of subsidiaries, net of cash acquired	-98,549	-244
Sale of subsidiaries reduced by cash or cash equivalents	7,616	22,015
Investment in associated companies	-57,128	-710
Sale of associate companies	108,164	23,739
Purchase of financial investments	-46,665	
Sale of financial investments	63,276	144
Investments in tangible assets and intangible assets	-38,162	-27,727
Sale of tangible and intangible assets	1,836	5,744
Loans granted	-2,796	-275
Repayment for loan assets	719	0
Net cash flows from/used in investing activities	**-61,689**	**22,686**
Financing activities		
Loan withdrawals	150,451	158,093
Loan repayments	-95,655	-201,014
Purchasing shares from non-controlling owners	-5,863	441
Finance lease payments	3,139	-13,991
Dividends paid	-13,876	-7,525
Net cash flow from/used in financing activities	**38,196**	**-63,996**
Net increase in cash and cash equivalents	48,070	37,806
Net foreign exchange difference	726	0
Cash and cash equivalents on 1 January	103,565	65,759
Cash and cash equivalents on 31 December	**152,361**	**103,565**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Ahlström Capital is a family-owned investment company, founded in 2001. The company invests in listed and non-listed companies, real estate and forest assets. Ahlström Capital is an active and responsible owner who develops the portfolio companies to create long-term shareholder value (see Note 35). Ahlström Capital Oy is domiciled in Finland. The registered office is located at Eteläesplanadi 14 in Helsinki.

The Consolidated Financial Statements of Ahlström Capital Oy and its subsidiaries (collectively, the Group) for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Board of Directors on 23 February 2015. 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.

A copy of the Consolidated Financial Statements is 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 6. Information on other related party relationships of the Group is provided in Note 41.

2. BASIS OF PREPARATION, CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and approved by the European Union.

For all periods up to and including the year ended 31 December 2013, the Group prepared its Financial Statements in accordance with Finnish generally accepted accounting practice (Finnish GAAP). These Financial Statements for the year ended 31 December 2014 are the first the Group has prepared in accordance with IFRS.

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

2.2 Basis of consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Group and its subsidiaries as per 31 December 2014. 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 reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the Consolidated Financial Statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss 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 profit or loss; 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 measured as the aggregate of the consideration transferred, measured 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 administrative 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 profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability recognised as a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised through profit or loss.

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.

When an entity is a first-time adopter of IFRS, limited exemptions can be granted from the general requirement of full retrospective application of the standards in force at the end of an entity's first IFRS reporting period. IFRS 1 permits a first-time adopter not to restate business combinations that occurred prior to its date of transition to IFRS.

As a first-time adopter of IFRS, Ahlström Capital has elected the exemption of full retrospective application on business combinations taken place prior to the transition date. This means that only transactions taken place subsequent to 1 January 2013 will be measured in accordance with IFRS 3.

Investment in associates and joint ventures

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

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

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

The Statement of Profit or Loss 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 profit or loss of an associate and a joint venture is shown on the face of the Statement of Profit or Loss within operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

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

At each reporting date, the Group determines whether there is objective evidence that the investment in the associate or joint venture is impaired. If there is such evidence, the Group calculates 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 Profit or Loss.

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 profit or loss.

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 are available to measure the fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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

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

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

Revenue recognition

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

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

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

Revenue from long-term projects is recognised as such with reference to the stage of completion, when the final financial result for the project can be estimated with sufficient reliability. The stage of completion is determined for each project as the share of the costs incurred for the work carried out by the review date compared with the total costs estimated for the project.

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

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 Profit or Loss due to its operating nature.

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 grants are recognised where there is reasonable assurance that the grant will be received and all respective conditions will be complied with. The Group has made a decision that it will recognise the grants by using a capital approach. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Taxes

Current income tax assets and liabilities for the current period 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 equity and not in the Statement of Profit or Loss. The Group periodically 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 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.

Deferred tax liabilities are recognised for all taxable temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or 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.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of 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.

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 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 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.

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. Deferred tax liabilities and deferred tax assets are calculated on all temporary differences arising between the tax basis and the book value of assets and liabilities. Deferred tax is not recognised for non-deductible goodwill on initial recognition and temporary differences in investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. The main temporary differences arise from unused tax losses, depreciation differences, 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.

Foreign currencies

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

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the one day prior to the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss 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 profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in the fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

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 Income Statements 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 Profit and Loss.

Non-current assets held for sale and discontinued operations and non-current assets for distribution to equity holders of the parent

The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through a sale or distribution rather than through continuing use. Such non-current assets and disposal groups classified as held for sale or as held for distribution are measured at the lower of their carrying amount and fair value less costs to sell or to distribute.

The criteria for held for sale classification is regarded as met only when the distribution is highly probable and the asset or disposal group is available for immediate distribution in its present condition. Management must be committed to the distribution expected within one year from the date of the classification. Similar considerations apply to assets or a disposal group held for sale.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale or as held for distribution. Assets and liabilities classified as held for sale or for distribution are presented separately as non-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 Profit or Loss.

Property, plant and equipment

Property, plant and equipment is 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 profit or loss as incurred. 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

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the Income Statement when the asset is derecognised.

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each financial year end and adjusted prospectively, if appropriate.

Leases

The classification of leases adopted in the standard is based on the extent to which the risks and rewards incidental to ownership of a leased asset lie with the lessor or the lessee. Whether the contract includes a financial lease or an operating lease, depends on the substance of the transaction rather than the form of the contract.

For arrangements entered into prior to 1 January 2013, the date of inception is deemed to be 1 January 2013 in accordance with IFRS 1 First-time Adoption of International Reporting Standards.

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 Income Statement.

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.

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

Leases in which the Group is the lessor and where substantially all the risks and benefits of ownership of an asset are not transferred are classified as operating leases.

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 can be 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

For accounting purposes, the Group divides all its forest assets into growing forests, which are recognised as biological assets (reported in property) at their fair value less costs to sell, and land, also recognised at fair value but reported in investment properties. There are no existing active markets for forest assets as large as the Group's. Therefore, the valuation is made by using the discounted future cash flows. The cash flows are based on Group's forest management and harvesting plan and are calculated for a period of 80 years which is the estimated harvesting cycle for the Group's forests. Discount rate used for valuation is 5 % for forests. Estimated sales prices and silvicultural costs are forecasted based on current sales prices and cost levels as the starting point.

Investment properties

Investment properties are measured initially 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 property in 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.

Instead, the investment properties that are under construction are measured at costs until they are finished and their fair value is reliably measurable. After the investment properties under construction are finished and their fair value is reliably measurable, they are reclassified as investment properties.

Fair values of the individually significant investment properties are determined based on an annual evaluation performed by an accredited external independent valuer. The fair values of the Group's other investment properties are based on discounted cash flow projections on estimated future cash flows. The discounted cash flow model used is Ahlström Capital Oy's own calculation model for the purpose.

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 profit or loss 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 finite or indefinite. Intangible assets with finite lives are amortised 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 finite useful life are reviewed at least annually. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss as the expense category that is consistent with the function of the intangible assets.

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. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

Financial assets

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

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

This category generally applies to trade and other receivables. For more information on receivables, refer to Note 24.

Available-for-sale financial investments

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

After initial measurement, AFS financial investments are measured at fair value with unrealised gains or losses recognised in other comprehensive income and credited in the AFS reserve. Accumulated gains or losses are reclassified from the AFS reserve to the Statement of Profit and Loss as other operating income/expenses if the investment is sold or as financial expenses (impairment loss) if the investment is impaired.

Derecognition of financial assets

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

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

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

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

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

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

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

If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

Financial liabilities

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

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The measurement of financial liabilities depends on their classification, as described below.

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 entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the Statement of Profit or Loss.

This category generally applies to interest-bearing loans and borrowings. For more information, see Note 24.

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 Profit or Loss.

Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risks and interest rate risks, respectively. Such 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.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in OCI and later reclassified to profit or loss when the hedge item affects profit or loss.For the purpose of hedge accounting, hedges are classified as:

cash flow hedges

- when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability; or
- a highly probable forecasted transaction; or
- the foreign currency risk in an unrecognised firm commitment.

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 documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk concerned and how the entity will assess the effectiveness of changes in the fair value of the hedging instrument in offsetting the exposure to changes in the hedged items or cash flows attributable to the hedged risk.

The effective portion of the gain or loss on the hedging instrument is recognised in OCI in the cash flow hedge reserve, while any ineffective portion is recognised immediately in the Statement of Profit or Loss as other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecast transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as OCI are transferred to profit or loss 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; 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 Profit or Loss 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 Profit or Loss 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 as per 31 December 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 current deposits

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 Profit or Loss 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 finance 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 a defined benefit pension plan 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 Balance Sheet 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 OCI as remeasurement items when they occur. Remeasurement recorded in other comprehensive income is not recycled. Past service cost is recognised in the Statement of Profit or Loss 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).

Remeasurements, comprising actuarial gains and losses, the effect of the asset ceiling, excluding net interest (not applicable to the Group) and the return on plan assets (excluding net interest), are recognised immediately in the Statement of Financial Position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Remeasurements are not reclassified to profit or loss in subsequent periods. 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 Consolidated Statement of Profit or Loss (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 the other party to receive cash or other assets of the entity for amounts that are based on the price of equity instruments of the entity or another Group entity, or equity instruments of the entity or another Group entity, provided the specified vesting conditions, if any, are met. See Note 30 for further information.

3. FIRST-TIME ADOPTION OF IFRS

These Financial Statements, for the year ended 31 December 2014, are the first the Group has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2013, the Group prepared its Financial Statements in accordance with Finnish generally accepted accounting principles (Finnish GAAP).

Accordingly, the Group has prepared Financial Statements which comply with IFRS applicable for period ending on 31 December 2014, together with the comparative period data as at and for the year ended 31 December 2013, as described in the summary of significant accounting policies. In preparing these Financial Statements, the Group's opening Statement of Financial Position was prepared as per 1January 2013, the Group's date of transition to IFRS. This section explains the most significant exemptions applied and used by the Group in restating its Local GAAP Financial Statements, including the Statement of Financial Position as per 1 January 2013 and the Financial Statements as at and for the year ended 31 December 2013.

As first-time adopter of IFRS, the Group has elected to use following exemptions from the retrospective application of certain requirements under IFRS.

The Group has applied the following exemptions

IFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries which are considered businesses for IFRS that occurred before 1 January 2013. Use of this exemption means that the Finnish GAAP carrying amount of assets and liabilities, required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS Statement of Financial Position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary on 1 January 2013.

The Group has elected to disclose the following amounts prospectively from the date of transition (IFRS ordinarily requires the amounts for the current and previous four annual periods to be disclosed):

- the present value of the defined benefit obligation, the fair value of the plan assets and the surplus or deficit in the plan; and
- the experience adjustments arising on the plan liabilities and the plan assets.

Cumulative currency translation differences for all foreign operations are deemed to be zero as per 1 January 2013.

The Group has designated unquoted equity instruments held on 1 January 2013 as available-for-sale investments.

First time adoption of IFRS

Group reconciliation of equity on 1 January 2013 (date of transition to IFRS)

TEUR	Note	Finnish GAAP	Remeasurements	IFRS on 1 January 2013
Assets				
Non-current assets				
Goodwill	A3	23,614		23,614
Other intangible assets	A1	9,191	-2,468	6,723
Property, plant and equipment	A1, A4, A5, A6, A7	150,278	-18,356	131,922
Investment property	A4		62,000	62,000
Investment in associates and a joint venture	A8, A9	32	35,571	35,603
Non-current financial assets	A8, A10, A11	44,084	-41,004	3,080
Non-current receivables	A9	4,569	-2,601	1,968
Deferred tax assets	A12	10,668	5,776	16,444
		242,436	**38,918**	**281,354**
Current assets				
Inventories	A5, A9	118,745	13,649	132,394
Trade and other receivables	A6, A9, A11, A13, A16	110,123	65,058	175,181
Tax receivable, income tax		2,334		2,334
Cash and cash equivalents	A9	65,696	63	65,759
		296,898	**78,770**	**375,668**
Total assets		**539,334**	**117,688**	**657,022**
Equity and liabilities				
Equity attributable to equity shareholders of the parent company				
Share capital		36,092		36,092
Share premium		12,774		12,774
Reserves	A2, A10, A20		307	307
Translation differences	A17	-7,715	7,715	
Retained earnings	A1, A2, A3, A4, A5, A6, A7, A8, A9, A12, A13, A14, A15, A17, A18, A19, A21, A22, A23	128,062	-15,007	113,055
		169,213	**-6,985**	**162,228**
Equity attributable to equity of non-controlling holders	A9, A19	**25,215**	**-502**	**24,713**
Total equity		**194,428**	**-7,487**	**186,941**
Non-current liabilities				
Interest-bearing loans and borrowings	A6, A7, A9, A11, A15, A21, A22	115,693	9,016	124,709
Net employee defined benefit liabilities	A22, A24		33,316	33,316
Provisions	A23, A24	9,381	-5,370	4,011
Deferred tax liabilities	A12	5,990	3,042	9,032
Other liabilities	A20	29	840	869
		131,093	**40,844**	**171,937**
Current liabilities				
Interest-bearing loans and borrowings	A7, A16	53,726	76,578	130,304
Trade and other payables	A1, A9, A13, A14, A20, A23, A24, A28	159,035	3,300	162,335
Provisions	A23, A24	307	4,453	4,760
Tax liability, income tax		745		745
		213,813	**84,331**	**298,144**
Total liabilities		**344,906**	**125,175**	**470,081**
Total equity and liabilities		**539,334**	**117,688**	**657,022**

First time adoption of IFRS

Group reconciliation of equity on 31 December 2013

TEUR	Note	Finnish GAAP	Remeasurements	IFRS on 31 December 2013
Assets				
Non-current assets				
Goodwill	A3	14,531	1,309	15,840
Other intangible assets	A1	10,216	-2,373	7,843
Property, plant and equipment	A1, A4, A5, A6, A7, A33	146,284	-32,319	113,965
Investment property	A4		62,848	62,848
Investment in associates and a joint venture	A8, A9	31	29,366	29,397
Non-current financial assets	A8, A10, A11	39,242	-36,024	3,218
Non-current receivables		3,229		3,229
Deferred tax assets	A12	13,194	2,670	15,864
		226,727	**25,477**	**252,204**
Current assets				
Inventories	A5, A9	121,824	26,789	148,613
Trade and other receivables	A6, A9, A11, A13, A16, A28, A30	89,397	10,068	99,465
Tax receivable, income tax		1,372		1,372
Cash and cash equivalents	A9	101,181	2,384	103,565
		313,774	**39,241**	**353,015**
Total assets		**540,501**	**64,718**	**605,219**
Equity and liabilities				
Equity attributable to equity shareholders of the parent company				
Share capital		36,092		36,092
Share premium		12,774		12,774
Reserves	A2, A10, A20		1,465	1,465
Translation differences	A17	-8,075	6,590	-1,485
Retained earnings	A1, A2, A3, A4, A5, A6, A7, A8, A9, A12, A13, A14, A15, A17, A18, A19, A21, A22, A23, A28, A32	143,138	-9,151	133,987
		183,929	**-1,096**	**182,833**
Equity attributable to equity of non-controlling holders	A9, A19	**26,202**	**1,036**	**27,238**
Total equity		**210,131**	**-60**	**210,071**
Non-current liabilities				
Interest-bearing loans and borrowings	A7, A9, A20, A21, A34	119,587	1,098	120,685
Net employee defined benefit liabilities	A22, A24		29,964	29,964
Provisions	A23, A24	4,633	-3,133	1,500
Deferred tax liabilities	A12	6,176	2,804	8,980
Other liabilities	A20		578	578
		130,396	**31,311**	**161,707**
Current liabilities				
Interest-bearing loans and borrowings	A6, A7, A16	50,449	25,974	76,423
Trade and other payables	A1, A2, A9, A13, A14, A20, A23, A24, A27, A28	146,641	6,943	153,584
Provisions	A23, A24	796	1,703	2,499
Tax liability, income tax	A35	2,088	-1,153	935
		199,974	**33,467**	**233,441**
Total liabilities		**330,370**	**64,778**	**395,148**
Total equity and liabilities		**540,501**	**64,718**	**605,219**

First time adoption of IFRS

Group reconciliation of total comprehensive income for the year ended 31 December 2013

TEUR	Note	Finnish GAAP	Remeasurements	IFRS for the year ended 31 December 2013
Continuing operations:				
Revenue	A5, A25, A26	856,866	-8,802	848,064
Rental income		4,105		4,105
Revenue		**860,971**	**-8,802**	**852,169**
Other operating income	A4, A5, A8, A13, A14, A25, A28	23,162	2,095	25,257
Materials and services	A6, A13, A19, A25, A31, A32, A34	-518,496	4,897	-513,599
Depreciation	A2, A3, A5, A7, A25, A29	-21,577	-3,052	-24,629
Personnel expenses	A1, A22, A25, A36	-170,844	3,224	-167,620
Other operating expenses	A6, A7, A9, A13, A16, A25, A30	-133,993	13,898	-120,096
		-821,748	21,062	-800,687
Share in results of associated companies	A8, A9	-1,076	2,073	998
Operating profit		**38,147**	**14,333**	**52,480**
Financial income	A18, A23, A25, A27	4,934	-1,440	3,494
Financial expenses	A6, A7, A9, A18, A27, A20, A22, A25, A30	-13,960	-7,245	-21,205
Profit before taxes		**29,121**	**5,648**	**34,769**
Income taxes	A4, A12, A13, A14, A15, A28, A31	-1,426	-3,257	-4,683
Profit for the period from continuing operations		**27,695**	**2,391**	**30,086**
Discontinued operations:				
Profit after tax for the period from discontinued operations			143	143
Profit for the period		**27,695**	**2,534**	**30,229**
Profit for the period attributable to:				
Equity holders of the parent		25,341	2,182	27,523
Non-controlling interests	A9, A19	2,354	352	2,706
		27,695	**2,534**	**30,229**

First time adoption of IFRS

Group reconciliation of total comprehensive income for the year ended 31 December 2013

TEUR	Note	Finnish GAAP	Remeasurements	IFRS for the year ended 31 December 2013
Profit for the period		**27,695**	**2,534**	**30,229**
Other comprehensive income				
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:				
Remeasurement gains (losses) on defined benefit plans	A15, A22		3,792	3,792
Income tax relating to items not to be reclassified to profit or loss	A15, A22		-751	-751
Share of other comprehensive income of associates	A8, A9		-118	-118
			2,923	**2,923**
Other comprehensive income to be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of foreign operations	A17		-1,536	-1,536
			-1,536	-1,536
Net loss / gain on available-for-sale financial assets	A10		186	186
Income tax relating to items to be reclassified to profit or loss	A10		-70	-70
			116	116
Cash flow hedges	A20		262	262
Income tax relating to items to be reclassified to profit or loss	A20		-90	-90
			172	172
Share of other comprehensive income of associates	A8, A9		-37	-37
			-37	-37
Net other comprehensive income to be reclassified to profit loss in subsequent periods			**-1,285**	**-1,285**
Other comprehensive income for the period, net of tax			**1,638**	**1,638**
Total comprehensive income for the period		**27,695**	**4,172**	**31,867**
Total comprehensive income attributable to:				
Equity holders of the parent		25,341	3,875	29,216
Non-controlling interests		2,354	297	2,651
		27,695	**4,172**	**31,867**

NOTES TO THE RECONCILIATION OF EQUITY (ON 1 JANUARY 2013 AND 31 DECEMBER 2013) AND TOTAL COMPREHENSIVE INCOME (FOR THE YEAR ENDED 31 DECEMBER 2013)

Note A1
Renovations to buildings have been reclassified from other intangible assets to property, plant and equipment. Some intangible assets that have been capitalised under previous GAAP but do not meet the IAS 38 definition for intangible assets have been written off.

Note A2
According to IFRS 2 an entity shall recognise the services received in a share-based payment transaction when the services are received. When the services are received in an equity-settled share-based payment transaction, the entity shall recognise a corresponding increase in equity. The entity shall measure the services received, and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted. Existing schemes have been recognised in accordance with IFRS 2.

Note A3
Under IFRS goodwill is not amortised. Instead goodwill is tested for impairment on an annual basis. As a consequence of the IFRS conversion, the amortisations recognised under previous GAAP have ceased starting at the transition date.

Note A4
According to IAS 40 investment property is reclassified from property, plant and equipment to investment properties. The Group measures investment property at fair value.

Note A5
Property built for sale is classified separately from property, plant and equipment to inventories.

Note A6
The Group leases a building in Germany from BIL Leasing Verwaltungs-GmbH & Co 891 KG (BIL), a company that has not been consolidated under previous GAAP. A&R Carton GmbH is a 100% limited partner of BIL, but has only 10% of the voting rights. However, since the Group controls BIL through its exposure and rights to the variable returns from its involvement in BIL and has the ability to affect those returns through its power over the investee, BIL is consolidated within the Group in accordance with IFRS 10.

Note A7
Under IAS 17 some lease arrangements, accounted for as operating lease arrangements under previous GAAP, fulfill the criteria for finance lease accounting. These lease arrangements are recognised in the balance sheet as property, plant and equipment and finance lease liabilities. In addition, customer owned machinery has been identified under IFRIC 18 and capitalised.

Note A8
Based on the assessment made by the Group, Vacon Oyj is accounted for as an associated company in the IFRS financial statements. Under previous GAAP Vacon has been classified as non-current financial assets. Based on the assessment made by the Group, AC Cleantech Growth Fund I Ky is accounted for as an associated company in the IFRS financial statements. AC Cleantech Growth Fund I Ky has been classified as non-current financial assets in FAS.

Note A9
Based on the assessment made by the Group, Lönnrotinkadun Kivipalatsi Oy (after merger As Oy Helsingin Kivipalatsi and its parent company Rakennus Oy Kivipalatsi) is consolidated as a subsidiary. Under previous GAAP the company was accounted for using the equity method.

Note A10
Under FAS, the Group has carried both fund units and investments in shares at cost. In the IFRS financial statements investments in shares and fund units are designated as financial assets held for sale, and fair value changes are recognised in other comprehensive income and the fair value reserve in equity.

Note A11
Under previous GAAP, endowment insurances in the Swedish operations have been presented as assets with the corresponding amount as a pension provision. Under IAS 19 this is by definition a defined contribution plan that is presented net.

Note A12
Deferred tax assets and liabilities have been recognised for all the temporary timing differences between tax and accounting.

Note A13
Derivative contracts have been recorded at their fair value.

Note A14
The Group has received compensation for purchased machinery and equipment by one of its major customers that according to

previous GAAP was recognised as gain in profit or loss. Under IFRIC 18, the gain is instead recognised over the useful life of the equipment.

Note A15
Under previous GAAP, the defined pension obligation in the German activities was accounted for in accordance with IAS 19. The revised version of IAS 19 was applied in the 2013 financial statements. However, the amendments of the revised IAS 19 were not applied retrospectively and any difference related to previous years was accounted for during 2013. In connection with the conversion to IFRS, any previous effects of the revised IAS 19 have been adjusted in the statement of financial position as of the transition date.

Note A16
Under previous GAAP, the factoring related accounts receivable have been derecognised and a corresponding amount has been disclosed as a contingent liability. Since substantially all risks and rewards connected to the trade receivables are retained by the Group, the factoring agreement does not qualify for derecognition of the accounts receivable in accordance with the provisions stated in IAS 39.

Note A17
Under IFRS, the exchange differences on translation of foreign operations are presented as a separate component in equity while they were presented as part of retained earnings under previous GAAP. Moreover, the change of exchange differences on translation of foreign operations during a period is recognised in other comprehensive income under IFRS. According to IFRS1, translation differences that have arisen before 1 January 2013 have been recognised in retained earnings.

Note A18
According to previous GAAP, interest rate swaps in the German operations were off-balance. In accordance with IAS 39, these derivatives are measured at fair value.

Note A19
In previous GAAP, non-controlling interests were presented separate from equity. Under IFRS, the non-controlling interests are a part of the Group's equity, presented on a separate line.

Note A20
The fair values of derivatives that qualify for hedge accounting under IAS 39 are apportioned in order to reflect their remaining expected maturity as non-current liabilities. Interest rate swaps are included in hedge accounting and designated as cash flow hedges.

Note A21
Loans from financial institutions have been measured based on amortised cost.

Note A22
Pension plans, as well as jubilee liabilities, have been recognised as defined benefit plans in accordance with IAS19.

Note A23
Long term and short term portions of warranty and restructuring provisions have been reclassified from other payables. A long-term and short-term provision for Finnish Continued Unemployment Allowance has been recognised.

Note A24
Under previous GAAP, provisions are presented separately from other liabilities. As a consequence of the transition to IFRS, the provisions have been reclassified as other liabilities in order to reflect their remaining expected maturity, i. e., as non-current or current liabilities.

Note A25
During 2013, the Group disposed of Elbi Group. In accordance with IFRS 5, the disposal of the separate line of business is presented as discontinued operations.

Note A26
Services in utilising customer-owned machinery have been added to Revenue as per IFRIC 18.

Note A27
Foreign currency items related to accounts receivable were recorded in financial items under the previous GAAP.

Note A28
Under previous GAAP, some incurred expenses related to planned business operations have been accrued and presented as prepaid expenses. Under IFRS those expenses do not fulfil the asset recognition criteria and have been expensed in profit or loss during the period incurred.

Note A29
Financial leasing contracts recorded in PPE have been amortised over the estimated useful lives of the assets.

Note A30

Fees related to accounts receivable outsourcing have been transferred to financial items.

Note A31

According to Estonian income tax law, taxable profit is only payable upon distribution (dividend payment to the shareholders). Under previous GAAP, the Group has not accounted any deferred tax on the taxable profits of the Estonian operations. As a consequence of the transition to IFRS and in accordance with IAS 12, a deferred tax liability has been recognised corresponding to the accumulated undistributed taxable profits multiplied by the Estonian income tax rate.

Note A32

Under previous GAAP, effects related to the acquisition of the remaining 30% related to CC Pack Holding AB have been accounted as business combination. Under IFRS 3 this is accounted for as a transaction with shareholders (non-controlling interests).

Note A33

The Group's acquisition of real estate property was accounted for as a business combination under previous GAAP, giving raise to goodwill. Under IFRS, the transaction does not constitute a business combination but an asset deal.

Note A34

Transaction costs related to the Group's refinancing were, under previous GAAP, presented gross, i. e., as prepaid expenses separate from the corresponding financial liability. According to IAS 39, the transaction costs shall be included in the initial measurement of the financial liability. In subsequent periods the financial liability (bond loan) shall be measured at amortised cost using the effective interest method.

Note A35

Current tax for the current and prior periods is recognised as a liability to the extent that is has not yet been settled.

Note A36

The Group has an option plan with certain management and key employees, whereby company shares are granted against services received. The cost for the options is recorded over the vesting time and correspondingly increasing the other capital reserves within the equity.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's Consolidated Financial Statements requires 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, 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 based its assumptions and estimates on parameters available when the Consolidated Financial Statements were 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 Income Statement. Fair values are based on several different valuation methods. Largest individual assets are based on external valuation reports which utilise a mix of income and market approaches, while the smaller units are valued in-house, mainly by the income approach but also using market prices where appropriate.

Biological assets

The Group's assessment is that no relevant market prices are available that can be used to value forest holdings as extensive as those held by Ahlström Capital. The valuation is therefore made by calculating the present value of future expected cash flows from the growing forests. The most material estimates are related to future harvesting plans, changes in pulpwood and timber prices and discount rate is used. Note 20 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 30.

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 18.

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 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 31.

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 36 for further disclosures.

Contingent consideration

Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently remeasured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor (refer Notes 7 and 41 for details).

Long-term projects

The revenue and costs of long-term projects are recognised as such with reference to the stage of completion, when the final financial result for the project can be estimated with sufficient reliability. The stage of completion is determined for each project as the share of the costs incurred from the work carried out by the review date compared with the total costs estimated for the project.

Expenditure that relates to a project still not entered as income is recognised as long-term projects in progress under inventories. If the expenditure incurred and recognised gains exceed the amount invoiced for the project, the difference is shown under trade and other receivables in the Balance Sheet. If the expenditure incurred and recognised gains are less than what is invoiced for the project, the difference is shown under trade payables and other debt. When the end financial result of a long-term project cannot be reliably assessed, the project expenditure is recognised in the same period in which it is incurred, and the revenue from the project is only recognised up to the amount where a sum of money equivalent to the expenditure incurred is available. If it is probable that the overall expenditure incurred in completing the project will exceed total income from it, the expected loss is entered as a direct cost. See Note 10 for more details.

Goodwill impairment testing

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. 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 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. 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, which are generally roughly 2% per annum. Growth rates used are from external valuation reports and align with the above description.

External Fair Value 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 assets within Ahlström Capital Group less the relevant liabilities in the mother company. In order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each measurement date.

5. SEGMENT INFORMATION

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

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

6. GROUP INFORMATION

Information about subsidiaries and associated companies

The consolidated financial statements of the Group include:

Name	Country of incorporation	% equity interest 2014	2013
A. Ahlström Kiinteistöt Oy	Finland	100	-
A. Ahlström Rakennus Oy	Finland	100	-
Ahlström Pihlava Oy	Finland	100	-
Asunto Oy Iittalan Kiinteistö	Finland	100	-
Asunto Oy Karhulan Karhunkatu 14	Finland	100	-
Asunto Oy Kotkan Eskolantie 12-14	Finland	100	-
Asunto Oy Lahden Kulmala	Finland	100	-
Asunto Oy Varkauden Kommilanranta	Finland	100	-
Keskinäinen Kiinteistöosakeyhtiö Uudenmaankatu 24	Finland	100	-
Kiinteistö Oy Egantti	Finland	100	-
Asunto-osakeyhtiö Varkauden Riittulanmäentie 5-9	Finland	100	-
Kiinteistö Oy Hämeenlinnan Taipaleentie 6	Finland	100	-
Kiinteistö Oy Lahden Kulmala	Finland	100	-
Kiinteistö Oy Riihimäen Lasi	Finland	100	-
Morpac Oy	Finland	100	-
Rauman MO-Kiinteistö Oy	Finland	100	-
Kymiring Oy	Finland	19	-
Ahlström Konsernipalvelut Oy	Finland	100	100
AC Cleantech Management Oy	Finland	100	97
AC Verwaltungs-GmbH	Germany	100	100
Capbe AB	Sweden	-	100
AC Infra Oy	Finland	100	-
Destia Group Oyj	Finland	100	-
Destia Oy	Finland	100	-
Destia Rail Oy	Finland		-
Finnroad Oy	Finland		-
Destia International Oy	Finland		-
Destia Eesti AS	Estonia		-
Turgel Grupp AS	Estonia		-
Destia Sverige AB	Sweden		-
Zetasora Oy	Finland		-
Destia Nesta Oy	Finland		-

Name	Country of incorporation	% equity interest 2014	2013
Ahlstrom Capital B.V.	Netherlands	100	100
ACPack B.V.	Netherlands	100	100
ÅR Packaging Group AB	Sweden	64	63
Å&R Carton AB	Sweden		
A&R Carton Beteiligungen GmbH	Germany		
A&R Carton Cdf SA	France		
A&R Carton Frankfurt GmbH	Germany		
A&R Carton GmbH	Germany		
BIL Leasing Verwaltungs-GmbH & Co 891 KG	Germany	10	10
A&R Carton Holding GmbH	Germany		
A&R Carton Ltd	United Kingdom		
A&R Carton NA Inc.	United States		
A&R Carton Oy	Finland		
A&R Carton SA	France		
ZAO A&R Carton Kuban	Russia		
A&R Carton A/S	Norway		
Å&R Carton Lund AB	Sweden		
A&R Carton AS	Estonia		
AC Tabasalu Kinnistute OÜ	Estonia	-	
CC Pack Holding AB	Sweden		
CC Pack AB	Sweden		
Combi Craft AB	Sweden		
Specialty Paperboard Containers Ltd	United Kingdom	73	73
EMI Corp SA	Belgium	50	50
Flextrus Group AB	Sweden		
Flextrus AB	Sweden		
Flextrus Halmstad AB	Sweden		
Flextrus Ltd	United Kingdom		
A&R Carton Austria GmbH	Austria		-
DutchCo Alpha Holding B.V.	Netherlands	100	100
Ahlstrom Capital Solar PVT Ltd	India	100	100
DutchCo Delta Holding B.V.	Netherlands	100	100
AC Invest Two B.V.	Netherlands	100	100
AC Invest Three B.V.	Netherlands	100	100
AC Invest Four B.V.	Netherlands	100	100
AC Invest Five B.V.	Netherlands	100	-
AC Invest Six B.V.	Netherlands	100	-
AC Invest Seven B.V.	Netherlands	100	-
AC Kinnistute AS	Estonia	100	100
ACEMS B.V.	Netherlands	100	100
Enics AG	Switzerland	99	96
Enics Eesti AS	Estonia		
Enics Electronics (Beijing) Ltd.	China		
Enics Electronics (Suzhou) Ltd.	China		
Enics Finland Oy	Finland		
Enics Hong Kong Ltd.	China		
Enics Schweiz AG	Switzerland		
Enics Slovakia s.r.o.	Slovakia		
Enics Sweden AB	Sweden		
Waspel B.V.	Netherlands	-	100
AC Real Estate B.V.	Netherlands	100	100
Waspel Real Estate A.S.	Turkey	100	100
AC Bucharest Real Estate Holding B.V.	Netherlands	100	100
BDY Invest S.R.L	Romania	100	100
Rakennus Oy Kivipalatsi	Finland	50	50
As Oy Helsingin Kivipalatsi	Finland		
Kazerne Real Estate Holding B.V.	Netherlands	100	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Associated companies	Country of incorporation	% equity interest 2014
Ahlstrom Oyj	Finland	11
AC Cleantech Growth Fund I Ky	Finland	29
Munksjö Oyj	Finland	11
Suominen Oyj	Finland	27
Vacon Oyj	Finland	-
West Residential Park S.R.L	Romania	50
Asunto-osakeyhtiö Vuorimiehenkatu 5	Finland	30

Divestments, liquidations, mergers	Country of incorporation	% equity interest 2014
Capbe AB	Sweden	liquidated
Waspel B.V.	Netherlands	liquidated
AC Tabasalu Kinnistute OÜ	Estonia	merged
Vacon Oyj	Finland	sold
Asunto Oy Kotkan Alahovintie 7	Finland	sold
Asunto Oy Mällinkatu 6	Finland	sold
Asunto Oy Riihimäen Vuorelanmäki 1	Finland	sold
Asunto Oy Savonlinnan Välimäentie 5-7	Finland	sold
Asunto Oy Varkauden Ahlströminkatu 12	Finland	sold
Asunto Oy Varkauden Savontie 16	Finland	sold

7. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

In 2014, there were no assets held for sale or discontinued operations.

In 2013, the assets held for sale and discontinued operations related to the divestment of ELBI Elektrik to ABB on 5 September 2013.

TEUR	2013
Revenue	15,024
Expenses	-14,913
Operating profit	**111**
Financial income	32
Profit/(loss) before tax for the year from a discontinued operation	**143**
Profit/(loss) for the year from a discontinued operation	**143**

The net cash flows incurred by Elbi Elektrik are as follows:

TEUR	2013
Net cash flow from operating activities	-2,428
Net cash flow from/used in investing activities	-441
Net cash flow from/used in financing activities	2,991
Net cash (outflow) / inflow	**122**

8. BUSINESS COMBINATIONS AND ACQUISITIONS OF NON-CONTROLLING INTERESTS

Acquisitions in 2014

Shareholders in the companies controlled by the Ahlström family Antti Ahlström Perilliset Oy, A. Ahlström Osakeyhtiö and Ahlström Capital Oy decided on the General Meetings held on 22 August 2013 to restructure the ownership so that the management and development of the family's financial and industrial assets are centralised in Ahlström Capital Oy. As the first step in the process, the real estate and forest business of A. Ahlström Osakeyhtiö was transferred to its new subsidiary, A. Ahlström Kiinteistöt Oy on 30 September 2013. On 28 May 2014, Antti Ahlström Perilliset Oy was demerged, whereby Ahlström Capital received Perilliset's shares in A. Ahlström Osakeyhtiö, Ahlstrom Oyj and Munksjö Oyj, and issued in consideration 111,070 new shares in Ahlström Capital. Antti Ahlström Perilliset Oy was liquidated in the process, and a new Antti Ahlström Perilliset Oy was formed. This new company will focus mainly on ownership-related issues. As the final step, A. Ahlström Osakeyhtiö was merged with Ahlström Capital Oy on 30 May 2014, whereby Ahlström Capital issued 170,914 new shares in Ahlström Capital Oy. A. Ahlström Kiinteistöt Oy became a subsidiary of Ahlström Capital Oy, and consequently, Ahlström Capital's portfolio came to include substantial real estate and forest assets. Total impact of above mentioned arrangements on profit or loss has been TEUR 314. A. Ahlström Kiinteistöt subgroup's revenue after business combination is TEUR 10,258 and loss for the period is TEUR -2,022.

On 1 July 2014, Destia Group Oyj acquired through a share transaction Destia Oy's entire share capital. Destia is a Finnish infrastructure and construction service company, building, maintaining and designing traffic routes, traffic and industrial environments as well as complete living environments. Destias services cover the whole spectrum, from comprehensive overground operations to subterranean construction. Destia Oy and its subsidiaries mainly operate in Finland.

The transaction was financed by issuing a MEUR 65 bond on 19 June 2014. The operating profit for the financial year is encumbered by the MEUR 2.2 costs, and the result for the financial year is encumbered by the MEUR 4.7 costs, which relate to the acquisition and financial arrangements of Destia's shares. The acquisition cost calculation is final, and the entire amount of the acquisition cost that exceeds the sum total of net assets is goodwill. Goodwill stands at MEUR 83. The impact of the acquisition on the Group's revenue was TEUR 261,780 and profit for the period TEUR 5,387.

If the acquisition had been made on 1 January 2014, the additional impact on the Group's revenue would have been TEUR 169,715 and loss for the period TEUR -362.

Assets acquired and liabilities assumed in 2014

The fair values of the identifiable assets and liabilities as at the date of acquisition were:

	Fair value recognised on acquisition		
TEUR	A. Ahlström Kiinteistöt Group	Antti Ahlström Perilliset Oy	Destia Oy
Assets			
Intangible assets	504		4,107
Investment properties	91,159		
Biological assets	92,038		
Property, plant and equipment	22,699		54,145
Investment in Group companies		2,072	
Investment accounted for using the equity method	732	53,701	
Available-for-sale investments	10,940		
Inventories	2,175		22,187
Loan receivables	5,000		
Trade and other receivables	8,830		59,421
Deferred tax assets	5,095		1,814
Cash and cash equivalents	1,534		50,477
	240,706	55,773	192,151
Liabilities			
Financial liabilities	75,230		7,467
Trade and other payables	3,999		99,784
Provisions	5,693		17,492
Deferred tax liability	24,927		553
Capital repayment to the State of Finland			42,048
	109,849	0	167,344
Total identifiable net assets at fair value	**130,857**	**55,773**	**24,807**
Non-controlling interest measured at fair value			
Goodwill arising on acquisition			83,154
Purchased equity			24,807
Purchase consideration transferred	**0**	**0**	**107,961**
Issued equity	**130,857**	**55,773**	

Acquisitions in 2013

AR Packaging Group acquired an additional 30% interest in the shares of CC Pack Holding AB on 5 July 2013, increasing its ownership interest to 100%. Cash consideration of TEUR 1,445 was paid to the non-controlling shareholders. The carrying value of the net assets of CC Pack Group (excluding goodwill on the original acquisition) was TEUR 1,169.

Additional interest acquired in CC Pack Group

TEUR	
Cash consideration paid to non-controlling shareholders	1,445
Carrying value of the additional interest in CC Pack Group	1,168
Difference recognised in retained earnings within equity	**227**

9. REVENUE

TEUR	2014	2013
Revenue	1,128,407	848,064
Rental income	10,566	
Rental income from investment properties	10,079	4,105
	1,149,052	**852,169**

TEUR Distribution of revenue by area	2014	2013
Finland	383,382	88,513
Other Europe	675,418	676,346
Rest of the world	90,252	87,310
	1,149,052	**852,169**

TEUR Distribution of revenue by business	2014	2013
Packaging	404,330	424,462
Electronics manufacturing services (EMS)	451,074	422,324
Infrastructure and construction	261,780	
Real estate	27,897	5,365
Forestry	2,883	
Others	1,088	18
	1,149,052	**852,169**

10. CONSTRUCTION CONTRACTS IN PROGRESS

Constructions contracts in progress only includes information on the Enics Group in the year 2013 and the first half of the year 2014 (from January to June). After Ahlström Capital Group acquired Destia Group, the information in construction contracts in progress includes also information about Destia Group.

Revenue recognised under the percentage of completion method amounted to TEUR 234,032 in 2014 (TEUR 947 in 2013).

Information on statement of financial position items of uncompleted projects on 31 December is as follows:

TEUR	2014	2013
Accrued expenses realised and profits recorded (less losses)	233,203	224
Advance payments received for unfinished projects	30,471	114

Revenue Recognition

Enics

Engineering contracts

Revenue and earnings from certain engineering contracts (Tester or Design projects) are recognised on the percentage of completion (POC) basis when the outcome of the project can be reliably measured. This is possible, when total contract revenues, costs and earnings as well as the progress of the project can be estimated reliably and it is probable that the economic benefits associated with the project will flow to the Group.

The stage of completion is determined using the "cost-to-cost" method of accounting, under which the percentage of completion is defined as the ratio of costs incurred to total estimated costs to complete. Revenue recognition according to the stage of completion is based on the estimates of anticipated contract revenues, costs and earnings as well as on the reliable measurement of the project progress. Revenue recognised and earnings will be adjusted if the estimates of the project outcome change. The cumulative effect of a change in the estimates will be recorded in the period in which the change was first time estimated and known. The expected losses of the projects, if any, are recognised in the period in which they are identified.

Destia

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

11. MATERIALS AND SERVICES

TEUR	2014	2013
Change in inventories of finished goods and work in progress	5,305	4,093
Purchases during financial year	-583,399	-518,384
Change in material inventories	-247	2,953
External services	-133,094	-2,261
	-711,435	**-513,599**

12. OTHER OPERATING INCOME

Other operating income figures also include the available-for-sale (AFS) incomes.

TEUR	2014	2013
Gain on sale of investments	94,606	18,780
Gain on sale of other tangible assets	2,368	446
Gain on sale of available-for-sale investments	41,484	
Other	7,372	6,031
	145,830	**25,257**

13. OTHER OPERATING EXPENSES

TEUR	2014	2013
Rental expenses	-16,900	-13,610
External services	-7,819	-8,380
Other expense items	-122,561	-98,106
	-147,280	**-120,096**

Other expense items mainly consists of cargo, energy, travelling, marketing, leased manpower, IT and maintenance and machinery repairment costs.

Auditor's fee

TEUR	2014	2013
Audit fee	-887	-669
Other services	-455	-621
	-1,342	**-1,290**

14. EMPLOYEE BENEFITS AND NUMBER OF EMPLOYEES

TEUR	2014	2013
Wages and salaries and other remunerations	-167,697	-128,081
Pension costs	-15,611	-9,045
Post-employment benefits other than pensions	-7	-6
Other wage-related costs	-32,751	-30,489
	-216,066	**-167,620**

TEUR	2014	2013
Managing Director's salaries	-566	-508
of which variable compensation	-191	-180
Share-based payment benefits for Managing Director*	-1,822	
Remunerations to Board members	-284	-225

Note: Salaries and other benefits for Managing Director and remunerations to Board members refer to the parent company only.
* Expense effect in the Group has been divided between the years 2012-2014. Expense in 2014 was TEUR 306 and 2013 TEUR 324.

Average number of personnel	2014	2013
Salaried	2,236	1,236
Blue-collar	4,093	3,491
	6,329	**4,727**

15. RESEARCH AND DEVELOPMENT COSTS

The AR Packaging Group's packaging business research and development concentrates on the development of new packaging solutions. Research and development costs that are not eligible for capitalisation have been expensed in the periods incurred. In year 2014 this was an amount of TEUR 1,352 (in 2013 TEUR 1,778). The R&D costs are mainly related to personnel costs.

In Destia Group TEUR 482 research and development costs consists of method and fleet development in order to improve productivity and safety.

16. FINANCIAL INCOME

TEUR	2014	2013
Interest income	754	724
Dividends	268	17
Foreign exchange gain	3,129	2,715
Other financial income	2,336	38
	6,487	**3,494**

Net gain on financial instruments at fair value through profit or loss relates to foreign exchange forward contracts that did not qualify for hedge accounting.

17. FINANCIAL EXPENSES

TEUR	2014	2013
Interest expenses from financial liabilities	-15,813	-7,921
Interest expenses for financial leasing contracts	-821	-3,704
Foreign exchange loss	-3,795	-4,230
Other financial expenses	-6,188	-4,421
Impairment loss on investments		-929
	-26,617	**-21,205**

Net loss on financial instruments at fair value through profit or loss relates to interest rate swap contracts that did not qualify for hedge accounting.

18. INCOME TAX

The major components of income tax expense for the years ended 2014 and 2013

TEUR Consolidated statement of profit or loss	2014	2013
Current income tax:		
Current tax expense	-10,524	-4,768
Taxes from previous years	-215	-10
Deferred tax:		
Change in deferred taxes	3,491	95
Income tax expense reported in the statement of profit or loss	**-7,248**	**-4,683**
Consolidated statement of other comprehensive income		
Deferred tax related to items recognised in OCI during the year:		
Unrealised gain/loss on available-for-sale financial assets	-952	-70
Actuarian gain/loss on defined benefit plan	1,061	-751
Unrealised gain/loss on hedging	644	-90
Income tax charged to other comprehensive income	**753**	**-911**

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

TEUR	2014	2013
Profit before tax from continuing operations	**166,491**	**34,769**
Tax calculated using Finnish tax rates (20%, 2013: 24.5%)	-33,298	-8,518
Difference between Finnish and foreign tax rates	-4,585	498
Non-taxable income	27,846	11,152
Non-deductible expenses	-3,190	-8,606
Utilisation of previously unrecognised tax losses	6,407	831
Adjustments of previous years current income tax	-128	-6
Other	-300	-34
Effective income tax (4.4%, 2013: 13.5%)	**-7,248**	**-4,683**
Total income tax for the period	**-7,248**	**-4,683**

Note: Taxes related to discontinued operations in 2013 are immaterial.

19. PROPERTY, PLANT AND EQUIPMENT

TEUR	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								
On 1 January 2013	8,100	26,372	12,741	232,521	77,763	4,706	5,307	367,510
Additions	58	400		14,526	2,117	257	7,589	24,947
Disposals	-1,099	-5,307		2,138	-13,442	-734	-4,255	-22,699
Business combination		1,273						1,273
Reclassifications		1,034		2,291			-4,142	-817
Exchange differences	-148	-620		-4,048	-1,363	-97	-220	-6,496
On 31 December 2013	**6,912**	**23,152**	**12,741**	**247,428**	**65,075**	**4,132**	**4,279**	**363,719**
Accumulated depreciation and impairment								
On 1 January 2013	-3,658	-10,840	-11,095	-163,739	-42,846	-3,409		-235,587
Depreciation for the year		-1,518	-276	-17,806	-5,143	-314		-25,057
Impairment	-33							-33
Disposals		443		710		454		1,607
Reclassifications		116		1,967	3,398	21		5,502
Exchange differences		98		2,794	860	62		3,814
On 31 December 2013	**-3,691**	**-11,701**	**-11,371**	**-176,074**	**-43,731**	**-3,186**	**0**	**-249,754**
Net book value								
On 1 January 2013	4,442	15,532	1,646	68,782	34,917	1,297	5,307	131,923
On 31 December 2013	3,221	11,451	1,370	71,354	21,344	946	4,279	113,965
Acquisition cost								
On 1 January 2014	6,912	23,152	12,741	247,428	65,075	4,132	4,279	363,719
Additions	3,200	5,816	52	9,346	10,879	2,839	20,847	52,979
Disposals	-3,123	-8,758	-189	-4,280	-676	-327	-3,989	-21,342
Business combination	8,337	18,469	644	27,918		19,367	4,122	78,857
Reclassification to investment properties	403	220		-30			590	1,183
Reclassifications		1,832		2,637		810	-12,691	-7,412
Exchange differences	-44	305		-2,875	-910		-40	-3,564
On 31 December 2014	**15,684**	**41,036**	**13,248**	**280,144**	**74,368**	**26,821**	**13,118**	**464,420**
Accumulated depreciation and impairment								
On 1 January 2014	-3,691	-11,701	-11,371	-176,074	-43,731	-3,186		-249,754
Depreciation for the year		-2,232	-390	-19,820	-6,786	-658		-29,886
Impairment	-32	-1,500						-1,532
Disposals	9	1,502	190	5,925	-2,884	319		5,061
Reclassifications		111		4,536				4,647
Exchange differences	14	-289		2,401	470			2,596
On 31 December 2014	**-3,700**	**-14,109**	**-11,571**	**-183,032**	**-52,931**	**-3,525**	**0**	**-268,868**
Net book value								
On 31 December 2014	**11,984**	**26,927**	**1,677**	**97,112**	**21,437**	**23,296**	**13,118**	**195,552**

20. BIOLOGICAL ASSETS

The Group's biological assets consist of standing forest. Its forest assets are approximately 32,000 hectares. The total volume of standing timber stock in the company's forests is about 4.9 million m^3. Between June to December in 2014, the harvested amount was approximately 55,000 m^3.

The valuation for forests assets is made by using the discounted future cash flows that are based on the Group's forest management and harvesting plan. These plans are calculated for a period of 80 years which is an estimated harvesting cycle for the Group's forests. The discount rate used for valuation is 5% real weighted average cost of capital (WACC). The cashflows are calculated without inflation. The timber prices and operational costs are assumed to be constant in the long run. The timber prices used are 10-year averages and also the operational costs are based on average prices.

The change in the value of the growing forests

TEUR	2014	2013
On 1 January		
Business combination	92,038	
Change due to harvesting	-1,739	
Change in fair value	2,683	
On 31 December	**92,982**	**0**

The land of forest areas is reported as investment property according to IAS 40 (Note 23). The value of forest land is TEUR 13,365. The value of standing forest and forest land is the total of TEUR 106,347.

A sensitivity analysis for the value of standing forest 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. The sensitivity analysis results are as follows:

TEUR	Interest rate 4%	Interest rate 6%
Timber prices -10%	96,547	70,864
Timber prices +10%	123,065	90,025
Costs -10%	112,225	82,122
Costs +10%	107,387	78,768

Part of the Group's forests are given as collateral for own commitments. Commitments are disclosed in note 40.

21. INTANGIBLE ASSETS

TEUR	Goodwill	Intangible rights	Other intangible assets	Advances paid	Total
Acquisition cost					
On 1 January 2013	23,614	21,303	10,935	15	55,867
Additions		436	561	742	1,739
Disposals	-7,421	-875	-22		-8,318
Reclassification		2,184		-383	1,801
Exchange differences	-353	-353	-164		-870
On 31 December 2013	**15,840**	**22,695**	**11,310**	**373**	**50,218**
Accumulated amortisation and impairment					
On 1 January 2013		-18,383	-7,147		-25,530
Amortisation for the year		-1,405	-643		-2,048
Disposals		725	22		747
Exchange differences		295			295
On 31 December 2013	**0**	**-18,768**	**-7,768**	**0**	**-26,536**
Net book value					
On 1 January 2013	23,614	2,920	3,788	15	30,337
On 31 December 2013	15,840	3,927	3,542	373	23,682
Acquisition cost					
On 1 January 2014	15,840	22,695	11,310	373	50,218
Additions		691	333	373	1,397
Business combinations	83,154	2,371		160	85,685
Disposals		-439	-348		-787
Reclassification		1,384	191	-252	1,323
Exchange differences	-974	377	-405	19	-983
On 31 December 2014	**98,020**	**27,079**	**11,081**	**673**	**136,853**
Accumulated amortisation and impairment					
On 1 January 2014		-18,768	-7,768		-26,536
Amortisation for the year		-1,934	-743		-2,677
Disposals		264	157		421
Exchange differences		-330	253		-77
On 31 December 2014	**0**	**-20,768**	**-8,101**	**0**	**-28,869**
Net book value					
On 31 December 2014	**98,020**	**6,311**	**2,980**	**673**	**107,984**

22. IMPAIRMENT TESTING OF GOODWILL

Goodwill acquired through business combinations has been allocated to the three CGUs below, which are also operating and reportable segments for impairment testing:

- AR Packaging Group
- Destia Group
- Enics Group

Carrying amount of goodwill allocated to each of the CGUs:

	AR Packaging Group		Destia Group	Enics Group		Total	
TEUR	2014	2013	2014	2014	2013	2014	2013
Goodwill	13,886	14,848	83,154	980	992	98,020	15,840

The Group performed its annual impairment test in December 2014.

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 for Enics and AR Packaging Group are based on external valuation reports, Destia is based on an internal estimate. The discount rates used were the following:
Enics 13.0%, AR Packaging Group 9.6% and Destia 10.0%.

Growth rate estimates - Rates are based on perceived long term economic growth prospects, which are based on recorded historic average growth rates of the advanced economies, which are generally roughly 2% per annum. Our companies are expected to grow organically, generally in tandem with the economy. Growth rates used are from external valuation reports and align with the above description.

Sensitivity to changes in assumptions

Sensitivity analysis on AR Packaging Group implies a need of write downs when increasing the discount rate by +2% (implied writedown 1.8 MEUR) or more. If the discount rate is kept at 9.6%, which is based on external valuation reports, there is no need for writedowns, even if the annual perpetuity growth rate is reduced to 0%.

Regarding Enics, sensitivity analysis 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.

Destia sensitivity analysis results in a similar conclusion to Enics; decreasing long term growth rate to 0% or a reasonable increase in discount rate (up to +3%) will not imply a need for a writedown.

23. INVESTMENT PROPERTIES

TEUR	2014	2013
On 1 January	62,848	62,000
Additions	185	
Acquisition through business combination	91,159	
Disposals	-5,869	
Net gain/loss from fair value adjustment	1,152	848
On 31 December	**149,475**	**62,848**

The Group's investment properties consist of lands and buildings that are held to earn rentals or for capital appreciation or both. Properties that are used in production of 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 property.

On 31 December 2014, the fair values of the properties are mostly based on valuations performed by Realia Management, Catella and Newsec – covering 80% of the total value of Investment Property. The rest of the fair value measurements are based mainly on the income approach using the discounted cash flow calculation. In the internal discounted cash flow calculations, the reference information, e.g., the discount rate, are derived from external sources to the extent possible.

On 31 December 2013, the fair values of the properties are based on valuations performed by Realia Management of 100% of the investment property value. In February 2014, Ahlström Capital has started significant renovation work in Lahti. The renovation should be ready in March 2015. In the 2014 Financial Statements, Kiinteistö Oy Lahden Kulmala's property is reported according to IAS 16 as property, plant and equipment. Kiinteistö Oy Lahden Kulmala's property is acquired as part of a business combination on 1 June 2014. After renovation, Kiinteistö Oy Lahden Kulmala's property is valued at fair value and reclassified as investment property.

TEUR	2014	2013
Rental income derived from investment properties	10,079	4,105
Direct operating expenses generating rental income	-3,429	-855
Profit arising from investment properties carried out at fair value	**6,650**	**3,250**

Reconciliation of fair value

	Investment properties			
TEUR	Office properties	Factory properties	Other properties	Unbuild land
On 1 January 2014	62,848			
Remeasurement recognised in profit or loss	1,592		-8	-432
Acquisition through business combination	9,000	39,541	21,135	21,484
Investments	60		8	117
Divestments			-5,833	-36
On 31 December 2014	**73,500**	**39,541**	**15,302**	**21,133**

24. FINANCIAL ASSETS AND LIABILITIES

Other financial assets

TEUR	2014	2013	On 1 January 2013
Financial instruments at fair value through profit or loss			
Derivatives not designated as hedges			
Foreign exchange forward contracts	3,004	18	114
	3,004	**18**	**114**
Available-for-sale investments			
Unquoted equity shares	12,527	2,029	2,134
Quoted equity shares	62,981	946	790
	75,508	**2,975**	**2,924**
Loans and receivables			
Interest-bearing loans	7,239	2,640	2,404
Non-interest-bearing loans	915	446	487
Loan receivables from associates	1,127	1,227	1,151
Other receivables	679	776	178
	9,960	**5,089**	**4,220**
Total other financial assets	**88,472**	**8,082**	**7,258**
Total current	**6,834**	**1,635**	**2,210**
Total non-current	**81,638**	**6,447**	**5,048**

Other financial liabilities

TEUR	2014	2013	On 1 January 2013
Financial liabilities at fair value through OCI			
Cash flow hedges			
Interest rate swap contracts	3,798	578	840
	3,798	**578**	**840**
Financial liabilities at fair value through profit or loss			
Derivatives not designated as hedges			
Interest rate swap contracts	17	94	213
FX forward contracts	2,324	304	208
Commodity derivatives	262		
	2,603	**398**	**421**
Other financial liabilities			
Other financial liabilities			29
			29
Total other financial liabilities	**6,401**	**976**	**1,290**
Total current	**2,603**	**398**	**421**
Total non-current	**3,798**	**578**	**869**

Interest-bearing loans and borrowings

TEUR	2014	2013	On 1 January 2013
Current interest-bearing loans and borrowings			
Obligations under finance lease contracts	4,232	7,583	9,318
Bank overdrafts	17,892	3,791	4,298
Loans from financial institutions	53,640	54,688	57,899
Other	10,763	10,361	58,789
	86,527	**76,423**	**130,304**
Non-current interest-bearing loans and borrowings			
Obligations under finance leases contracts	13,187	9,817	22,074
Bond	141,929	78,705	
Loans from financial institutions	72,250	11,452	68,329
Other	25,526	20,711	34,306
	252,892	**120,685**	**124,709**
Total interest-bearing loans and borrowings	**339,419**	**197,108**	**255,013**

25. DEFERRED TAX

TEUR Itemisation of deferred tax assets 2013	Consolidated statement of financial position On 1 January 2013	In Profit or loss	In other comprehensive income	Translation difference	Consolidated statement of financial position On 31 December 2013
Unused tax losses	7,817	-42		-74	7,701
Pension benefits	3,894	-66	-751	-17	3,060
Provisions	21	62			83
Inventories internal margin	48	3			51
Available-for-sale investments	377		-49		328
Hedges	206		-90		116
Other	4,081	242		202	4,525
	16,444	**199**	**-890**	**111**	**15,864**

TEUR Itemisation of deferred tax liabilities 2013	Consolidated statement of financial position On 1 January 2013	In Profit or loss	In other comprehensive income	Translation difference	Consolidated statement of financial position On 31 December 2013
Depreciation differences and voluntary provisions	3,743	-263		-34	3,446
Available-for-sale investments	17		-21		-4
Other	5,272	367		-101	5,538
	9,032	**104**	**-21**	**-135**	**8,980**

TEUR Itemisation of deferred tax assets 2014	Consolidated statement of financial position On 31 December 2013	In Profit or loss	In other comprehensive income	Business combination	Translation difference	Consolidated statement of financial position on 31 December 2014
Unused tax losses	7,701	4,712			-153	12,260
Pension benefits	3,060	279	1,439	166	6	4,950
Provisions	83	39				122
Inventories internal margin	51	8				59
Available-for-sale investments	328		-271			57
Investment properties		-266		4,502		4,236
Hedges	116	-8	227	425		760
Other	4,525	281		1,815	231	6,852
	15,864	**5,045**	**1,395**	**6,908**	**84**	**29,296**

TEUR Itemisation of deferred tax liabilities 2014	Consolidated statement of financial position On 31 December 2013	In Profit or loss	In other comprehensive income	Business combination	Translation difference	Consolidated statement of financial position on 31 December 2014
Depreciation differences and voluntary provisions	3,446	1,148		593	90	5,277
Available-for-sale investments	-4	7	2	299		304
Investment properties		96		5,768		5,864
Biological assets		189		18,408		18,597
Other	5,538	501		286	-109	6,216
	8,980	**1,941**	**2**	**25,354**	**-19**	**36,258**

TEUR Reflected in the statement of financial position as follows	2014	2013	On 1 January 2013
Deferred tax assets	29,296	15,864	16,444
Deferred tax liabilities - continuing operations	36,258	8,980	9,032
Deferred tax assets (liabilities), net	**-6,962**	**6,884**	**7,412**

Deductible tax-losses for which no deferred tax assets are recognised expire as follows:

Expire year:	TEUR
2015	1,246
2016	1,491
2017	575
2018	115
2019	527
2020	1,471
2022	11,148
2023	4,443
2024	300
Later than 2024	493
No expiration period	114,621
	136,430

26. INVENTORIES

TEUR	2014	2013	On 1 Jan 2013
Raw materials (at cost)	92,975	66,936	62,754
Work in process (at cost)	42,799	47,895	35,942
Finished goods (at cost or net realisable value)	36,169	33,611	33,582
Advance payments for inventories	21	171	115
Total inventories at the lower of cost and net realisable value	**171,964**	**148,613**	**132,394**

In raw materials, provision for obsolence has been made amounting to TEUR 3,811 in 2014 (in 2013 TEUR 4,467). As regards finished goods, a provision for obsolescene has also been made, totalling TEUR 918 in 2014 (in 2013 TEUR 673).

27. TRADE AND OTHER RECEIVABLES

TEUR	2014	2013	On 1 Jan 2013
Trade receivables	124,651	79,015	151,321
Other receivables	45,557	20,295	23,644
Interest receivables	327	156	216
	170,535	**99,466**	**175,181**

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days. Some of the Group companies have internal credit policies and credit insurance is in use, also some receivables are sold on a non-course basis. For more information refer to Note 35.

On 31 December 2014 Group companies had trade receivables of an initial value of TEUR 1,207 that were impaired.

On 31 December 2013, trade receivables of an initial value TEUR 517 were impaired.

TEUR	Individually impaired
On 1 January 2013	719
Addition of provisions for expected losses	442
Realised losses	-111
Unused amounts reversed	-529
Discount rate adjustment	
Translation difference to opening balanace	-4
On 31 December 2013	**517**
Addition of provisions for expected losses	867
Realised losses	-35
Unused amounts reversed	-141
Discount rate adjustment	-1
On 31 December 2014	**1,207**

Ageing analysis of trade receivables

TEUR	2014	2013	On 1 January 2013 *
Neither past due nor impaired	111,380	65,697	119,081
Past due but not impaired			
< 30 days	9,605	10,091	15,420
30-60 days	2,616	1,438	2,467
61-90 days	346	500	905
> 90 days	704	1,288	1,289
	124,651	**79,014**	**139,162**

* On 1 January 2013, the ageing analysis of trade receivables does not include trade receivables for discontinued operations, amounting to 12,159 TEUR.

28. CASH AND CASH EQUIVALENTS

TEUR	2014	2013	On 1 January 2013
Cash in hand and at bank	152,425	103,565	65,759
	152,425	**103,565**	**65,759**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following on 31 December:

TEUR	2014	2013	On 1 January 2013
Cash in hand and at bank	152,425	103,565	65,759
Cash and cash equivalents	**152,425**	**103,565**	**65,759**

29. SHARE CAPITAL AND RESERVES

TEUR	Amount of shares	Share capital	Share premium	Unrestricted equity reserve	Legal reserve	Total
On 1 January 2013	**360,919**	**36,092**	**12,774**	**0**	**2,186**	**51,052**
Other changes					869	869
On 31 December 2013	**360,919**	**36,092**	**12,774**	**0**	**3,055**	**51,921**
Share issue	267,957	2,679				2,679
Other changes					-752	-752
Business combination				104,336		104,336
On 31 December 2014	**628,876**	**38,771**	**12,774**	**104,336**	**2,303**	**158,184**

OCI, net of tax
The disaggregation of changes of OCI by each type of reserve in equity

TEUR On 31 December 2014	Available for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
Foreign exchange translation differences			612		-288	324
Gain/Loss on available-for-sale financial assets	35,225					35,225
Gain/Loss on cash flow hedges		-2,576				-2,576
Remeasurement gains (losses) on defined benefit plans				-3,297	-1,281	-4,578
Share of other comprehensive income of associates	1,008	-13	228	-1,950		-727
	36,233	**-2,589**	**840**	**-5,247**	**-1,569**	**27,668**

TEUR On 31 December 2013	Available for-sale reserve	Cash flow hedge reserve	Foreign currency translation reserve	Retained earnings	Non-controlling interests	Total
Foreign exchange translation differences			-1,485		-220	-1,705
Gain/Loss on available-for-sale financial assets	117					117
Gain/Loss on cash flow hedges		172				172
Remeasurement gains (losses) on defined benefit plans				3,043	165	3,208
Share of other comprehensive income of associates				-154		-154
	117	**172**	**-1,485**	**2,889**	**-55**	**1,638**

The total shareholders' equity consists of share capital, share premium, unrestricted equity reserve, legal reserve, available for sale reserve, cash flow hedge reserve, foreign currency translation reserve and retained earnings. The share premium account includes the value of shares in excess of the accounting par value of the shares. As a result of the ownership reorganisation in Ahlström Capital Oy, A. Ahlström Osakeyhtiö and Antti Ahlström Perilliset Oy, unstricted equity reserve increased in 2014. Legal reserves consist of amounts created from retained earnings in some countries as well as the impact from granting options in Enics. Available for sale reserve includes changes in the fair values of available-for-sale instruments. Cash flow hedge reserve includes 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.

30. SHARE-BASED PAYMENTS

Only share-based payment plans in the Group are in use in Enics subgroup.
The following table illustrates the general terms of the share-based payment plans.

Share-based payment plan

Nature of the payment plan	Share options	Share options	Share options	Share options
Grant date	16.12.2010	31.5.2012	31.5.2013	31.1.2014
Amount of granted instruments (pcs)	9,692	14,089	14,089	14,097
Strike price (EUR)	5.00	5.00	7.50	7.50
Share price used in calculations (EUR)	53.01	53.01	53.01	53.01
Time to maturity (years), maturity date on 31 May 2015	4	3	2	1
Options outstanding on 1 January 2014 (pcs)	22,925			
Options outstanding on 31 December 2014 (pcs)	22,157			
Conditions	Granted amount partially subject to meeting certain EBITDA targets			
Exercise	in shares			

Volatility

The volatility has been obtained as an average of the historical volatility (5 years of monthly observations) of the peer group companies' stock price returns. Thus, the estimated annual volatility of the share price returns is 52,8%. The fair value of the plan at grant date is TEUR 2 700.

Option plan

Under the Option Plan 2010, share options of the parent company are granted to certain company managers. The grant is made in four tranches, last one taking place in January 2014. The exercise price of the share options is fixed and pre-defined, and also depending on the dividend at the time of granting. The vesting of share options takes place according to timeline agreed and is divided into four tranches in-line with granting of the options. The fair value of the shares is estimated at least once annually and is based on customary and recognised valuation methods, including e.g. Discounted Cash Flow Method (DCF) and Market Comparable Method. Prior to 2014 there were no cash settlement alternativities, however this practice has been changed in 2014. Part of the granted options under the amendment agreements have been executed.

These options can be settled in cash no earlier than December 31, 2020. A liability (31.12.2014 being TEUR 1,801) for the granted options has been recognised to full extent. Expenses recognised during 2013 has been TEUR 922 and from year 2014 TEUR 992. During the year 2014 6,297 options (2013: 11,511) have been converted to original shares.

Shareholders' Agreement (SHA)

Under the Shareholders' Agreement, dated December 16th 2010, certain company executives and managers hold shares of the parent company. This agreement has been terminated during 2014 and part of the outstanding shares were acquired by the company. Remaining outstanding shares held by the managers of the company are governed under a new agreement structure. Shares are not freely tradable. Under the new agreements management shareholders have a put option regarding these shares after December 31, 2020. The fair value of the shares is estimated at least once annually and is based on customary and recognised valuation methods, including e.g. Discounted Cash Flow Method (DCF) and Market Comparable Method.

Employee Ownership Agreement

The Employee Ownership Agreements, entered into mainly during 2005 and 2006, have been terminated during 2014 by acquiring all the shares held under Employee Ownership Agreements.

Options/Chairman of the Board of Enics AG

In September 2012, the Chairman of Enics AG Panu Routila was granted an option to subscribe 25,000 shares in Enics AG with a fixed exercise price of EUR 7.50 per share. In May 2014 the Board of Directors of Ahlström Capital Oy resolved that the management incentives of the parent company's employees shall be only at the parent company level, hence any existing incentives concerning this personnel on portfolio company level were to be dissolved. In June 2014, Panu Routila sold his option right to ACEMS BV, the majority shareholder of Enics AG at fair market value TEUR 1,822. The options ACEMS BV acquired in the transaction are eliminated at the Group level.

31. PENSION AND OTHER POST-EMPLOYMENT BENEFIT PLANS

Net employee defined benefit liability

TEUR	2014	2013	On 1 January 2013
Finland	4,439	1,414	1,297
Germany	29,170	24,979	24,753
Switzerland	1,551	2,362	6,182
Other	1,460	1,209	1,084
	36,620	**29,964**	**33,316**

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 balance sheet equals the net of the present value of the defined benefit obligation less the fair value of the plan assets at the balance sheet date. Actuarial gains and losses are recognised in the consolidated statement of 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 profit or loss 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.

Major part of the defined benefit pension plans relates to AR Packaging Group and are unfunded.

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

TEUR	2014	2013	On 1 January 2013
On 1 January	29,964	33,316	34,434
Business combination	830		
Cost charged to profit or loss			
Service cost of current period	1,217	1,401	1,184
Net interest expense	912	1,035	1,187
Service costs of past periods			-1,201
Plan settlement	-177		
Jubilee plans recongnised in Profit or loss	270	76	87
Remeasurement gains/losses in other comprehensive income			
Acturial gains/losses	5,963	-2,983	192
Benefits paid	-2,402	-2,791	-2,598
Exchange difference	44	-90	31
On 31 December	**36,620**	**29,964**	**33,316**

The expected benefit payments for the following financial year are TEUR 2,508.

The main actuarial assumptions are specified below*

%	2014	2013	On 1 January 2013
Discount rate	2.2	3.5	3.8
Future salary increases	2.2	2	2
Future pension increases	1.7	1.65	1.65
Life expectation for pensioners at the age of 65 years	20.9	20.75	20.62

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

	2014	2014
	Change in assumption, %	**Impact on net pension provision, TEUR**
Discount rate	2	1,978
Future salary increases	2	-165
Future pension increases	1	-1,542

	Years	TEUR
Life expectation for pensioners at the age of 65:	-1	-1,304

* The main actuarial assumptions and sensitivity analysis calculated above covers 80% (Germany) of the total amount of the reported defined benefit plan liability.

32. PROVISIONS

TEUR	Warranty provision	Restructuring provision	Provision for unprofitable contracts	Environmental liabilities	Other liabilities	Total
On 1 January 2013	1,881	4,347			2,544	8,772
Exchange differences	-18					-18
Arising during the year	594		2		100	696
Utilised	-998	-2,860			-1,608	-5,466
Unused amounts reserved	-154				170	16
On 31 December 2013	1,305	1,487	2		1,206	4,000
Exchange differences	10	-22			-4	-16
Business combination	9,125			8,022	6,040	23,187
Arising during the year	1,839	16		1,000	8,583	11,438
Utilised	-328	-998		-14	-1,411	-2,751
Unused amounts reserved	-1,281		-2	-116	-148	-1,547
Reclassifications	-170	-200			370	
Discount rate adjustment and inputed interest	238			2,507		2,745
On 31 December 2014	10,738	283	0	11,399	14,636	37,056
Non-current, 31 Dec 2013	511	39			951	1,501
Current, 31 Dec 2013	794	1,448	2		255	2,499
Non-current, 31 Dec 2014	4,168	39	0	11,047	6,156	21,410
Current, 31 Dec 2014	6,570	244	0	352	8,480	15,646

33. GOVERNMENT GRANTS

TEUR	2014	2013
Received during the year	95	62

TEUR Enics	2014
Employment related items	19
Export compensation	20
Credit insurance from Government	56
	95

In 2013 government grants have been received to cover certain social security costs. There are no unfulfilled conditions or contingencies attached to these grants.

34. TRADE AND OTHER PAYABLES

TEUR	2014	2013	On 1 January 2013
Trade payables	141,577	96,773	106,810
Other payables	134,534	55,223	52,277
Interest payable	133	71	2,058
Liabilities to related parties		1,516	1,192
	276,244	153,583	162,337

35. FINANCIAL RISK MANAGEMENT

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.

Financing risk

The Group's financing risks related to the availability of necessary credit are seen as minor in the current environment. To maintain this position, Ahlström Capital strives to uphold a good reputation among market participants. This objective includes management of the Group companies' financial structure and financing negotiations, is monitored across the group and supported by the avoidance of excess indebtedness and leverage. Ahlström Capital has utilised its listed share assets as collateral for financing facilities, with the resulting risk of margin calls depending on the development of the share values in question. Ahlström Capital monitors the share and collateral value developments related to these financing facilities closely in order to manage its margin call risk.

Market risk

Ahlström Capital has a relatively limited exposure to exchange rate risks, as the overwhelming majority of its businesses operate with the euro. There is some exposure to other major currencies such as the dollar or the Swedish krona, which may result in limited fluctuations in the euro value of any such cash flows. Interest rate risk is also seen as low in the current environment of prolonged central bank assistance to the economy. This period of ultra-low interest rates is however expected to end eventually, which would result in higher financing costs to the Group. To manage the Group's interest rate risk, leverage across the Group is kept at a moderate level. Ahlström Capital also manages its currency and interest rate risks by diversifying its holdings to several different asset classes. Major fluctuations of share prices may result in margin calls related to financing facilities utilising Ahlström Capital's listed share assets as collateral. The Group utilises hedging against FX risks and interest rate risks.

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. At subsidiary level the receivables risk can be considerable, with significant variations in the amount and age structure of receivables between companies.

Liquidity risk

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 may be quickly turned to cash if necessary (e.g. listed shares). The individual Group companies also maintain financing facilities that may be utilised if the need arises, and may additionally be supported by the parent company if necessary.

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

TEUR

Year ended 31 December 2014	< 1 year	1-2 years	3-5 years	> 5 years	Total
Interest-bearing loans and borrowings	89,093	71,918	186,243	3,674	350,927
Other financial liabilities	133,161				133,161
Trade and other payables	141,575				141,575
Derivatives	4,031	1,617	438	74	6,160
	367,860	**73,535**	**186,681**	**3,748**	**631,823**

TEUR

Year ended 31 December 2013	< 1 year	1-2 years	3-5 years	> 5 years	Total
Interest-bearing loans and borrowings	78,351	31,607	88,051	1,357	199,366
Other financial liabilities	56,506				56,506
Trade and other payables	96,773				96,773
Derivatives	654	414			1,068
	232,284	**32,021**	**88,051**	**1,357**	**353,713**

Collateral

Ahlström Capital has utilised its listed share and real estate assets as collateral for its financing. Severe value declines may result in margin calls regarding the collateralised assets in question. The risk of margin calls is seen as minimal, and is constantly monitored. These facilities are used mainly as complementary financing, not as last resort, to achieve a cost efficient overall financing structure. In addition, the subsidiaries have utilised a variety of real estate and forest assets, and share pledges as collateral for their own generally ring-fenced financing arrangements.

Derivatives designated as hedging instruments

	2014		2013	
TEUR	Assets	Liabilities	Assets	Liabilities
Interest rate swaps		3,798		578

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

	2014		2013	
TEUR	Assets	Liabilities	Assets	Liabilities
Foreign currency forward contracts	3,004	2,324	18	304
Interst rate swaps		17		94
Commodity derivatives		262		

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 the parent company. In order to determine the EFV of Ahlström Capital's share, the EFV of the underlying assets is appraised at each measurement date.

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).

In order to achieve this overall objective, the Group's capital management, amongst other things, aims at ensuring that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. To manage the financial risk, the financing of subsidiaries and sub-groups are, to the extent possible, financed as ring-fenced entities without recourse on other entities. There are financial covenants on the outstanding loans and corporate bonds which are tested both as incurrence tests and maintenance basis. The levels are generally agreed in advance with sufficient headroom to the plans. These are monitored closely. 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. Sometimes there is a pre-agreed equity cure mechanism allowing the Group to balance risk with surplus in other parts of the Group at its sole discretion. The Group monitors capital using a specific gearing ratio, EFV adjusted net gearing, which is net debt divided by the EFV (External Fair Value) of the assets. The Group's policy is to keep this ratio below 50%. In net debt, the Group includes current and non-current interest bearing loans and borrowings, less cash and current deposits.

TEUR	2014	2013
Non-current interest-bearing loans and borrowings (Note 24)	252,892	120,685
Current interest-bearing loans and borrowings (Note 24)	86,527	76,423
Less: cash and short-term deposits (Note 28)	-152,425	-103,565
Net debt	**186,994**	**93,543**
External Fair Value	**633,996**	**339,418**
Shareholders equity (incl. non-controlling interest)	**541,474**	**210,071**
EFV adjusted net gearing	**29%**	**28%**
Net gearing (IFRS / Book value based)	**35%**	**45%**

36. FAIR VALUES AND FAIR VALUE MEASUREMENT

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values:

	Carrying amount, TEUR			Fair value, TEUR			Fair value measurement using hierarchy level	
	2014	2013	On 1 January 2013	2014	2013	On 1 January 2013	2013	2014
Assets measured at fair value								
Derivatives not designated as hedges								
FX forward contracts	3,004	18	114	3,004	18	114	2	2
Available-for-sale financial investments								
Quoted equity shares	62,981	946	790	62,981	946	790	1	1
Unquoted equity shares	12,527	2,029	2,134	12,527	2,029	2,134	3	3
Investment properties								
Office properties	73,500	62,848	62,000	73,500	62,848	62,000	3	3
Factory properties	39,541			39,541				3
Other properties	15,302			15,302				3
Unbuilt land	21,133			21,133				3
Biological assets	92,982			92,982				3
	320,970	**65,841**	**65,038**	**320,970**	**65,841**	**65,038**		
Assets for which fair values are disclosed								
Other financial assets								
Loans and other receivables	173,660	102,919	177,191	173,660	102,919	177,191		
Cash and short term deposits	152,425	103,565	65,759	152,425	103,565	65,759		
	326,085	**206,484**	**242,950**	**326,085**	**206,484**	**242,950**		
Liabilities measured at fair value								
Financial liabilities								
Derivative financial liabilities								
Interest rate swaps	3,798	578	840	3,798	578	840	1	2
Derivatives not designated as hedges								
FX forward contracts	2,324	304	208	2,324	304	208	1	1
Interest rate swaps	17	94	213	17	94	213	1	1
Commodity derivative	262			262				2
	6,401	**976**	**1,261**	**6,401**	**976**	**1,261**		
Liabilities for which fair values are disclosed								
Interest bearing loans and borrowings								
Obligation under finance lease contracts	17,420	17,400	31,392	18,868	18,084	32,401		
Floating rate borrowings	169,841	164,394	206,240	170,765	166,808	206,321		
Fixed rate borrowings	133,131	10,000	10,000	135,410	10,000	10,000		
Bank overdrafts	17,893	3,791	4,298	17,892	3,791	4,298		
	338,285	**195,585**	**251,930**	**342,935**	**198,683**	**253,020**		

Items where the carrying amount equals to the fair value are categorised to three levels.
Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Fair value determined by observable parameters
Level 3: Fair value determined by non-observable parameters

Reconciliation of fair value measurement of AFS assets in unquoted equity shares

TEUR	
On 1 January 2014	2,029
Remeasurement recognised in OCI	100
Business combination	9,860
Additions	937
Disposals	-25
Impairment	-374
On 31 December 2014	12,527

37. INVESTMENTS IN ASSOCIATED COMPANIES

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

Summarised financial information for associates

Summarised balance sheet

	Vacon Oyj		Ahlstrom Oyj	Munksjö Oyj	Suominen Oyj	AC Cleantech Growth Fund Group		Others	
TEUR	2014	2013	2014	2014	2014	2014	2013	2014	2013
Current assets		138,097	321,900	384,900	129,979	2,819	2,647		
Non-current assets		78,258	599,300	794,600	134,633	33,606	37,889		
Current liabilities		74,549	353,100	334,000	63,689	2,876	1,780		
Non-current liabilities		24,389	247,900	431,900	92,185	436	113		
Equity		117,417	320,200	413,600	108,738	33,113	38,643		
Carrying amount of the investment	0	22,056	38,734	36,476	38,658	6,555	7,308	500	33
Interest held		10.56%	10.91%	11.05%	27.32%	29.00%	29.00%		
Fair value of the investment		47,234	35,741	50,489	54,857				
Dividend received	2,271	2,099							

Summarised income statement

	Vacon Oyj		Ahlstrom Oyj	Munksjö Oyj	Suominen Oyj	AC Cleantech Growth Fund Group		Others	
TEUR	2014	2013	2014	2014	2014	2014	2013	2014	2013
Revenue	409,400	403,000	1,001,100	1,137,300	401,800	30	29		
Operating profit/loss	39,700	40,600	-3,700	45,400	25,900	-404	-528		
Profit/loss for the period from continuing operations	31,100	28,700	-10,300	7,700	10,200	-2,599	-9,518		
Profit/loss for the period from discontinued operations			7,500		-5,200				
Profit/loss for the period	31,100	28,700	-2,700	7,700	5,000	-2,599	-9,518		
Other comprehensive income									
Items that will not be reclassified to profit or loss	-1,100	-900	-15,900	-4,200	-200				
Items that may be reclassified subsequently to profit or loss	-1,300	-400	26,800	-8,500	7,600				
Total comprehensive income for the period	28,700	27,500	8,100	-5,000	12,400				
Group's share of the profit/loss for the period	**2,566**	**3,874**	**-2,509**	**130**	**1,301**	**-754**	**-2,760**	**-120**	**-116**
Group's share of the other comprehensive income	**155**	**-155**	**325**	**-1,422**	**216**				

The impact of the hybrid bonds of Suominen Oyj and Ahlstrom Oyj have been considered. Ahlstrom Oyj sold shares in Suominen Oyj to AC Invest Two B.V., a company within the Ahlström Capital Group. A non-recurring gain booking related to this transaction has been eliminated. There is a profit claw back clause on sales gain from the 66,666,666 shares in Suominen held by AC Invest Two B.V. valid until 7 October 2016.

Changes in investments in associates

TEUR	2014	2013
On 1 January	29,397	35,603
Share of profit/loss	614	998
Share of other comprehensive income items	-726	-155
Additions	116,295	
Disposals	-24,657	-7,049
On 31 December	**120,923**	**29,397**

At the end of the 2013 the Group has a notable 10.56% interest in Vacon Oyj. Vacon Oyj develops, manufactures and sell variable-speed AC drivers used to control electric motors and produce renewable energy. In 2014 the shares of Vacon were sold.

At the end of the 2014 the Group has a notable 10.91% interest in Ahlstrom Oyj. Ahlstrom Group is a high performance fiber-based materials company, partnering with leading business around the world to help them stay ahead.

At the end of the 2014 the Group has a notable 11.05% interest in Munksjö Oyj. The Munksjö Group is an international specialty paper company. The Munksjö Group produces specialty papers which are central elements in the design and manufacturing processes for customers. The unique product offering includes, for example, decor paper, release paper, electrotechnical paper, abrasive backings, graphic and industrial paper and interleaving paper. The different types of paper are used in several industrial applications and consumer driven products, including those within the furniture and interior design industry and they are also used to develop a more sustainable system for energy distribution.

At the end of the 2014 the Group has a 27.32% interest in Suominen Oyj. The Suominen Group is a globally leading supplier of nonwovens for wiping, hygiene and medical applications.

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

The Group has a 50% interest in West Residential Park S.R.L. West Residential Park S.R.L is a residential building company in Bucharest, Romania.

At the end of the 2014 the Group has a 29.5% interest in Asunto-osakeyhtiö Vuorimiehenkatu 5. Asunto-osakeyhtiö Vuorimiehenkatu 5 is a mutual apartment house company.

38. MATERIAL PARTLY OWNED SUBSIDIARY

Financial information of subsidiaries that have material non-controlling interests is provided below:

Name	Country of incorporation and operation	2014	2013
AR Packaging Group	Sweden, Lund	36%	37%

Accumulated balances of material non-controlling interest:
AR Packaging Group TEUR 29,382 in 2014 and TEUR 25,354 in 2013.

Profit allocated to material non-controlling interest:
AR Packaging Group TEUR 5,702 in 2014 and TEUR 3,200 in 2013.

The summarised financial information of these subsidiaries is provided below. This information is based on amounts before inter-company eliminations.

Summarised statement of profit or loss for 2014

TEUR	AR Packaging Group
Revenue	404,330
Cost of sales	-223,594
Administrative expenses	-154,987
Finance costs	-9,806
Profit before tax	**15,943**
Income tax	-342
Profit for the year from continuing operations	**15,601**
Total comprehensive income	**10,917**
Attributable to non-controlling interests	4,032
Dividends paid to non-controlling interests	0

Summarised statement of profit or loss for 2013

TEUR	AR Packaging Group
Revenue	424,462
Cost of sales	-237,880
Administrative expenses	-165,085
Finance costs	-9,884
Profit before tax	**11,613**
Income tax	-2,970
Profit for the year from continuing operations	**8,643**
Total comprehensive income	**8,308**
Attributable to non-controlling interests	3,058
Dividends paid to non-controlling interests	0

Summarised statement of financial position on 31 December 2014

TEUR	AR Packaging Group
Inventories and cash and bank balances (current)	83,908
Other current assets	63,381
Property, plant and equipment and other non-current financial assets	76,586
Other non-current assets	55,740
Trade and other payables (current)	67,936
Other current liabilities	13,736
Interest-bearing loans and borrowing and deferred tax	118,533
Total equity	**79,410**
Attributable to equity holders of parent	50,028
Non-controlling interest	29,382

Summarised statement of financial position on 31 December 2013

TEUR	AR Packaging Group
Inventories and cash and bank balances (current)	73,946
Other current assets	63,749
Property, plant and equipment and other non-current financial assets	82,857
Other non-current assets	53,062
Trade and other payables (current)	68,174
Other current liabilities	20,928
Interest-bearing loans and borrowing and deferred tax	115,987
Total equity	**68,525**
Attributable to equity holders of parent	43,171
Non-controlling interest	25,354

Summarised cash flow information for year ending 31 December 2014

TEUR	AR Packaging Group
Net cash from operating activities	32,947
Net cash used in investing activities	-10,372
Net cash used in financing activities	-11,530
Net increase/decrease in cash and cash equivalents	**11,045**

Summarised cash flow information for year ending 31 December 2013

TEUR	AR Packaging Group
Net cash from operating activities	17,368
Net cash used in investing activities	-10,671
Net cash used in financing activities	13,591
Net increase/decrease in cash and cash equivalents	**20,288**

39. INTEREST IN A JOINT VENTURE

The Group has a 50% interest in EmiCorp SA, a joint venture with domicile in Belgium. The company is currently dormant and has no activities, and the carrying amount corresponds to the cost of acquisition.

40. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – Group as lessee

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

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

TEUR	2014	2013	On 1 January 2013
Within 1 year	17,078	12,920	13,211
Between 1 and 5 years	30,090	23,712	28,620
More than 5 years	12,440	9,439	13,778
	59,608	46,071	55,609

Commitments

TEUR	2014	2013	On 1 January 2013
On own behalf			
Loans from financial institutions	144,487	68,421	87,773
Bonds	79,075	78,705	
Mortgages and pledges	396,723	115,405	113,561
Other collaterals	131,705	223,202	184,991
On behalf of others			
Collaterals	575	26	26

Investment properties, biological assets and property, plant and equipment are partly pledged as collateral for own debts and reported above as mortages and pledges. The listed share assets have been utilised as collateral for financing facilities and also reported as mortages and pledges.

TEUR	2014	2013	On 1 January 2013
Contingent liabilities			
VAT on Real Estate Investment	6,713	5,159	5,159
Guarantee commitments	7,410	6,720	5,377
Factoring commitments	13,130	8,766	3,912

There is a profit claw back clause on sales gain from the 66,666,666 shares in Suominen Oyj held by AC Invest Two B.V. valid until 7 October 2016.

41. RELATED PARTY TRANSACTIONS

The Group's related parties includes Ahlström Capital's Board of Directors and committee, 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 37. Also loan transactions with associate companies are dealt with in the note 24.

In August 2013, the shareholders of the companies controlled by the Ahlström family, Antti Ahlström Perilliset Oy, A. Ahlström Osakeyhtiö and Ahlström Capital Oy, decided to reorganise the ownership so that management and development of the Ahlström family's financial and industrial assets would be concentrated in Ahlström Capital Oy. As the first step in the process the real estate and forest business of A. Ahlström Osakeyhtiö was transferred to its new subsidiary, A. Ahlström Kiinteistöt Oy on September 30, 2013. On May 28, 2014 Antti Ahlström Perilliset Oy was demerged, whereby Ahlström Capital received Perilliset's shares in A. Ahlström Osakeyhtiö, Ahlstrom Oyj and Munksjö Oyj, and issued in consideration 111,070 new shares in Ahlström Capital. Antti Ahlström Perilliset Oy was liquidated in the process, and a new Antti Ahlström Perilliset Oy was formed. This new company will focus mainly on ownership-related issues. As the final step, A. Ahlström Osakeyhtiö was merged with Ahlström Capital Oy on May 30, 2014 whereby Ahlström Capital issued 170,914 new shares. A. Ahlström Kiinteistöt Oy became a subsidiary of Ahlström Capital Oy, and, as the result, Ahlström Capital's portfolio came to include substantial real estate and forest assets. The exchange rates applied in the restructuring process were the following: in exchange for each Antti Ahlström Perilliset share, 0.59606 shares in Ahlström Capital Oy were given, and in exchange for each A. Ahlström Osakeyhtiö share, 0.55899 shares in Ahlström Capital Oy were given. Following the transactions, the number of shares in Ahlström Capital Oy increased from 360,919 to 628,876, while the issued share capital increased from EUR 36,091,900 to EUR 38,771,470.

In October 2014 Ahlström Capital utilised its option to acquire 66,666,666 shares in Suominen Oyj from Ahlstrom Oyj, representing 26.89 percent of the shares in Suominen Oyj. As a result of the transaction, Ahlström Capital became the largest shareholder with 27.32 percent ownership. There is a profit claw back clause on sales gain from the 66,666,666 shares in Suominen Oyj held by AC Invest Two B.V. valid until 7 October 2016.

In September 2012, the Chairman of Enics AG Panu Routila was granted an option to subscribe 25,000 shares in Enics AG with a fixed exercise price of EUR 7.50 per share. In May 2014 the Board of Directors of Ahlström Capital Oy resolved that the management incentives of the parent company's employees shall be only at the parent company level, hence any existing incentives concerning this personnel on portfolio company level were to be dissolved. In June 2014, Panu Routila sold his option right to ACEMS B.V., the majority shareholder of Enics AG at fair market value 1,822 KEUR. The options ACEMS B.V. acquired in the transaction are eliminated at the Group level.

In September 2009, Panu Routila CEO of Ahlström Capital and board member of ÅR Packaging Group AB, invested in shares and capital loans in ÅR Packaging Group AB (for a total consideration of TEUR 25). In May 2014 the Board of Directors of Ahlström Capital Oy resolved that the management incentives of the parent company's employees shall be only at the parent company level, hence any existing incentives concerning this personnel on portfolio company level were to be dissolved. In June 2014, Panu Routila sold his shares to AC Pack B.V., the majority shareholder of ÅR Packaging Group AB at fair market value as determined in the shareholders agreement (TEUR 187).

In December 2014, Ahlström Capital Oy bought 75 shares of AC Cleantech Management Oy from Panu Routila, CEO of Ahlström Capital, at value of EUR 3.28 per share, totalling EUR 246.

Salaries for Managing Director and remunerations to Board members are listed in Note 14.

The following operational transactions were carried out with related parties (in addition to the transaction specified above).

TEUR Sales and purchases from/to related parties		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
Entity with significant influence over the group	2014	26			150
Entity with significant influence over the group	2013	102			150

Loans from/to related parties		Interest received	Amounts owed by related parties	Interest payable	Amounts owed to related parties
Associated companies	2014		1,127		
Associated companies	2013		1,227		

Compensation of personnel belonging to the related party of the group

TEUR	2014	2013
Wages and other short-term employee benefits	1,041	913
Post-employment benefits	105	95
Share-based payment benefits for Managing Director*	1,822	
Total compensation paid to key management personnel	**2,968**	**1,008**

* Expense effect in the Group has been divided to years 2012-2014. Expense in 2014 was TEUR 306 (2013 TEUR 324).

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.

42. EVENTS AFTER THE REPORTING PERIOD

In January 2015, AR Packaging Group announced that it will acquire the European packaging operations of MeadWestvaco. The acquisition includes the tobacco, confectionery and consumer goods packaging operations of the company. The acquisition supports AR Packaging Group's strategy to be a strong and significant long-term packaging supplier.

In February 2015 Ahlström Capital divested part of its holding in Outokumpu, as a result of which its ownership was reduced from 3.1% to 2.2%. Proceeds from the sale of 3.6 million shares exceeded MEUR 20.

43.STANDARDS ISSUED BUT NOT YET EFFECTIVE

New and revised standards and interpretations

As of 1 January 2013, the Group has adopted the following new and revised standards and interpretations:

- Amendments: IFRS 10, IFRS 12 and IAS 27 Consolidation – Investment entities.
- Amendment: IAS 39 Financial Instruments: Recognition and Measurement. Novation of derivatives and continuation of hedge accounting.
- IFRIC 21 Levies.

Amendments that will enter into force the following year

In 2015, the Group will adopt the following standards and interpretations whose application is not yet compulsory in the financial statements.

- Amendment: Defined Benefit Plans – Employee Contributions. The amendment concerns employee or third-party contributions to defined benefit plans.

Annual Improvements to IFRSs 2010–2012 and Annual Improvements to IFRSs 2011–2013. Minor amendments to the standards are collected and implemented once a year through the annual improvements procedure. The project resulted in 11 amendments to 9 standards. The effects of the amendments vary by standard, but are not expected to be significant.

Amendments that will enter into force at a later time

The Group evaluates the adoption of the following standards during subsequent financial periods, provided that they are approved by the EU.

- IFRS 15 Revenue from Contracts with Customers. The standard includes a five-step model for revenue recognition. Revenue is recognised as control of the sold goods or service is passed to the customer. The recognition model includes clearly more detailed instructions than the currently valid IAS 11 Construction Contracts and IAS 18 Revenue. The requirements for notes are also considerably expanded.
- IFRS 9 Financial Instruments. IFRS 9 will completely replace the existing IAS 39 Financial Instruments: Recognition and Measurement. The initial measurement of financial instruments is made at fair value for all financial assets. Financial assets that are debt instruments and to which the fair value option is not applied are measured following initial recognition either at amortised cost or fair value, depending on the company's business model for the management of financial assets and contractual cash flows of the financial assets. As a rule, all equity instruments are measured at fair value following the initial measurement, either through profit or loss or through other comprehensive income. With regard to financial liabilities, the main amendment is that when applying the fair value option, the effect of changes in the entity's own credit risk on the fair value of the financial liability will be recognised through other comprehensive income.

Annual Improvements to IFRSs 2012-2014. The amendments are not estimated to have a significant effect on the consolidated financial statements. The amendments are presented below:

- IFRS 5: Non-current Assets Held for Sale: changes in methods of disposal do not change the classification.
- IFRS 7: Financial Instruments: Disclosures: Servicing Contracts. A company can continue its involvement in a transferred financial asset if the company provides services related to the transferred financial assets.
- IFRS 7: Financial Instruments: Disclosures. The amendment rebuts the requirement for the disclosure of notes on offsetting in the previous financial statements.
- IAS 19: Employee Benefits. According to the amendment, the assessment of the market depth of corporate bonds should be based on the currency in which the obligation is denominated, rather than the country where the obligation is located.

INCOME STATEMENT, PARENT COMPANY

TEUR	Note	2014	2013
Net Sales	1	**5,135**	**4,934**
Other operating income	2	**21,024**	**28**
Personnel costs	3	-4,552	-2,684
Depreciation, amortisation and reduction in value	7	-1,453	-1,591
Other operating expense		-5,816	-2,431
Operating profit/loss		**14,338**	**-1,744**
Financing income and expense	5		
Interest and other financing income		38,037	16,079
Interest and other financing expenses		-1,408	-1,627
		36,629	**14,452**
Result before extraordinary items		**50,967**	**12,708**
Extraordinary items	6	-332	-410
Result before appropriations and taxes		**50,635**	**12,298**
Appropriations			
Change in depreciation difference		-211	-150
Income taxes		0	0
Net result for the period		**50,424**	**12,148**

BALANCE SHEET, PARENT COMPANY

TEUR	Note	31.12.2014	31.12.2013
Assets			
Non-current assets			
Intangible assets	7		
Intangible rights		3,917	4,382
		3,917	**4,382**
Tangible assets	7		
Land and water areas		26,254	26,254
Buildings and constructions		27,153	28,008
Machinery and equipment		955	1,029
Other tangible assets		70	69
Advances paid and construction in progress		389	64
		54,821	**55,424**
Investments	8		
Holdings in Group companies		210,927	93,986
Other shares		15,069	17,853
		225,996	**111,839**
Total non-current assets		**284,734**	**171,645**
Current assets			
Long-term receivables			
Notes receivable from Group companies	14	29,614	
Notes receivable		339	339
		29,953	**339**
Short-term receivables			
Accounts receivable		192	181
Receivables from Group companies	14	6,381	4,945
Notes receivable		495	495
Other receivables		144	
Prepaid expenses and accrued income	9	120	103
		7,332	**5,724**
Cash and bank		**37,238**	**45,018**
Total current assets		**74,523**	**51,081**
Total assets		**359,257**	**222,726**
Shareholders' equity and liabilities			
Shareholders' equity	10		
Share capital		38,771	36,092
Capital in excess of par value		12,774	12,774
Retained earnings		111,638	116,045
Reserve for invested non-restricted equity		104,336	
Net result for the period		50,424	12,147
		317,943	**177,058**
Accumulated appropriations			
Depreciation difference		1,408	1,196
		1,408	**1,196**
Provisions	12	**926**	**951**
Liabilities			
Long-term liabilities			
Loans from financial institutions		29,000	
		29,000	
Short-term liabilities			
Loans from financial institutions			35,109
Accounts payable		281	178
Liabilities to Group companies	14	5,602	6,876
Other liabilities		822	226
Accrued expenses and deferred income	13	3,275	1,132
		9,980	**43,521**
Total liabilities		**38,980**	**43,521**
Total shareholders' equity and liabilities		**359,257**	**222,726**

STATEMENT OF CASH FLOWS, PARENT COMPANY

TEUR	2014	2013
Cash flow from operating activities		
Operating profit/loss	14,338	-2,919
Depreciation and amortisation	1,453	1,591
Other adjustments	-19,297	264
Cash flow from operations before change in net working capital	-3,506	-1,064
Change in net working capital		
Increase (-) / decrease (+) of short-term receivables	2,247	-401
Decrease (-) of short-term non-interest-bearing debts	-72	-11
Cash flow from operating activities before financing items and taxes	-1,331	-1,477
Interest and other financing income	36,102	15,410
Interest and other financing expenses	-998	-1,678
Net cash flow from operating activities	**33,773**	**12,255**
Cash flow from investing activities		
Capital expenditure	-386	-4,754
Other investments	-58,794	-16,908
Proceeds from sales of non-current assets	70,360	72,102
Change in notes receivable and other receivables	-19,000	3,130
Net cash flow from/used in investing activities	**-7,820**	**53,570**
Cash flow from financing activities		
Change in long-term debt	17,000	-28,523
Change in short-term debt	-36,523	-22,344
Dividends paid	-13,876	-7,525
Other changes	-334	
Net cash flow used in financing activities	**-33,733**	**-58,391**
Change in cash and financial investments	**-7,780**	**7,434**
Cash and financial investments at beginning of period	45,018	37,584
Cash and financial investments at end of period	37,238	45,018

NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

ACCOUNTING PRINCIPLES, PARENT COMPANY

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

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

Ahlström Capital Oy was formed when A. Ahlström Osakeyhtiö demerged into three companies on 30 June 2001. The official financial statements for 2014 have been prepared for the fourteenth financial year of the company, spanning the period from 1 January 2014 to 31 December 2014.

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

Revenue recognition

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

Items denominated in foreign currency

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

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

Pension costs

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

Derivative instruments

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

Inventories

Inventories are stated at the lower of cost or market.

Investments

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

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

Non-current assets

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

Depreciation and amortisation are 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.

Extraordinary items

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

1. NET SALES

TEUR	2014	2013
Distribution of net sales by country		
Finland	4,486	4,369
Netherlands	649	565
	5,135	4,934
Distribution of net sales by business		
Real estate	4,101	4,106
Others	1,034	828
	5,135	4,934

2. OTHER OPERATING INCOME

TEUR	2014	2013
Gain on sale of non-current assets	20,872	
Others	152	28
	21,024	28

3. PERSONNEL COSTS

TEUR	2014	2013
Wages and salaries	3,732	2,217
Pension costs	725	400
Other wage related costs	95	67
	4,552	2,684

TEUR	2014	2013
Salaries for Managing Director	566	508
of which bonuses	191	180
Remunerations to Board members	284	225

4. AVERAGE NUMBER OF PERSONNEL

TEUR	2014	2013
Salaried	14	13
	14	13

5. FINANCING INCOME AND EXPENSE

Financing income

TEUR	2014	2013
Dividend income from others	18	17
Dividend income from Group companies	36,000	15,000
Interest and financing income from Group companies	2,014	1,057
Interest and financing income from others	5	5
	38,037	16,079

Financing expenses

TEUR	2014	2013
Interest and financing expenses to Group companies	-158	-578
Interest and financing expenses to others		
Interest expenses	-921	-822
Other financing expenses	-329	-227
	-1,250	-1,049
	-1,408	**-1,627**

6. EXTRAORDINARY INCOME AND EXPENSE

TEUR	2014	2013
Gain/loss on liquidation	2	-10
Group contribution, given	-334	-400
	-332	-410

7. INTANGIBLE AND TANGIBLE ASSETS, APPRECIATIONS, WRITE-OFFS AND DEPRECIATIONS

TEUR 2014	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost on 1 January 2014	4,853	26,254	35,899	2,268	69	64
Increases			59		1	384
Decreases						-59
Acquisition cost on 31 December 2014	4,853	26,254	35,958	2,268	70	389
Accumulated depreciation and amortisation on 1 January 2014	471		7,891	1,239		
Depreciation and amortisation for the period	465		914	74		
Accumulated depreciation and amortisation on 31 December 2014	936		8,805	1,313		
Book value on 31 December 2014	**3,917**	**26,254**	**27,153**	**955**	**70**	**389**

TEUR 2013	Intangible rights	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost on 1 January 2013	203	26,254	35,899	2,268	69	342
Increases	4,650					104
Decreases						-382
Acquisition cost on 31 December 2013	4,853	26,254	35,899	2,268	69	64
Accumulated depreciation and amortisation on 1 January 2013	6		6,844	1,160		
Depreciation and amortisation for the period	465		1,047	79		
Accumulated depreciation and amortisation on 31 December 2013	471		7,891	1,239		
Book value on 31 December 2013	**4,382**	**26,254**	**28,008**	**1,029**	**69**	**64**

8. LONG-TERM INVESTMENTS

TEUR 2014	Holdings in Group companies	Other stock and shares
Book value on 1 January 2014	93,986	17,853
Increases	131,963	
Decreases	-15,022	-2,784
Book value on 31 December 2014	**210,927**	**15,069**

TEUR 2013	Holdings in Group companies	Other stock and shares
Book value on 1 January 2013	149,814	16,838
Increases	15,893	1,015
Decreases	-27,468	
Repayment of capital	-44,253	
Book value on 31 December 2013	**93,986**	**17,853**

9. PREPAID EXPENSES AND ACCRUED INCOME

TEUR	Dec. 31 2014	Dec. 31 2013
Short-term		
Accrued interest income	18	13
Periodisation of costs	40	29
Other	62	61
	120	103

10. SHAREHOLDERS' EQUITY

TEUR	2014	2013
Tied-up shareholders' equity		
Shareholders' equity at Jan. 1	36,092	36,092
Increase of shareholders' equity	2,679	
Shareholders' equity at Dec. 31	**38,771**	**36,092**
Capital in excess of par value at Jan. 1	12,774	12,774
Capital in excess of par value at Dec. 31	**12,774**	**12,774**
Tied-up shareholders' equity, total	**51,545**	**48,866**
Free shareholders' equity		
Profit from previous financial years at Jan. 1	128,192	122,847
Distribution of profits	-13,876	-7,525
Reserve for invested non-restricted equity	104,336	
Other changes	-2,678	723
Profit from previous financial years at Dec. 31	**215,974**	**116,045**
Net profit for the period	**50,424**	**12,147**
Free shareholders' equity, total	**266,398**	**128,192**
Shareholders' equity, total	**317,943**	**177,058**

11. SHARE CAPITAL ON 31 DECEMBER 2014

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

12. PROVISIONS

TEUR		
Personnel costs	**2014**	**2013**
Total	926	951

13. ACCRUED EXPENSES AND DEFERRED INCOME

TEUR	2014	2013
Short-term		
Personnel costs	2,952	1,099
Interest expense	257	7
Other	66	26
Total	3,275	1,132

14. RECEIVABLES FROM AND LIABILITIES TO GROUP COMPANIES

Receivables from group companies

TEUR	2014	2013
Notes receivable	34,214	2,638
Accounts receivable	267	1,900
Prepaid expenses and accrued income	1,514	407
Total	35,995	4,945

Liabilities to group companies

TEUR	2014	2013
Other short-term liabilities	5,352	6,766
Prepaid expenses and accrued income	250	110
Total	5,602	6,876

15. COLLATERALS

TEUR	2014	2013
For own liabilities		
Loans from financial institutions	30,000	35,000
Amount of mortgages and pledges	62,000	62,000
Other collaterals given on own behalf		109

16. CONTINGENT LIABILITIES

TEUR	2014	2013
Leasing and rental commitments		
Current portion	88	78
Long-term portion	4	81
	92	159
Commitments on behalf of Group companies	16,750	5,164
Commitments on behalf of others		26

Ahlström Capital Oy has issued a first-demand guarantee as security for certain subsidiaries' overdraft credit lines.

TEUR	2014	2013
Contingent liabilities for Real Estate investment's VAT	1,623	2,073
Investment commitments	150	523
Other contingent liabilities		
Derivatives		
Interest derivatives		
Fair value	-698	-589
Nominal value of the underlying asset or liability	27,000	10,000

AUDITOR'S REPORT

To the Annual General Meeting of Ahlström Capital Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Ahlström Capital Oy for the financial period 1.1. - 31.12.2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director 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, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Opinions based on assignment of the Board of Directors

We support that the financial statements should be adopted. The proposal by the Board of Directors regarding the use of the distributable equity shown in the balance sheet for the parent company is in compliance with the Limited Liability Companies Act. We support that the Members of the Board of Directors and the Managing Director of the parent company should be discharged from liability for the financial period audited by us.

Helsinki, February 27, 2015

Ernst & Young Oy
Authorised Public Accountant Firm

Kristina Sandin
Authorised Public Accountant

PROPOSAL FOR THE DISTRIBUTION OF PROFITS

According to the parent company's balance sheet as at December 31, 2014, the retained earnings and net result for the accounting period are:

	EUR
Retained earnings	215,973,573.46
Net profit for the period	51,520,797.43
Total distributable funds	267,494,370.89

The Board of Directors proposes that

a dividend of EUR 40.00 per share be paid on the 628,876 shares	25,155,040.00

and the remainder be retained.

Helsinki, February 23, 2015

Stig Gustavson
Chairman of the Board

Thomas Ahlström — Mats Danielsson

Malin Persson — Kaj Hedvall

Jouko Oksanen — Peter Seligson

Panu Routila
President and CEO

SHARES AND **SHAREHOLDERS**

SHARES AND SHARE CAPITAL

Ahlström Capital's registered share capital on December 31, 2014 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 2014, Ahlström Capital had 235 shareholders. The largest shareholders are presented in the Report of the Board of Directors.

SHAREHOLDINGS OF THE BOARD OF DIRECTORS

On December 31, 2014 members of the Board of Directors held 7,939 shares in Ahlström Capital Oy, which represents 1.26 percent of the shares and voting rights.

SHAREHOLDERS BY GROUP ON 31 DECEMBER, 2014

	Number of shares	Percentage of capital stock
Companies	40,140	6.4
Financial and insurance institutions	3,750	0.6
Public corporations	23,490	3.7
Households	461,351	73.4
Non-profit organisations	4,943	0.8
Foreign	94,797	15.1
Others	405	0.1
Total	628,876	100.0

DISTRIBUTION OF SHAREHOLDINGS ON DECEMBER 31, 2014

Number of shares	Number of shareholders	Percentage of shareholders	Number of shares and votes	Percentage of capital stock	Average number of shares held
1-100	69	29.4	2,149	0.3	31
101-500	30	12.8	7,939	1.3	265
501-1000	29	12.3	20,949	3.3	722
1001-5000	68	28.9	169,994	27.0	2,500
5001-10000	24	10.2	168,700	26.8	7,029
10001-	15	6.4	258,766	41.1	17,251
Total	235	100.0	628 497*	99.9	2,674

*On December 31, 2014, the number of issued shares was 628,876, of which 379 shares were on the waiting list or on joint accounts.

INFORMATION FOR **SHAREHOLDERS**

ANNUAL GENERAL MEETING

Ahlström Capital Oy's Annual General Meeting of Shareholders will be held in Helsinki at Eteläesplanadi 14 on Tuesday, March 24, 2015 at 5:00 p.m. The Notice of the Annual General Meeting has been published in the Official Gazette No. 27/March 4, 2015.

FINANCIAL INFORMATION

Ahlström Capital's Annual Report 2014 is published in Finnish, Swedish and English and it is available on the company's website at www.ahlstromcapital.com.

In 2015, the company will inform the shareholders about the development of its performance on a quarterly basis.

The company's annual report for 2015 is estimated to be published in March 2016.

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.

Concept and realization: Hill+Knowlton Strategies
Information on listed companies is based on publicly available sources.
Photos on pages 7 and 46–49 Pekka Hannila, on page 36 Tomi Parkkonen, on pages 4 and 42 Tiina Rajala and on page 10 Johanna Kokkola.
Print: Libris Oy

Heritage counts...

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