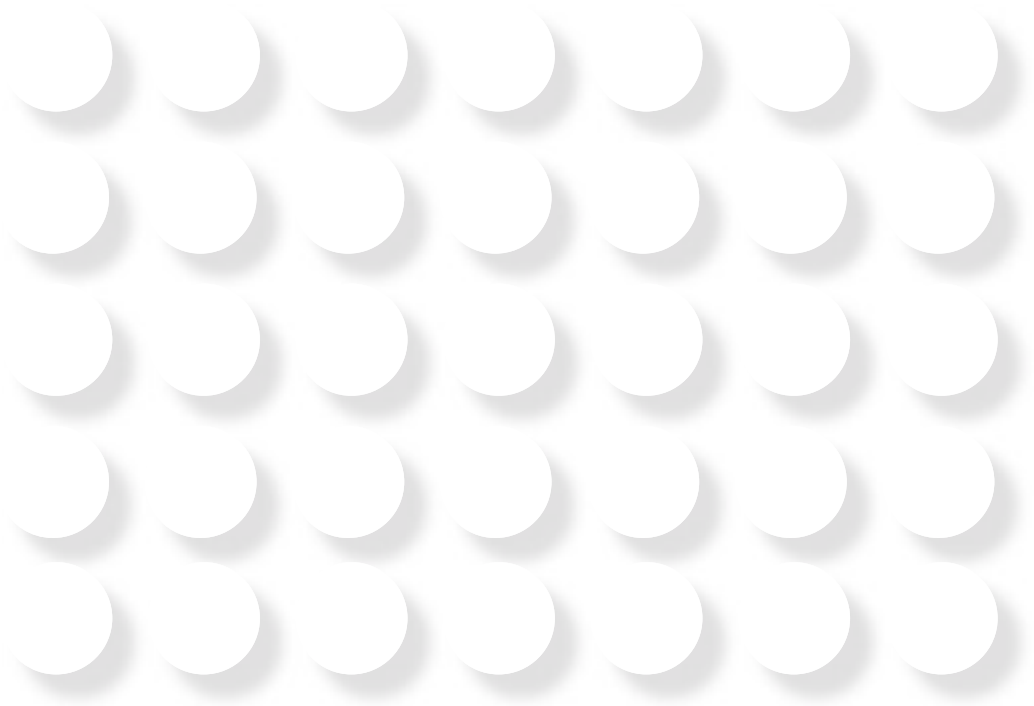


AHLSTRÖM CAPITAL



Annual Report 2004



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Ahlström Capital is a private investment company, creating value for its shareholders by focusing on industrial investments. With assets of over 150 million euros, Ahlström Capital is among the biggest private equity firms in Finland. Ahlström Capital's strengths are based on solid industrial expertise, long entrepreneurial traditions and considerable financial resources.

Industrial Investments Grew and the Net Profit Improved

During Ahlström Capital's third full year in business, 2004, the company's net profit improved markedly, and the capital invested and the net asset value of the share increased. The financial status and cash position remained good.

We profiled ourselves with increasing clarity as an industrial investor. At the end of last year, industrial companies accounted for 52 percent of the MEUR 200 of investments.

We significantly boosted our industrial EMS business and we invested in a packaging industry company in Russia. Since the beginning of 2005, we have also acquired a majority holding in a Russian manufacturer of electrical accessories. The company has achieved a firmly established position on the market, our team has operated efficiently, and our business model has proved itself a success. Ahlström Capital, as one of Finland's biggest private equity investors, has a place in its own sector. The company is recognized and known and it is seen as an attractive partner.

When the company was founded, shareholders were given an opportunity to have their shares redeemed in spring, 2004. The ownership structure became somewhat more compact through the buyback mechanism, but more than ninety percent of our owners wanted to be committed to the company on a long-term basis.

The company's traditions and expertise provide a natural foundation for our investment business. In accordance with our strategy, we invest in industrial companies which we see as possible to develop and grow in close collaboration with the target company's management. We use our in-house expertise to analyze numerous companies each year, we handle ourselves, with assistance from external specialists, the entire investment process and acquisitions, and we play an active part in the portfolio companies' strategic work.

Enics Became One of Europe's Biggest Contract Manufacturers of Industrial Electronics

Our EMS business grew substantially in 2004. Ahlström Capital acquired ownership of Elcoteq's industrial electronics business interests, with which Ahltronix's business was merged in the beginning of the year 2005. The new Enics Group which was thus formed is one of Europe's biggest industrial EMS manufacturers. The acquired business interests will bring us

customers with global operations, considerable industrial know-how, and a solid position in Finland and continental Europe. We now have an excellent basis for expanding our manufacturing services network in a growing market, through both organic growth and corporate acquisitions.

The Russian market for consumer goods is growing rapidly in line with the rising consumption by the middle class. This is boosting demand for packaging materials. The strong points of our acquisition Akerlund & Rausing Kuban are its broad-based skills in the manufacturing of modern packaging materials and high quality.

At the beginning of this year, Ahlström Capital gained a majority shareholding in Wessen, which is one of Russia's leading companies in the electrical accessories sector. The company operates in the middle of Russia's rapidly growing demand for construction. The decision to invest in Wessen is founded on the significant growth in sales which can be expected on the basis of the company's strong market position. We expect the Russian economy to continue to develop steadily.

The industrial companies in our portfolio did well, with the exception of Å&R Carton, which continued to have a difficult market situation. Nordkalk, Northern Europe's top company in its sector, grew and posted a good net profit. Vacon boosted its sales both in Europe and America and it further improved its net profit, which made itself felt in its rising share price. Our investments in money market instruments, real estate and forests yielded as expected. The assets available for new investments remained almost unchanged due to the sale of forest areas and Lippke Handels.

Outlook for the Future

The global economy is still growing, powered by the U.S. and Asia. Manufacturing is being shifted to regions with lower costs in the East. Interest rates stayed low and there is sufficient liquidity. This means that there is plenty of financing available for private equity investors. On the other hand, low interest rates have meant higher prices for potential acquisitions.

As the economies of different regions merge and national borders decline in importance, the structures of industry are changing. Those private equity investors who are able to



The company's traditions and expertise provide a natural foundation for our investment business.

recognize the fracture points in changes and to grasp the opportunities they afford will find attractive investment prospects. In times of change, a private equity investor can be a catalyst of renewal, causing structures to be transformed and growth in value to take off.

In the private equity sector, companies succeed if they have large financial resources or special expertise. I am convinced that Ahlström Capital is able to imbue the companies it owns with industrial know-how which will promote the target companies' success and our own. Our work is on solid ground. Sufficient resources, smooth cooperation with our portfolio companies' management, and attractive new opportunities to be assessed with our partners, give our team an excellent entrepreneurial spirit.

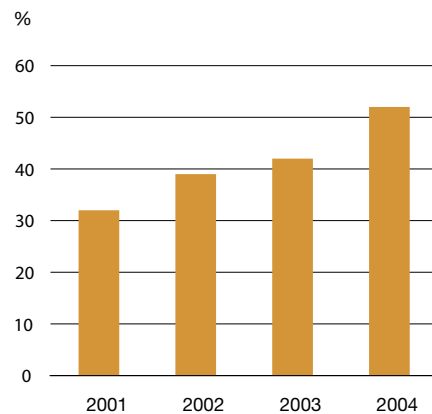
Thanks to the favorable trend in the companies it owns, the past year was a successful one for Ahlström Capital, too. The trust received from our shareholders, the expansion of our network, the strengthening of our positions in Finland and continental Europe, and investments in Russia, give grounds to believe that the upbeat trend will continue in the coming years.

I would like to thank our shareholders and partners for the excellent partnership which prevailed in the past year.

Helsinki, February 28, 2005

Jan Inbarr
President and CEO

Proportion of industrial investments in Ahlström Capital's investments



Specialized in Industrial Expertise

Ahlström Capital secures a return for its shareholders by developing its target companies and by supplying them with its industrial expertise.

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

Proportion of Industrial Investments Continues to Grow

Ahlström Capital's goal is to expand the number of its industrial investments to 8–10 companies by making one or two new investments of MEUR 5–25 million each year. Ahlström Capital finances its corporate acquisitions by using its liquid assets, by reducing its investments in money and stock market instruments, and by selling off the remainder of its forest holdings.

In 2004, the strategy was systematically implemented, as Ahlström Capital invested in two new industrial companies: the electronics contract manufacturer Enics, and the flexible packaging manufacturer ZAO Akerlund & Rausing Kuban, which operates in Russia. Both companies are well suited to Ahlström Capital's investment strategy.

The Goal: a Good Return in the Long Term

Ahlström Capital's targeted annual return is 15–25 percent over a period. The return will be realized for the shareholders through dividends when Ahlström Capital exits its investments and also in the form of Ahlström Capital's share value appreciation.

To safeguard the value of its investments and its targeted level of return, Ahlström Capital complies with the investment policy determined by its Board of Directors. According to this policy, the company invests in industrial companies with good development possibilities that operate in a sector with strong growth prospects and which have already established a position in the market. The willingness and ability of the target company's management to develop the company's business in partnership with Ahlström Capital is also an important criterion for investment.





We are at our best when the investment prospect is an industrial company in whose business development Ahlström Capital takes part actively.

Ahlström Capital makes investments both alone and together with other private equity investors. Collaboration between private equity investors makes it possible for Ahlström Capital to take part in developing bigger companies as well as sharing the risks of the investment between a number of owners. On the Nordic market, a typical investment by Ahlström Capital is MEUR 5–25, but it also makes smaller investments in the Russian market due to the higher risk profile.

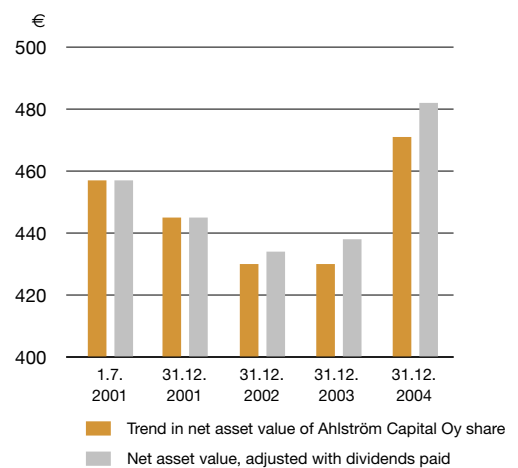
Generally, Ahlström Capital offers the management of the target company the possibility to participate in the investment.

Active Development of the Target Companies

Ahlström Capital assesses dozens of companies every year. After a careful preliminary screening only part of these prospective acquisitions go forward to a thorough analysis. The investment decision is preceded by an assessment of the risks and returns, meaning that an assessment of the prospective investment's possibilities for appreciation and of how and on what timescale the appreciation can be realized forms part of the analysis. Consideration is also given to what Ahlström Capital has to offer the company.

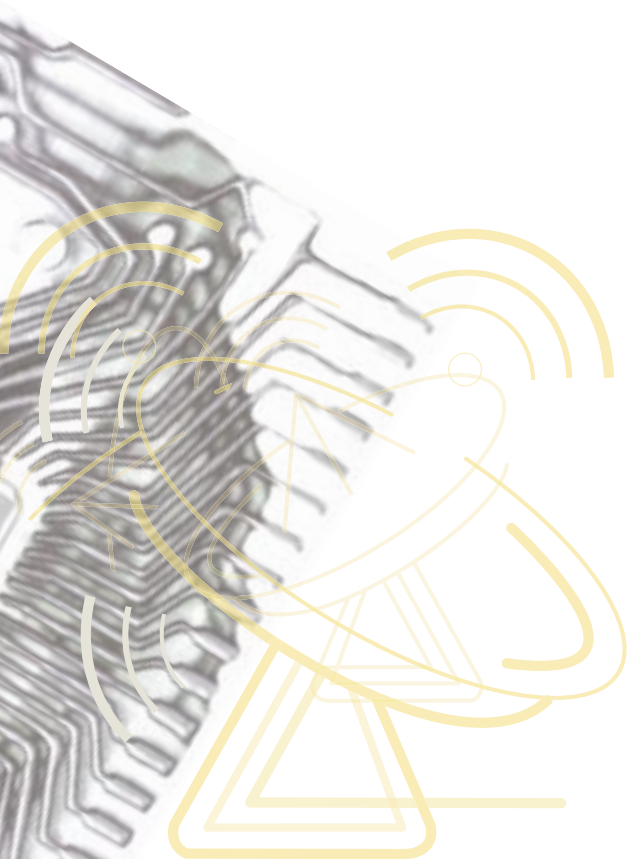
We are at our best when the investment prospect is an industrial company in whose business development Ahlström Capital takes part actively. This active development work differentiates Ahlström Capital from many other private equity investors. In addition to taking part in the work of its target companies' Boards of Directors, Ahlström Capital provides its experience and its strong input for the companies' strategic development and for supporting growth as well as providing its contacts in support of internationalization.

Trend in net asset value of Ahlström Capital share



A Year of Upswing

It was an average year in 2004 for the Finnish private equity market, although it was clearly more active than the previous year.



The global economy was in a dynamic upswing during the year, fueled by the U.S. and Asia. The growth also spilled over into the euro zone, and an export-driven upswing cycle got underway. The Russian economy was in strong growth, partly due to the high price of oil but also because of continuing strong consumption.

The dollar fell substantially against both the euro and Asian currencies during the year, mainly due to deficits in the U.S. economy. This affected the interest market. In Europe, both short- and long-term interest rates held steady, while they rose in the U.S. The strong euro will exert a drag on inflation and growth, which indicates that it will be a long time before the European Central Bank raises the steering rate.

An improved trend in earnings on the part of listed companies in particular boosted the stock market, especially

in Europe and the U.S. Due to high oil prices, symptoms of overheating in China, and deteriorating consumption in the U.S. starting in the early summer, there was also uncertainty about the year.

In the Nordic private equity markets the year was brisker than the previous one, although the level of activity in the Finnish private equity market could be described as no more than moderate. Overall activity increased as the fall approached, and a feared blip on the stock market during the fall did not materialize.

Although holding periods of investments have become longer, the number of exits also increased during the past year. In other words, private equity companies began to attain the satisfactory level of value increase for their investments. In addition to trade sale exits, sales to other private equity players also increased. This reflected the fact that there are private equity players operating on the same markets with different risk profiles. A few stock exchange listings were also carried out.

Average Size of Investments Increased

The funds managed by Finnish private equity companies totaled 3.1 billion euros at the end of 2004. Of this, 59 percent was tied up in portfolio companies. In 2004, the value of private equity investments placed in Finland increased relative to the previous year, reaching MEUR 369 (MEUR 328). More than half of the investments were buyouts, and large acquisitions dominated in terms of euro amounts. Average investments increased in size, meaning that the number of investments did not increase in proportion to investments in euro terms. The number of investments was actually lower than in the previous year.

The Nordic private equity market was dominated by Sweden, which had a brisker year than Finland and where the overall tone of the market was positive. A survey carried out in the fall of 2004 indicated that more than 80 percent of Swedish private equity investors believed the business climate would improve in 2005. Private equity companies' activity in the technology sector and in growth companies in Sweden was markedly higher compared to Finland. Most investments by

Swedish private equity companies were made in the domestic market.

Turnaround Created Opportunities

In Finland, successful exits by private equity players took place in traditional companies in particular. New opportunities arose for private equity players as industrial companies reorganized their value chains and business models: by outsourcing operations, by networking, by expanding their core business, or by spinning off a promising business into a separate company through buyout transactions.

The economic turnaround that characterized the fiscal year created new opportunities for Ahlström Capital in the industrial electronics contract manufacturing business. Ahlström Capital's Electronics Manufacturing Services (EMS) business expanded substantially in April when Ahlström Capital acquired Elcoteq's industrial electronics business together with the operative management of that business area.

Private equity companies' growing interest in Russia also had an impact on Ahlström Capital's business. The company took a step in the fast-growing Russian consumer goods market by acquiring the entire issued stock of ZAO Akerlund & Rausing Kuban, a Russian company manufacturing flexible packaging.

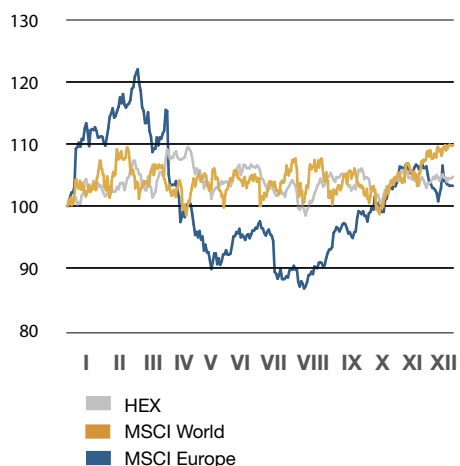
Ahlström Capital has Consolidated its Position

The value of Ahlström Capital's investments grew favorably. The position of Ahlström Capital on the Finnish private equity market, which had already become firmly established, was further strengthened. As is typical in this sector, Ahlström Capital also worked together with other private equity players, although no new joint ownerships materialized in 2004. Ahlström Capital's strong points vis-à-vis other private equity companies are its industrial expertise and its close collaboration with the portfolio companies to develop their business.

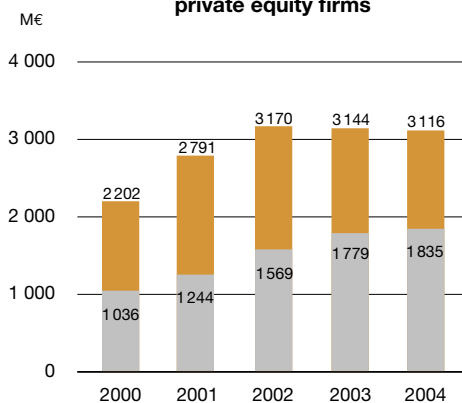


New opportunities arose for private equity players as industrial companies reorganized their value chains and business models.

HEX, MSCI World and MSCI Europe indices 2004

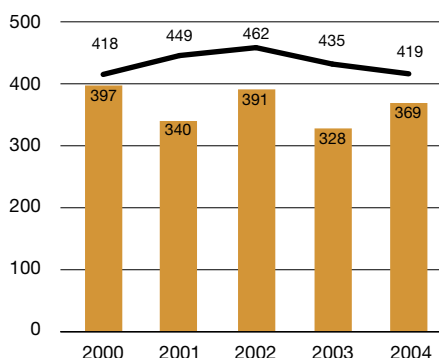


Funds managed by the Finnish private equity firms



■ Funds under management
■ Funds invested

Private equity investments in Finland



■ M€
— Number

Proportion of Industrial Investments Rose

Ahlström Capital's roughly MEUR 200 investment portfolio is divided into industrial companies and other investments: buildings, money and stock market instruments, forest and land areas.



Ahlström Capital has diversified its investments among deployments with different earning profiles, investment horizons and risks. Most of Ahlström Capital's portfolio consists of industrial investments. At the end of the year, the company had holdings in six different industrial companies. Their share of all of Ahlström Capital's investments was 52 percent. The company's goal is to expand the proportion of industrial investments further in accordance with its strategy. In 2004, Ahlström Capital invested in two new industrial companies.

Real Estate Earnings Unchanged

Ahlström Capital's real estate portfolio was expanded with one new investment in 2004, when the company acquired an industrial building in Germany. In addition to this, Ahlström Capital owns fully leased-out office buildings at Eteläesplanadi 14 in Helsinki and in Varkaus. The real estate investments also include an industrial building in Estonia, which has been leased

to Enics Eesti AS. The buildings' rental income held steady at the previous year's level. The possibilities for upgrading the building on Eteläesplanadi are being studied, and an application has been submitted for a change in the zoning plan for a prospective extension to the building.

Money and Stock Market Instruments – a Good Preparedness for Investments

Short-term interest-bearing instruments bear a low risk and are therefore also a low-return investment. They can be quickly realized whatever the state of the market. Ahlström Capital has a high rate of preparedness for corporate acquisitions as it has liquid assets which can be rapidly deployed in investments. Ahlström Capital invested the assets obtained from the sale of forests in interest-bearing instruments and in the form of capital injected into the corporate acquisitions it carried out during the year. The total value of the interest-bearing instruments remained practically unchanged.

Stock instruments are long-term investments with a higher rate of return and therefore also a higher risk. Ahlström Capital's stock instruments are Morgan Stanley OPALS securities, the value of which is based on MSCI World and MSCI Europe indices, which follow the trend of global stock markets. The MSCI World index rose by 5.3 percent and the MSCI Europe index by 9.7 percent during the year. The total market value of Ahlström Capital's stock instruments went up by approximately 6 percent.

Forests and Land Areas Reduced

Ahlström Capital sold 4,400 hectares of forest holdings to the National Board of Forestry in spring 2004. This comprised the last part of a preliminary contract signed in 2001. Ahlström Capital still has forests and land holdings amounting to 5,400 hectares. A. Ahlström Osakeyhtiö is responsible for taking care of the forests and for sales of plots.

Firmly Established Industrial Companies in the Portfolio



Ahlström Capital's portfolio included six industrial companies at the end of 2004: Å&R Carton, Nordkalk, Enics, Ahltronix, Vacon and Akerlund & Rausing Kuban. A characteristic shared by all these companies is that they are well established in their own sectors, with good growth prospects and opportunities for development.

Ahlström Capital invests in industrial companies which have already established their position in the market and which have good opportunities for developing their business. Ahlström Capital also assesses the entire sector's growth criteria. The sectors the companies are in may differ greatly. The products and services of the companies currently in the portfolio are board and flexible packaging, limestone-based products, electronic contract manufacturing business, and frequency converters.

Ahlström Capital wholly owns Akerlund & Rausing Kuban. Its holding in Enics is over 90 percent, and in the other companies the holding ranges from roughly 15 to 45 percent. The companies have Nordic roots, but they operate throughout Europe, the Baltic states, Russia and China.

Two New Investments in 2004

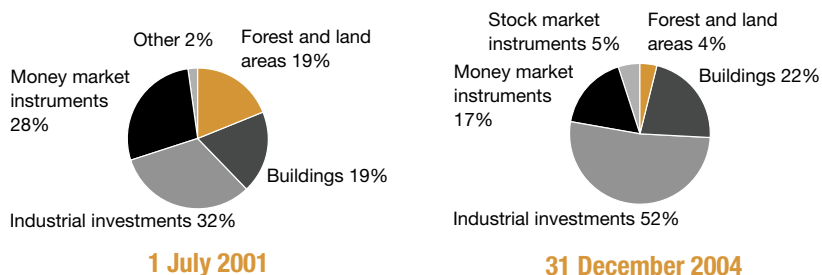
In the course of the year, Ahlström Capital invested in two new companies. Enics AG was formed in February, when Elcoteq Network Corporation pulled out of industrial electronics. The owners of the new company are Ahlström Capital and Enics' and Ahltronix's executive management. In January 2005 the EMS businesses of Ahltronix and Enics were merged into a new subgroup which continues in business under the name Enics.

Ahlström Capital invested in the growing Russian market for consumer goods in October with the acquisition of the entire issued stock of ZAO Akerlund & Rausing Kuban. The company supplies flexible packaging materials to the Russian food industry. It is based at Timashevsk in Southern Russia, near Å&R Carton's Russian subsidiary.

One More Investment in Early 2005

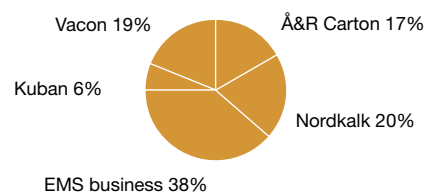
In the beginning of January 2005, Ahlström Capital acquired a 51% holding in the Wessen Group, which is one of Russia's leading manufacturers of electrical installation accessories.

Change in the investment portfolio, 2001–2004*



*of capital employed

Breakdown of industrial investments, 31 December 2004*



*of capital employed

Nordkalk

www.nordkalk.com

Nordkalk is Northern Europe’s leading manufacturer of limestone-based products. The company has operations in eight countries with production units in Finland, Sweden, Poland, Estonia and Norway and sales offices in Russia, Lithuania and Germany. The total number of employees is 1,300.

Nordkalk’s products are used in many industrial sectors including paper, pulp, steel and construction materials as well as for environmental care and agriculture. Crushed, ground and screened limestone as well as burnt and slaked lime are marketed under the trademark Nordkalk.

Nordkalk owns all its extraction rights, which secures the company’s access to raw material. Nordkalk extracts 11 million tons of minerals per year from its 18 quarries and 3 underground mines. The company’s quarries and mines are strategically placed around the Baltic Sea, which facilitates the logistical process. Nordkalk has access to an extensive shipping and transportation network.

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

The Business Climate

The company’s broad customer base evens out the impact of cyclic fluctuations in demand.

Demand for limestone-based products depends largely on the industrial customers’ production volume. Capacity utilization within the paper industry has increased. In combination with higher demands on productivity, this has led to an increase in demand for lime-based paper pigments.

Demand for products for applications within environmental care is growing constantly. This demand is based on environmental legislation in different countries as well as subsidies from governments and from the European Union for environmental purposes.

Sales of lime products for soil improvement is dependent on the weather as well as the volume of national and regional subsidies that are available for the farmers.

The Year 2004

In 2004, Nordkalk’s net sales increased by 4 percent to MEUR 270.6.

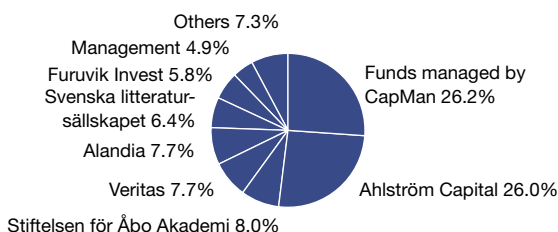
In May 2004, Nordkalk agreed on supplying burnt lime to the Swedish company Imerys Mineral AB’s production of PCC

paper pigment at Imerys’ satellite at M-real’s paper plant in Husum, Sweden. The supply contract runs for 10 years and comprises total sales worth approx. MEUR 107.

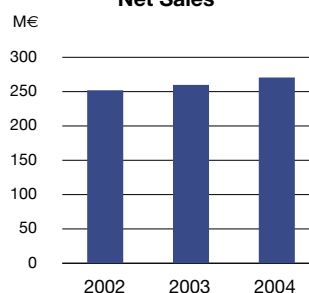
Outlook for the Future

The positive development is expected to continue throughout 2005. Sales to the paper industry will grow, chiefly in the form of raw materials for the PCC paper pigment. Sales of environmental products will also continue to grow, whereas the future development for agricultural sales is unclear. The growth in the Polish market is expected to continue.

Ownership



Net Sales





www.vacon.com

Vacon is a global, full-service supplier of frequency converters, operating on its own or through partners in about a hundred countries. In the end of the year 2004 Vacon had 469 employees.

Vacon focuses entirely on frequency converters, unlike almost all its competitors. A highly sophisticated manufacturing and logistics model, combined with the software-based adaptability of the products, makes Vacon top of the field for cost-effectiveness.

Vacon's business sectors are divided into component customers, application customers, and OEM and brand label customers. A frequency converter is a power control unit used to steplessly control the speed of a squirrel cage induction motor. A squirrel cage motor is a typical prime mover used in industry and in the public engineering sector. Other places where frequency converters are used are hoists and cranes, elevators, paper machines, air conditioning equipment, winders, compressors and winches. The construction industry is the biggest single customer segment using frequency converters. Vacon's products are often customized for a particular application and operating environment.

Vacon's shares are quoted on the Helsinki Exchanges (OMX).

The Business Climate

Vacon's share of the global EUR 6.1 billion market for frequency converters is approximately two percent.

Demand in developed countries is based on energy-conservation and quality targets whereas in developing countries, the market for frequency converters mainly consists of new investments.

The Year 2004

Vacon's net sales grew in line with the targets to MEUR 128.6. The market and order book strengthened throughout the year, and profitability improved. In its strong market area of Europe, Vacon grew faster than the market, and it made good progress with partners in North America. During the final quarter, revenues in Asia were showing clear signs of picking up, but for the year as a whole, revenues in Asia failed to match expectations.

During the year, Vacon made important agreements for project deliveries in the building services sector, for example to the BBC's London Radio House and to the new terminal at Heathrow Airport.

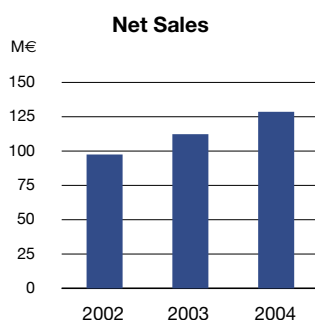
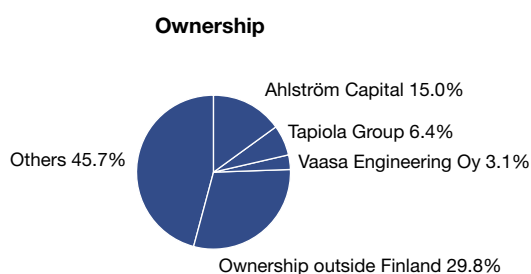
Vacon's biggest customer, Eaton Corporation, concluded a distributorship agreement with one of the world's leading smart building product suppliers, Johnson Controls. The partnership opens up a new sales channel for Vacon's products.

Outlook for the Future

The basic factors are in place in all the main markets. In Europe and North America, Vacon's market position will strengthen further, and the plant in China will make it possible to boost business in Asia rapidly.

Vacon's heavy investment in research and product development continues. The product leadership as a manufacturer of application-specific frequency converters obtained in this way will ensure continuing growth in the future.

Source: Vacon's releases and announcements 2004–2005





www.ar-carton.com

Å&R Carton develops, manufactures and markets board packaging for the food industry and other consumer goods industries. The company operates in the European market and it has production units in eight countries.

Å&R Carton is one of the biggest players in its field in Europe. It aims competitively to serve its customers operating both throughout Europe and locally. The company's main customers are major multinationals in the food and tobacco industry.

The Business Climate

There are many small operators in the European board packaging market. There is a glut in the Western European market, and price competition has been tough for years. At the present moment, annual growth in the packaging market is in the order of a few percent. In the Eastern European market, growth is expected at more than 10 percent annually for the next few years. Å&R Carton has good prospects for taking part in this trend as it has had manufacturing in Russia and Estonia since the 1990's.

The company concentrates on beer and soft drink packaging, confectionery and cigarette packs, consumer packages for the food industry, and special packaging. The structure of the organization supports these priorities.

The Year 2004

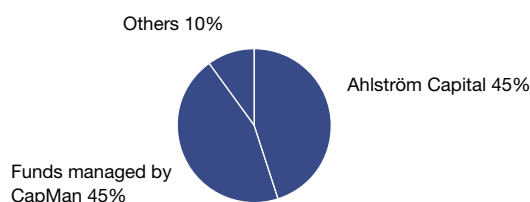
Practically zero growth in Western Europe made 2004 another difficult year for packaging companies. Å&R Carton focused on cost-trimming and streamlining production. Volumes of food packaging declined, particularly on the German and French markets, whereas the situation held steady in other regions and customer segments.

Å&R Carton's net operating profit improved substantially on the 2003 figure. The improvement is due to increased gross margins, streamlined production and cost savings. Winding up the loss-making operations in the U.K. at the turn of the year 2003-04 contributed to the result. New printing presses have improved competitiveness. Decisions were made in the second half of the year on two new projects which are aimed at boosting the company's efficiency. The goal of the projects is to coordinate the production and administration of Å&R Carton's plants in Germany and the Nordic countries.

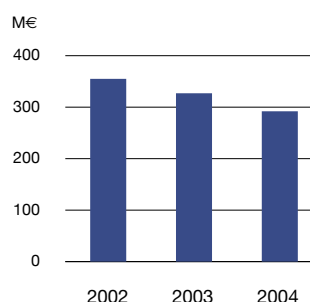
Outlook for the Future

Å&R Carton believes its volume will hold steady in Western Europe in 2005, whereas there is an opportunity for growth in Eastern Europe. New manufacturing units will be established in St. Petersburg, Russia, and in Poltava, Ukraine.

Ownership



Net Sales





ÅKERLUND & RAUSING KUBAN

www.arkuban.ru

Akerlund & Rausing Kuban manufactures flexible packaging for the Russian food industry, for both local and international companies. Akerlund & Rausing Kuban operates in the Krasnodar region. The total number of employees is 210.

Flexible packaging manufacturer Akerlund & Rausing Kuban is one of the five biggest makers of flexible packaging in Russia. Akerlund & Rausing Kuban's main customers are multinationals doing business in Russia, as well as major Russian food companies. About half of the company's sales are in the Moscow region and 40 percent in Southern Russia.

Akerlund & Rausing Kuban has been in Western ownership since 1992, which has greatly affected the company's competitiveness and management style. Skilled personnel, long experience, and functioning infrastructure are the company's biggest competitive advantages.

The Business Climate

Strong economic growth continued in Russia and demand for flexible packaging grew along with the growing market for consumer goods in Russia. Akerlund & Rausing Kuban is focused on sophisticated packaging which demands know-how and experience. Consumption of packaging is still at a very low level compared with Western Europe.

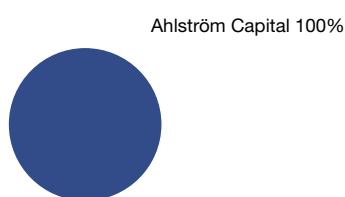
The Year 2004

In 2004, Akerlund & Rausing Kuban's business took a favorable track. Net sales grew to MEUR 13. The company carried out a major program of investment to enable it to respond better to customers' increasing demand for advanced high-quality packaging. The company continued to focus on a narrower product niche and some of the older manufacturing equipment was taken out of service.

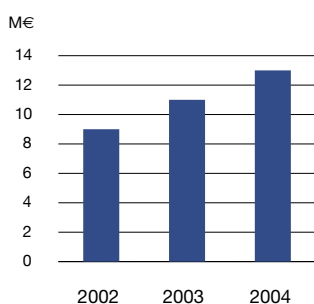
Outlook for the Future

It is expected that year 2005 will be a challenging year. Competition is expected to intensify also in the product niche chosen by Akerlund & Rausing Kuban as several Western competitors are planning to expand into the Russian market. Salary costs have risen which will affect the company's cost structure. On the other hand, the increase in consumers' real incomes is expected substantially to boost demand for advanced packaging in particular.

Ownership



Net Sales





www.enics.com

Ahltronix and Enics were merged into a new subgroup Enics on January 1, 2005. Enics provides its customers in the industrial electronics sector with contract manufacturing and services covering the product's entire life cycle. The company operates mainly in Europe. It provides almost 1,200 jobs.

The Enics Group went into business on April 1, 2004, when it was formed from the industrial electronics business interests (Electronics Manufacturing Services, EMS) spun off from the Elcoteq Group. The business interests of Enics and the EMS producer Ahltronix were merged on January 1, 2005, into a new subgroup, which continues EMS business under the name Enics.

Enics provides not only EMS services, circuit board manufacturing and equipment assembly for system and equipment manufacturers but also design and after-sales services. Operations are highly localized on the national and regional level, but competition is global. Enics' customers are strong, global industrial players. In addition to the industrial electronics sector, Enics' customer base also includes medical and instrumentation equipment manufacturers.

Enics operates in Finland, Estonia, Sweden and Switzerland.

The Business Climate

Enics is one of the top ten companies globally in providing industrial EMS. Demand was as expected during the April–December period of 2004. The EMS sector is expanding as equipment manufacturers outsource their non-core operations. In addition to this, the amount of electronics in final products is increasing all the time. EMS companies are required to handle larger configurations.

The Year 2004

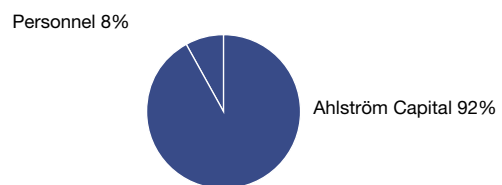
Enics' main actions in its first nine months concentrated on creating the structures for the new corporate group, managing and building customer relationships, and developing new service products. It was a year of clear growth, and business took a favorable track. The product renewal rate was dynamic.

Indications of a deterioration in materials availability in the early months of the year had a short-lived impact. The corporate customers reacted positively to the merger of Enics and Ahltronix.

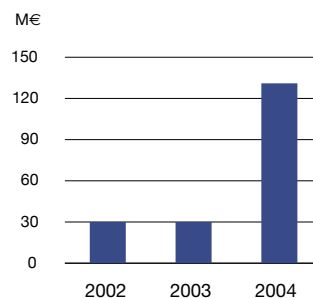
Outlook for the Future

Demand is likely to hold steady in 2005, although the need to build more capacity in low-cost countries is growing. The proportion of outsourcing by the targeted customer group is forecast to grow. Enics' net sales forecast for 2005 is MEUR 175.

Ownership



Net sales



WESSEN

www.wessen.ru

The Wessen Group is one of Russia's leading manufacturers of electrical installation accessories, with a roughly 20 percent market share.

The Wessen Group manufactures electrical installation accessories for the Russian market, selling them through wholesalers.

Wessen's goal is to strengthen further its position as a leading supplier of electrical installation accessories. Growth is supported by the fact that an increasing proportion of Wessen's output consists of products containing state-of-the-art technology with a higher unit price.

The Business Climate

Wessen has a roughly 20 percent market share in the Russian market for electrical installation accessories. The Group still has good growth prospects in a market which is expanding rapidly in line with the dynamic growth of the Russian construction industry.

In order to achieve its growth targets, Wessen intends to invest in machinery and product development to enable it to launch technically more outstanding products. It will also strengthen its sales and marketing operations.

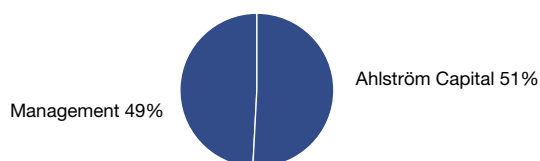
The Year 2004

In the beginning of 2005 Ahlström Capital acquired a 51% holding in the Wessen Group.

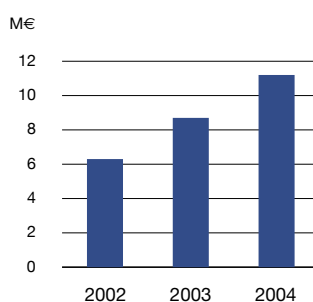
Outlook for the Future

With dynamic growth in the Russian construction industry, the market for electrical installation accessories is expected to grow at roughly 20 percent a year for the next few years. Wessen's net sales in 2005 are expected to exceed MEUR 10.

Ownership



Net sales



Financial Statements

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Report of the Board of Directors

The Mission and Purpose of Ahlström Capital

Private equity company Ahlström Capital has roughly MEUR 200 in investments, which it actively manages and develops with the aim of increasing their value. Most (52%) of Ahlström Capital's investments are in industrial companies. Ahlström Capital's goal is to further increase the proportion of its industrial investments by carrying out one or two acquisitions of companies per year.

Ahlström Capital's goal is to earn a long-term average return of 15–25 percent on the capital it manages. To achieve its targeted rate of return, the company has deployed its assets in investments with different earning profiles, risks and investment horizons.

Ahlström Capital aims to realize the value appreciation of its industrial investments in a timeframe of 5–7 years. This rise in value is realized by having the target company listed on the stock exchange, by selling it to an industrial buyer, or by refinancing it. The shareholders gain a return on their holding in the form of dividends paid in connection with exits and through the rising value of the shares.

Ahlström Capital typically invests MEUR 5–25 in a single company in the form of an equity investment. The remainder of the price is financed with bank loans and other external financing.

In accordance with the investment criteria set by the Board of Directors, Ahlström Capital invests primarily in industrial companies which have already established their position in the market and which have good prospects for developing their business. Ahlström Capital also assesses the future prospects for the entire sector of industry, with particular attention to the growth prospects it offers.

In selecting its prospective investments, Ahlström Capital places emphasis on the management's willingness and ability to develop the company's business together with Ahlström Capital. Ahlström Capital decides on the investment after weighing its risks and future returns, as well as the potential value appreciation and the realization of this.

Business Climate

The global economy was in a dynamic upswing during the year, fueled by the U.S. and Asia. The Russian economy was also in strong growth, due to the high price of oil and continuing strong consumption. In the euro zone, an export-driven upswing cycle got underway as anticipated, but the appreciation of the euro, combined with the leveling out of global growth, held back growth in the euro zone toward the end of the year. Interest rates stayed low and liquidity was strong. A blip on the stock market during the fall that had been feared did not materialize.

Transformations and restructuring in the economy create new opportunities for equity investors as industrial companies reorganize their value chains and business models. The outsourcing of electronics assembly has created an entire new field of industry, Electronics Manufacturing Services (EMS). As the field evolves, EMS manufacturers have begun to specialize. In a situation like this, an opportunity arose for Ahlström Capital to invest in a new company, Enics, when the previous owner pulled out of industrial electronics business.

In the private equity markets of the Nordic region, 2004 was brisker than the previous year. In the Finnish private equity market, overall activity picked up toward the fall, although as a whole the year was only moderately brisk. Private equity

investors were able to sell off their investments successfully, which stimulated the private equity market. Exits took place particularly frequently in traditional companies. There was also an increase in corporate transactions between private equity investors.

The capital managed by Finnish equity investors at the end of 2004 totaled 3.1 billion euros. Of this, 59 percent was tied up in target companies. Ahlström Capital retained its established position in the Finnish private equity market. As is typical in this sector, Ahlström Capital also collaborated with other players in the sector.

Investments and the Development of the Investment Portfolio

The total of Ahlström Capital's investments at the end of the year was approximately MEUR 200. Of these, MEUR 105 (52%) was invested in industrial companies, MEUR 44 (22%) was in real estate, MEUR 33 (17%) was in money market instruments, MEUR 10 (5%) was in stock market instruments, and MEUR 9 (4%) was in forest holdings.

New Investments

In 2004, Ahlström Capital invested in two industrial companies. Investments in property business were also increased by the acquisition of an industrial property in Germany.

Ahlström Capital's Electronics Manufacturing Services (EMS) expanded considerably in April when Ahlström Capital, together with the business sector's operative management, founded Enics AG, which acquired Elcoteq's industrial electronics business interests. Ahlström Capital's holding in Enics is 92.0 percent.

The industrial electronics specialist Enics provides its customers with comprehensive service solutions ranging from product design and launch to manufacturing and services throughout the products' life cycle. The integration of the operations of the companies Enics and Ahltronix was started immediately after the acquisition was effected. Enics is one of Europe's biggest industrial electronics contract manufacturers. The company's annual net sales are approximately MEUR 175, and it has a total of 1,200 employees in Finland, Estonia, Sweden and Switzerland. The operations in Hungary will in full be transferred to Estonia in spring 2005.

In October, Ahlström Capital acquired the entire issued stock of the Russian-based manufacturer of flexible packaging ZAO Akerlund & Rausing Kuban. The company supplies flexible packaging materials to the food industry. Its customers include many Western corporations as well as local food industry companies. Its production plants are in the Krasnodar region of Southern Russia. This investment is intended to exploit the

opportunities of Russia's fast-growing market for consumer goods. The company's annual net sales are approximately MEUR 13.

Industrial Investments

Ahlström Capital's holding in the board packaging manufacturer Å&R Carton AB remained unchanged during the year, at 44.9 percent. The continuing difficult market situation in Western Europe led to cost-trimming intended to adjust operations to match reduced demand. Business in Eastern Europe continued to take a favorable trend. New production plant projects in St. Petersburg, Russia, and Poltava, Ukraine, were started.

Å&R Carton's net sales were MEUR 288 (MEUR 327). The company booked a net loss of MEUR -6.2, of which the share of Ahlström Capital was MEUR -2.8 (MEUR -11.7).

Nordkalk Corporation is Northern Europe's leading manufacturer of limestone-based products. Ahlström Capital holds 26.0 percent of the company. Nordkalk's favorable trend continued and its net sales grew to MEUR 271 (MEUR 260). Sales to the paper industry increased in particular, but sales to the steel industry also developed well. Nordkalk's operating profit rose to MEUR 37.9 (MEUR 34.0), which is 14.0 percent of net sales (13.1%). Net profit was MEUR 12.5 (MEUR 6.4), of which Ahlström Capital's share was MEUR 3.3. Ahlström Capital also booked interest income on the equity loan granted to Nordkalk. The merger of NK-Holding Oy Ab and Nordkalk took place in February, at which time NK-Holding changed its name to Nordkalk Corporation. The merger caused no changes to the company's operations.

Ahlström Capital's holding in Vacon Plc, a manufacturer of frequency converters, was 15.1 percent at the beginning of the year and 15.0 percent at the end. The company's issued stock increased in 2004 due to an option-based targeted issue of shares to the management. To maintain its 15 percent holding, Ahlström Capital bought a small lot of shares in public trading. Vacon's business took a favorable track. Its growth in Europe and North America continued, and enhanced cost-effectiveness showed up in the form of an improvement in profitability. By its own estimate, Vacon will grow more rapidly than the frequency converter market. Vacon's net sales were MEUR 128.6 (MEUR 112) and its operating profit was MEUR 14.7 (MEUR 11.8), which is 11.4 percent of net sales (10.5%).

Ahlström Capital's wholly owned electronics contract manufacturer Ahltronix Oy continued to make favorable progress and its earnings continued to improve. Ahltronix's progress in Estonia was particularly positive. Ahltronix extended its plant in Estonia to enable it to serve Enics' operations as well. After the extension, the area of the plant in Estonia is 3,700 square meters.

Other Investments

Real Estate

Ahlström Capital owns wholly leased-out office buildings in Helsinki at Eteläesplanadi 14 and in Varkaus as well as an industrial property in Germany which was acquired in December 2004. The real estate investments are long-term in nature, with a steady return and a relatively low risk level. The rental earnings of the buildings in 2004 were MEUR 2.9 (MEUR 2.8) and the operating profit was MEUR 1.6 (MEUR 1.8).

Money Market Instruments

The money market instruments owned by Ahlström Capital consist primarily of short-term interest-bearing securities. During the year, in accordance with its strategy, the company used capital invested in interest-bearing securities for new investments, which reduced the value of the money market instruments from MEUR 35 to MEUR 33.

Stock Market Instruments

The stock market instruments held by Ahlström Capital are Morgan Stanley OPALS securities, the value of which is derived from the MSCI World and MSCI Europe indices which follow the trend of the world's stock markets. The market value of the securities went up by 6.3 percent during the year due to the improvement in the stock market, reaching MEUR 7.8.

Forests and Land Areas

At the end of 2004, Ahlström Capital owned 5,400 hectares of forest and land areas. Revenue from timber harvesting amounted to MEUR 0.7 (MEUR 0.6).

Exits

On the basis of a three-year contract signed with the National Board of Forestry, the third and final part of forest holdings, comprising 4,400 hectares, was sold during the fiscal year. The total price obtained from the sale of forest and land areas during the fiscal year was MEUR 9.8 in all (MEUR 10.3).

In January, a transaction came into effect whereby Ahlström Capital sold its entire holding in the German marketing company Paul Lippke Handels-GmbH, a company not forming part of Ahlström Capital's core business, to Mocon Inc, a major principal. The price to be obtained from the company is estimated at roughly MEUR 1.7. The final selling price will be partly determined by the profits of the company for the period 2004–2006.

Group Structure

Ahlström Capital Oy is the parent company of the Ahlström Capital Group. The Group was comprised at the end of the fiscal year of Ahltronix Oy together with its subsidiaries, Enics AB together with its subsidiaries, Krasno AB together with its subsidiaries, AC Kosmo AB, the forest ownership company Karhula Osakeyhtiö, and AC Verwaltungs-GmbH. Major holdings not forming part of the Group are Å&R Carton AB (44.9%), Nordkalk Corporation (26.0%) and Vacon Plc (15.0%).

The Group's Earnings in 2004

The comparative figures are from the same period in 2003 unless stated otherwise.

Ahlström Capital's fourth fiscal year, which covered the period January 1– December 31, 2004, was good in terms of the financial result. The Group's net sales increased substantially as a result of the acquisition of Enics, and all the portfolio companies improved their profitability relative to the previous year. The improvement in results was also affected by dividend income, which was larger than it had been previously.

Return on capital employed net of the effect of capital gains rose to 10.0% (2.1%).

The net asset value of an Ahlström Capital Oy share, adjusted for dividend, increased during the fiscal year by EUR 44.35 to EUR 482.11. The trend in net asset value is shown on page 37 in the annual report.

The Ahlström Capital Group's net sales were MEUR 138.3 (MEUR 38.2), of which EMS business accounted for MEUR 131.1 (MEUR 30.5). The rest of the net sales was comprised of the business of ZAO Akerlund & Rausing Kuban as well as the parent company's earnings from rents and timber harvesting. Other operating income was MEUR 7.3 (MEUR 8.1). This came from gains on sales of forest land areas, as calculated from the historical acquisition cost, and gains on sale of shares in Lippke Handels. The revaluation included in the balance sheet values of the forest land sold has been reversed from the assets and shareholders' equity in the balance sheet, as a result of which the gains from the sale increased the Group's shareholders' equity by MEUR 3.5 after taxes are figured in.

The Group's operating profit was MEUR 11.7 (MEUR 8.7). Net financing income before the impact of associated companies was MEUR 6.3 (MEUR 3.2). Of this, MEUR 3.9 consisted of dividends received. Financing expenses increased to MEUR -1.0 (MEUR -0.4) as a result of the rise in bank loans and other external financing required for financing corporate acquisitions. Ahlström Capital's share in the profits and losses of associated companies was MEUR 0.5 positive (MEUR 10.1 negative), comprising our share of Å&R Carton's net loss,

MEUR -2.8, and our share in Nordkalk's profit, MEUR 3.3. The MEUR -0.2 item for extraordinary expenses posted during the fiscal year arose from the negative difference between Å&R Carton's final results for 2003 and the preliminary result used in Ahlström Capital's consolidated financial statements for 2003.

The costs of Ahlström Capital Oy's management and administration during the fiscal year were MEUR 3.4 (MEUR 2.4), which averages 1.8% (1.5%) of the capital employed by the Group. The costs of management and administration also include the costs of preparing projects which did not lead to an investment decision.

Taxes booked for the fiscal year were MEUR -1.7. These consisted of subsidiaries' taxes, MEUR -2.3, and the MEUR 0.6 positive taxes of Ahlström Capital Oy. The positive taxes of the parent company resulted from the tax losses following the write-down of Å&R Carton AB's shares effected in 2003, of which the remainder, MEUR 2.5 was used, and from a reduction in deferred tax liability resulting from sales of land and forest areas. Due to the tax losses, Ahlström Capital Oy did not pay any income taxes in 2004.

The Group's net income was MEUR 15.2 (MEUR 2.5).

Financial Status and Financing

Ahlström Capital's financial status and financing situation continued to be favorable during the fiscal year. The Group's shareholders' equity at the end of the year was MEUR 166.4 (MEUR 156.5.) At the end of the year, the equity ratio was 69% (88%) and the gearing ratio was -9% (-21%). Interest-bearing debts at the end of December 2004 were MEUR 33.3 (MEUR 3.9). The increase is due to growth in bank loans and other external financing taken for financing new investments. The parent company Ahlström Capital Oy's interest-bearing debts to financial institutions were only MEUR 0.4 (MEUR 1.3).

Net cash flow from operations (the cash flow after net financial income, taxes paid and change in net working capital) was MEUR 0.8 (MEUR 16.5). The change was mainly due to the increase in net working capital, following corporate acquisitions.

Net cash flow used in investment activities was MEUR -23.0 (-20.6). MEUR 14.2 was used in equity financing for new investments during the fiscal year, of which MEUR 7.8 was for Enics AG shares and equity loans, MEUR 2.4 was for shares in ZAO Akerlund & Rausing Kuban, and MEUR 4.0 was a capital investment in AC Verwaltungs-GmbH for an acquisition of an industrial building in Germany.

Capital expenditure on industrial sites and real estate amounted to MEUR 3.2, of which the extension to Ahltronix's plant in Estonia accounted for MEUR 2.0 and the major renovation carried out on the building in Eteläesplanadi accounted for MEUR 0.6. Figuring in also non-current assets received through

acquisitions, total capital expenditure was MEUR 32.4.

MEUR 9.8 was freed up from investments in the form of receipts from the sale of land and forest areas, MEUR 4.6 was repaid on a loan by Å&R Carton AB, and MEUR 0.6 came from the exit from Lippke Handels.

The cash flow from financing activities was MEUR 32.5 (MEUR 3.4). The change was due to the increase in external financing of subsidiaries.

The total funds for money market instruments and bank receivables at the end of the year were MEUR 40.8 (MEUR 37.0).

Risk Management

Ahlström Capital seeks to reduce the risks of investments and to boost the return from investments through a carefully considered investment strategy and a multistage investment decision process as well as by diversifying its investments in recipients which differ in terms of expected yield, risks, and investment horizon. Risks are also managed and the potential return is expanded by participating actively in the operations of the target companies, e.g. through board work.

Personnel, Administration and Auditors

Ahlström Capital Oy's number of personnel increased by one during the fiscal year and was nine at the end of the year.

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

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

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

Post Balance Sheet Events

In the beginning of 2005, a corporate acquisition came into effect whereby Ahlström Capital acquired a 51 percent holding in the Wessen Group, which is one of Russia's leading manufacturers of electrical installation accessories. The company's forecast net sales in 2005 are over MEUR 10.

Ahltronix and Enics were merged in January, 2005, into a new subgroup which continues business under the name Enics. In the arrangement, the factory building serving EMS business in Estonia remained under the ownership of Ahlström Capital's real estate business sector.

In January 2005, the number of personnel fell to eight.

Share Redemption

At the end of 2004, the company's entire issued stock, 360,919 shares, was composed of series A shares. In accordance with the buyback procedure stated in the articles of association, Ahlström Capital Oy redeemed 2,563 company shares at a price of EUR 387.40 apiece, which reduced the company's shareholders' equity by MEUR 1.0.

The Biggest Shareholders 31 December 2004

At the end of 2004, Ahlström Capital had 220 shareholders.

	Number of shares	Percentage of shares
Antti Ahlströmin Perilliset Oy	34 940	9.7
Varma Mutual Pension Insurance Company	23 490	6.5
Mona Huber	10 799	3.0
Jacqueline Tracewski	10 076	2.8
Kaj Nahi	8 191	2.3
Morten Ahlström	7 569	2.1
Anneli Studer	7 372	2.0
Estate of Irma Bojesen	7 056	2.0
Johan Gullichsen	7 037	2.0
Niklas Lund	6 953	1.9
Others	237 436	65.7
Total	360 919	100.0

The Outlook for 2005

Although the strongest phase of the economic growth leveled out during 2004, the vibrant growth fueled by the U.S. and China continues. Also in the euro zone a favorable economic development is anticipated to continue, although manufacturing continues to be shifted to regions with lower costs. The outlook for the Russian economic development remains good. Weak dollar and high oil price are risks to the global economic development.

Ahlström Capital continues actively to develop its portfolio companies and to acquire new ones. Ahlström Capital's strong financial position and its broad-spectrum industrial expertise will continue in the future to form a solid foundation for the company's business.

Proposal by the Board of Directors for the Distribution of Profits

The Board will propose to the Annual General Meeting to be held on 7 April, 2005, that a dividend of EUR 6.00 per share be paid for the fiscal year.

Consolidated Income Statement

EUR 1 000

	Note	1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003
Net sales	1	138 260	38 243
Other operating income	2	7 291	8 159
Materials and services		-82 645	-23 661
Personnel costs	3	-33 706	-8 466
Depreciation and amortization	8	-4 632	-2 365
Other operating expense		-12 918	-3 196
Operating profit		11 650	8 714
Financing income and expense	5		
Share of result of associated companies		470	-10 096
Interest and other financing income		6 326	3 210
Interest and other financing expenses		-966	-413
		5 830	-7 299
Result before extraordinary items		17 480	1 415
Extraordinary expense	6	-194	-252
Result before appropriations and taxes		17 286	1 163
Income taxes	7	-1 737	1 305
Result before minority interest		15 549	2 468
Minority interest		-333	0
Net result for the period		15 216	2 468

Consolidated Statement of Cash Flows

EUR 1 000

	1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003
Cash flow from operating activities		
Operating profit	11 650	8 714
Depreciation and amortization	4 632	2 365
Other adjustments	1 160	1 335
Cash flow from operating activities before change in net working capital	17 442	12 414
Change in net working capital	-18 502	2 818
Cash flow from operating activities	-1 060	15 232
Interest and other financing income		
Interest and other financing income	5 722	2 535
Interest and other financing expenses	-1 485	-1 010
Income taxes	-2 361	-272
Net cash flow from operating activities	816	16 485
Cash flow used in investing activities		
Capital expenditure	-32 427	-1 477
Other investments		-4 520
Redemption of company shares	-1 009	
Proceeds from sales of non-current assets	4 787	2 195
Change in other receivables and notes receivable	5 686	-16 791
Net cash flow used in investing activities	-22 963	-20 593
Cash flow from financing activities		
Change in financial investments	4 555	3 199
Change in long-term liabilities	29 187	1 369
Change in short-term debt	1 533	92
Dividends paid	-1 444	-1 272
Other adjustments	-1 379	-4
Net cash flow from financing activities	32 452	3 384
Change in cash and bank	10 305	-724
Cash and bank at beginning of period	2 438	3 162
Cash and bank at end of period	12 743	2 438

Consolidated Balance Sheet

EUR 1 000

Assets	Note	31 Dec. 2004	31 Dec. 2003
Non-current assets			
Intangible assets	8		
Intangible rights		576	250
Goodwill		8 669	2 066
Other intangible assets		619	93
Advances paid		9	0
		9 873	2 409
Tangible assets	8		
Land and water areas		37 207	43 821
Buildings and constructions		23 954	9 838
Machinery and equipment		9 122	2 991
Other tangible assets		387	416
Advances paid and construction in progress		1 620	986
		72 290	58 052
Investments	9		
Shares in associated companies		4 433	3 960
Receivables from associated companies	18	31 617	36 220
Other shares		30 436	30 324
		66 486	70 504
Current assets			
Inventories			
Materials and supplies		23 575	2 922
Work in process		3 592	522
Finished goods		4 426	619
Advances paid		360	0
		31 953	4 063
Receivables			
Long-term			
Notes receivable		2 098	0
Other receivables		564	2 022
		2 662	2 022
Short-term			
Accounts receivable		8 478	1 345
Receivables from associated companies	18	0	1 181
Deferred tax assets	15	183	108
Other receivables		4 147	166
Prepaid expenses and accrued income	10	4 768	909
		17 576	3 709
Financial investments		28 371	34 531
Cash and bank		12 743	2 438
TOTAL ASSETS		241 954	177 728

Consolidated Balance Sheet

EUR 1 000

Shareholders' equity and liabilities

	Note	31 Dec. 2004	31 Dec. 2003
Shareholders' equity	11		
Share capital		36 092	36 348
Capital in excess of par value		12 782	12 526
Retained earnings		102 314	105 141
Net result for the period		15 216	2 468
		166 404	156 483
Minority interest		632	0
Provisions	14	2 906	1 869
Liabilities			
Long-term	13		
Loans from financial institutions		29 977	2 814
Other long-term liabilities		72	115
Deferred tax liabilities	15	9 063	10 010
Accrued expenses and deferred income	16	270	51
		39 382	12 990
Short-term			
Loans from financial institutions		2 995	989
Advances received		301	84
Accounts payable		15 490	2 992
Other liabilities		2 757	868
Deferred tax liabilities	15	1 021	0
Accrued expenses and deferred income	16	10 066	1 453
		32 630	6 386
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		241 954	177 728

Notes to Income Statement and Balance Sheet

Accounting Principles

The financial statements of the Ahlström Capital Group and Ahlström Capital Oy, the parent company, are prepared and presented in accordance with the Finnish Accounting Act and other regulations in force in Finland. The financial statements are presented in euros and are prepared under the historic cost convention except for revaluations included in the book values of certain items included in non-current assets.

Ahlström Capital Oy was formed when A. Ahlstrom Corporation was demerged into three companies as of June 30, 2001. Official financial statements for 2004 have been produced for the fourth financial year of the company and the Group, January 1–December 31, 2004.

No changes in the accounting principles were made during the financial year.

The Consolidated Financial Statements

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

The equity method of accounting is used to account for investments in associated companies in which the Group has 20 to 50 percent of the voting rights.

Companies acquired during the year are included in the consolidation from the date of acquisition, and companies that have been sold during the year are included up to the date of sale.

All intercompany transactions and accounts are eliminated in consolidation.

Acquisitions are accounted for under the purchase method of accounting, and accordingly, in each case, the purchase price is allocated to the assets acquired and the liabilities assumed based upon their estimated fair values at the date of the acquisitions. The excess of the purchase price over the fair values of the assets acquired is recorded on the balance sheet as goodwill.

The sections of the purchase price allocated to assets are depreciated or charged to income at the same rate as the asset items in question. Goodwill is amortized over a maximum of 20 years.

Revenue Recognition

Income from the sale of goods and services is recognized as income when the goods are delivered or the services are rendered. Net sales are shown net of indirect taxes and discounts. Exchange gains and losses related to sales are included in financing income and expenses.

Items Denominated in Foreign Currency

Assets and liabilities denominated in foreign currency are translated in the financial statements into euros at the year-end rate. Exchange rate differences in receivables and liabilities are credited or charged to income.

The income statements of foreign subsidiaries are translated into euros at the average exchange rate for the accounting period, and the balance sheets at the year-end rate. The effect of such translation is included in the Group shareholders' equity.

Research & Development Expenditure

Research and development costs are expensed as incurred.

Pension Costs

In Finland, the statutory pension liability and supplementary pension benefits are funded through insurance policies and accounted for in accordance with actuarial calculations. In other countries, the pension liabilities are funded and accounted for in accordance with local legislation and practice.

The Group companies' own liability for pensions is included in long-term liabilities or provisions in the balance sheet. Pension insurance premiums and changes in pension liabilities are charged to income.

Inventories

Inventories are stated at the lower of cost or market basis.

Investments

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

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

Non-current Assets

Intangible and tangible assets are presented in the balance sheet at cost less accumulated depreciation and amortization. The book values of certain forest and land areas include revaluations which are based on fair market values prevailing at the time the revaluations were made. If the basis for a revaluation subsequently declines or is no longer valid, the revaluation is adjusted correspondingly. The revaluations applied to sold areas of forest have been reversed from the non-restricted equity.

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

The 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.

Taxes

Income taxes are comprised of current taxes paid and payable on taxable income for current and previous accounting periods in accordance with local tax laws, plus deferred taxes.

Deferred taxes are calculated for timing differences between book and taxable income.

Deferred tax assets or liabilities have been calculated on the financial statements' temporary differences, applying the tax rate confirmed for subsequent years as of the date of the financial statements. The deferred tax liability attributable to revaluations of forest land and of the Eteläesplanadi real estate is included in the balance sheet. The estimated probable benefit of the deferred tax assets is included in the balance sheet.

Extraordinary Items

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

The Net Asset Value of Ahlström Capital Oy's Share

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

Return on Capital Employed

The return on capital employed has been computed as follows:

$$\frac{\text{Operating profit + share of result in associated companies + interest and other financing income}}{\text{Balance sheet total - non-interest-bearing liabilities, on average for accounting period}} \times 100$$

Capital gains from sale of non-current assets are not included in the components of returns in the calculation. The components of return in the calculation include the changes in the market value of the Vacon shares and OPALS securities, and the deferred tax asset to the extent it is included in the financial statements.

EUR 1000

Notes to income statement and balance sheet

1. Net sales	Group		Parent	
	1 Jan.-31 Dec. 2004	1 Jan.-31 Dec. 2003	1 Jan.-31 Dec. 2004	1 Jan.-31 Dec. 2003
Distribution of net sales by country				
Finland	72 699	31 779	3 188	2 989
Switzerland	33 347	395		
Sweden	7 492	151		
Italy	5 027	837		
Russia	3 583	16		
Netherlands	3 271	64		
Germany	2 845	1 346		
Ireland	1 594	2		
Other Nordic countries	1 181	1 148		
Estonia	1 019	38		
Belgium	733	869		
Rest of Europe	1 144	1 524		
Others	4 325	74		
Total	138 260	38 243	3 188	2 989

2. Other operating income

Gain on sale of non-current assets	7 140	8 136	5 721	8 057
Others	151	23	1	
Total	7 291	8 159	5 722	8 057

3. Personnel costs

Wages and salaries	27 802	6 756	1 156	1 061
Pension costs	3 988	1 110	553	250
Other wage related costs	1 916	600	289	85
Total	33 706	8 466	1 998	1 396

Salaries for managing directors	1 038	690	437	427
of which bonuses	116	145	83	81
Remunerations to Board members	74	172	74	67

A loan of 100 000 euro with a 2.25% interest p.a. has been granted to the President and CEO of Ahlström Capital Oy.

4. Average number of personnel

Salaried	324	77	9	8
Blue-collar	838	201		
Total	1 162	278	9	8

5. Financing income and expense

Dividend income from Group companies				1 382
Dividend income from others	3 882	1 045	3 882	1 045
Interest and financing income from Group companies			366	440
Interest and financing income from associated companies	1 208	1 238	1 208	1 238
Interest and financing income from others	1 236	927	945	938
Total	6 326	3 210	6 401	5 043

Write-downs in long-term financial investments				-21 405
Interest and financing expenses to Group companies			-153	-138
Interest and financing expenses to others	-966	-413	-57	-164
Total	-966	-413	-210	-21 707

6. Extraordinary income and expense	Group	Group	Parent	Parent
	1 Jan.-31 Dec. 2004	1 Jan.-31 Dec. 2003	1 Jan.-31 Dec. 2004	1 Jan.-31 Dec. 2003
Adjustment of the net result of an associated company	-194	-252		
Group contribution			610	870
Total	-194	-252	610	870

7. Income taxes

Taxes for current and previous years	-2 756	-25	-486	203
Change in deferred taxes	1 019	1 330	1 085	1 358
Income taxes in the income statement	-1 737	1 305	599	1 561

8. Intangible and tangible assets

Group	Goodwill	Intangible rights	Other intangible assets	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost at 1 Jan.	3 445	697	316	6 306	13 198	8 534	848	986
Increases	7 952	526	35	166	13 889	2 413	188	980
Decreases		-9	-30	-3 808		-498	-3	-32
Other changes	-57	35	850		382	22 528		301
Reclassifications					606			-606
Acquisition cost at 31 Dec.	11 340	1 249	1 171	2 664	28 075	32 977	1 033	1 629
Accumulated depreciation and amortization at 1 Jan.	1 379	447	223		3 360	5 543	432	
Decreases			-18			-303		
Other changes	68		152		307	16 297		
Depreciation and amortization for the period	1 224	227	195		454	2 318	214	
Accumulated depreciation and amortization at 31 Dec.	2 671	674	552		4 121	23 855	646	
Revaluations at 1 Jan.				37 515				
Decreases				-2 972				
Revaluations at 31 Dec.				34 543				
Book value at 31 Dec. 2004	8 669	575	619	37 207	23 954	9 122	387	1 629
Parent company		Intangible rights	Other intangible assets	Land and water areas	Buildings and constructions	Machinery and equipment	Other tangible assets	Advances paid and construction in progress
Acquisition cost at 1 Jan.		17		4 230	9 585	864	22	964
Increases		19		43		2		609
Decreases		-9		-2 319				-17
Reclassifications					584			-584
Acquisition cost at 31 Dec.		27		1 954	10 169	866	22	972
Accumulated depreciation and amortization at 1 Jan.		2			1 450	293	8	
Depreciation and amortization for the period		1			332	77	2	
Accumulated depreciation and amortization at 31 Dec.		3			1 782	370	10	
Revaluations at 1 Jan.				37 398				
Decreases				-2 855				
Revaluations at 31 Dec.				34 543				
Book value at 31 Dec. 2004		24		36 497	8 387	496	12	972

9. Long-term investments				
Group	Shares in associated companies	Other shares	Other receivables	
Book value at 1 Jan.	3 960	30 324	36 220	
Share of profits	470			
Increases		112		
Decreases	-1		-4 603	
Other changes	4			
Book value at 31 Dec. 2004	4 433	30 436	31 617	
	Shares in Group companies	Shares in associated companies	Other shares	Other receivables
Parent company				
Book value at 1 Jan.	16 328	10 708	30 275	40 520
Increases	13 880		112	2 660
Decreases	-1 764	-1		-4 602
Book value at 31 Dec. 2004	28 444	10 707	30 387	38 578

10. Prepaid expenses and accrued income	Group 31 Dec. 2004	Group 31 Dec. 2003	Parent 31 Dec. 2004	Parent 31 Dec. 2003
Short-term				
Accrued interest income	2 294	25	2 660	25
Periodization of costs	599	259		
Current tax receivable	1 598	440	1 384	440
Other	277	185	615	
Total	4 768	909	4 659	465

11. Shareholders' equity

Shareholders' equity at 1 Jan.	156 483	168 437	169 856	190 482
Change in revaluations	-2 972	-5 062	-2 855	-5 062
Redemption of company shares	-1 009		-1 009	
Dividends paid	-1 444	-1 272	-1 444	-1 272
Translation adjustment	-322	-1 055		
Other	453	-7 033		-6 585
Net income	15 216	2 468	10 243	-7 707
Shareholders' equity at 31 Dec.	166 405	156 483	174 791	169 856
Retained earnings	117 530	107 609	125 925	120 990
Depreciation difference net deferred tax liability	-1 457	-283		
Distributable shareholders' equity	116 073	107 326	125 925	120 990

12. Share capital by type of share, 31 December 2004, parent company

Shares are divided into two series, A and B. The par value of all shares is EUR 100.

	Number of shares	EUR
Series A, 1 vote/share, with redemption and conversion clause	360 919	36 091 900
Series B, 1 vote/share, with redemption clause		
Total	360 919	36 091 900

13. Maturities of long-term liabilities, Group	2006	2007	2008	2009	2010–	Total
Loans from financial institutions	11 646	2 622	3 903	4 903	6 903	29 977
Deferred tax liabilities	144	144	144	109	8 522	9 063
Other long-term liabilities	80	8	8	8	238	342
Total						39 382

	Group 31 Dec. 2004	Group 31 Dec. 2003	Parent 31 Dec. 2004	Parent 31 Dec. 2003
14. Provisions				
Personnel costs	1 041	811	1 041	726
Other	1 865	1 058	1 750	1 020
Total	2 906	1 869	2 791	1 746

15. Deferred tax assets and liabilities

Short-term assets	183	108		
Long-term liabilities	-9 063	-10 010	-8 809	-9 894
Short-term liabilities	-1 021			
Total	-9 901	-9 902	-8 809	-9 894

Arising from:

Depreciation difference	-115	-116		
Revaluations	-9 777	-9 894	-8 809	-9 894
Tax losses	183	108		
Other timing differences	-192			
Total	-9 901	-9 902	-8 809	-9 894

16. Accrued expenses and deferred income

Long-term				
Other	270	51	43	51
Total	270	51	43	51

Short-term

Personnel costs	4 032	1 234	258	202
Interest expense	397	22	5	20
Current tax payable	3 080	17	1 599	
Other	1 057	180	9	8
Total	8 566	1 453	1 871	230

17. Receivables from and liabilities to Group companies

Notes receivable			6 960	4 300
Accounts receivable			909	
Prepaid expenses and accrued income			980	1 169
Total			8 849	5 469

Other short-term debt			7 220	5 627
Total			7 220	5 627

18. Receivables from and liabilities to associated companies

Notes receivable	31 618	36 220	31 618	36 220
Other short-term receivables	2 271	1 181	2 271	1 181
Total	33 889	37 401	33 889	37 401

EUR 1 000

Notes to income statement and balance sheet

	Group 31 Dec. 2004	Group 31 Dec. 2003	Parent 31 Dec. 2004	Parent 31 Dec. 2003
19. Collaterals				
For own liabilities				
Loans from financial institutions	18 060	1 261	420	1 261
Amount of mortgages	34 963	1 850	1 850	1 850
For other own commitments		147		
For commitments of Group companies	1 650	1 650	1 650	1 650

20. Contingent liabilities

Leasing commitments				
Current portion	641	62	8	6
Long-term portion	1 198	88	6	7
Other commitments	100			

21. Shares

Subsidiaries	Country	Percentage held
Ahltronix Oy	Finland	100
Ahltronix Varkaus Oy	Finland	100
Ahltronix Rauma Oy	Finland	100
Ahltronix Eesti AS	Estonia	100
Karhula Osakeyhtiö	Finland	100
Enics AB	Sweden	100
Enics AG	Switzerland	92
Enics Schweiz AG	Switzerland	
Enics Finland Oy	Finland	
Enics Eesti AS	Estonia	
Billcap AS	Norway	100
Malcap AB	Sweden	100
AC Kosmo AB	Sweden	100
Krasno AB	Sweden	100
Elva Holding Oy	Finland	100
AC Verwaltungs-GmbH	Germany	100
Associated companies		
Å&R Carton AB	Sweden	45
Nordkalk Corporation	Finland	26
Oy Kvartett Invest Ab	Finland	45

Other significant shareholdings

Vacon Plc
 Holding 2 287 996 shares, ownership 15.0%
 Book value 19.8 MEUR, market value 27.0 MEUR at 31 Dec. 2004

OPALS MSCI World
 Holding 15 586 shares
 Book value 8.0 MEUR, market value 5.9 MEUR at 31 Dec. 2004

OPALS MSCI Europe
 Holding 6 138 shares
 Book value 2.0 MEUR, market value 2.0 MEUR at 31 Dec. 2004

Income Statement, Parent Company

EUR 1 000

	Note	1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003
Net sales	1	3 188	2 989
Other operating income	2	5 722	8 057
Materials and services			-57
Personnel costs	3	-1 998	-1 396
Depreciation and amortization	8	-412	-380
Other operating expense		-3 632	-2 611
Operating profit		2 868	6 602
Financing income and expense	5		
Interest and other financing income		6 401	5 043
Interest and other financing expenses		-210	-21 707
		6 191	-16 664
Result before extraordinary items		9 059	-10 062
Group contribution	6	610	870
Result before appropriations and taxes		9 669	-9 192
Change in depreciation difference		-25	-76
Income taxes	7	599	1 561
Net result for the period		10 243	-7 707

Statement of Cash Flows, Parent Company

EUR 1 000

	1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003
Cash flow from operating activities		
Operating profit	2 868	6 575
Depreciation and amortization	412	381
Other adjustments	1 045	1 367
Cash flow from operations before change in net working capital	4 325	8 323
Change in net working capital	-2 629	148
Cash flow from operations	1 696	8 471
Interest and other financing income	5 457	3 613
Interest and other financing expenses	-210	-294
Income taxes		203
Net cash flow from operating activities	6 943	11 993
Cash flow from investing activities		
Capital expenditure	-785	-1 045
Other investments	-13 880	-4 188
Redemption of company shares	-1 009	
Proceeds from sales of non-current assets	4 110	449
Change in other receivables and notes receivable	3 026	-9 465
Net cash flow from investing activities	-8 538	-14 249
Cash flow from financing activities		
Change in financial investments	6 160	3 199
Change in long-term liabilities	-841	-841
Change in short-term debt	1 593	1 465
Dividends paid	-1 444	-1 272
Group contribution	610	-260
Net cash flow from financing activities	6 078	2 291
Change in cash and bank	4 483	35
Cash and bank at beginning of period	485	450
Cash and bank at end of period	4 968	485

Balance Sheet, Parent Company

EUR 1 000

Assets

	Note	31 Dec. 2004	31 Dec. 2003
Non-current assets			
Intangible assets	8		
Intangible rights		24	15
		24	15
Tangible assets	8		
Land and water areas		36 497	41 628
Buildings and constructions		8 387	8 135
Machinery and equipment		496	571
Other tangible assets		12	14
Advances paid and construction in progress		972	964
		46 364	51 312
Investments	9		
Shares in Group companies		28 444	16 328
Shares in associated companies		10 707	10 708
Receivables from Group companies	17	6 960	4 300
Receivables from associated companies	18	31 617	36 220
Other shares		30 387	30 275
		108 115	97 831
Current assets			
Receivables			
Long-term			
Notes receivable		564	0
Other receivables		2 098	2 000
		2 662	2 000
Short-term			
Accounts receivable		106	158
Receivables from Group companies	17	1 889	1 169
Receivables from associated companies	18	2 305	1 181
Other receivables		616	29
Prepaid expenses and accrued income	10	1 410	465
		6 326	3 002
Financial investments		28 371	34 531
Cash and bank balances		4 968	485
TOTAL ASSETS		196 830	189 176

EUR 1 000

Shareholders' equity and liabilities

	Note	31 Dec. 2004	31 Dec. 2003
Shareholders' equity			
Share capital	11	36 092	36 348
Capital in excess of par value		12 774	12 518
Retained earnings		115 682	128 697
Net result for the period		10 243	-7 707
		174 791	169 856
Accumulated appropriations			
Depreciation difference		411	386
Provisions	14	2 791	1 747
Liabilities			
Long-term	13		
Loans from financial institutions		0	420
Deferred tax liabilities	15	8 809	9 894
Accrued expenses and deferred income	16	43	51
		8 852	10 365
Short-term			
Loans from financial institutions		420	841
Advances received		0	2
Accounts payable		431	86
Liabilities to Group companies	17	7 220	5 627
Other liabilities		43	36
Accrued expenses and deferred income	16	1 871	230
		9 985	6 822
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		196 830	189 176

Proposal for the Distribution of Profits

According to the consolidated balance sheet as of December 31, 2004, the Group's retained earnings and net result for the accounting period are:

	EUR
Retained earnings	102 314 000
Net income for the period	<u>15 216 000</u>
Total	117 530 000

of which distributable funds 116 073 000

According to the parent company's balance sheet as at December 31, 2004, the Group's retained earnings and net result for the accounting period are:

Retained earnings	115 681 549
Net income for period	<u>10 243 365</u>
Total distributable funds	125 924 914

The Board of Directors proposes that a dividend of 6.00 euros per share be paid on the 360 919 outstanding shares, and the remainder be retained.

	2 165 514
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Helsinki, February 16, 2005

	Morten Ahlström	
Thomas Ahlström		Karl Grotenfelt
Johannes Gullichsen		Jouko Oksanen
	Jan Inbarr	
	President and CEO	

Auditors' Report

To the Shareholders of Ahlström Capital Oy

We have audited the accounting, the financial statements and the administration of Ahlström Capital Oy for the year ended 31 December 2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, cash flow statements and notes to the financial statements, have been prepared by the Board of Directors and the President and CEO. Based on our audit we express an opinion on these financial statements and on administration.

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

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

The proposal made by the Board of Directors on how to deal with the profit is in compliance with the Companies Act.

Helsinki, February 23, 2005
KPMG OY AB
Sixten Nyman
Authorized Public Accountant

Key Figures

Key Figures

	1 Jan.–31 Dec. 2004	1 Jan.–31 Dec. 2003	1 Jan.–31 Dec. 2002	1 Jan.–31 Dec. 2001*	1 July–31 Dec. 2001
Net sales, MEUR	138.3	38.2	38.7	40.1	19.3
Other income from operations, MEUR	7.3	8.2	5.3	3.4	2.9
Operating profit, MEUR	11.7	8.7	6.5	5.3	1.9
Share of associated companies' result, MEUR	0.5	-10.1	-3.1	-8.7	-5.6

* Pro forma

	31 Dec. 2004	31 Dec. 2003	31 Dec. 2002	31 Dec. 2001	1 July 2001
Equity ratio	69%	88%	92%	86%	90%
Gearing	-4%	-21%	-23%	-30%	-28%
Equity/share, EUR	461.06	430.51	463.40	466.53	478.25
Net asset value/share, EUR	471.11	430.76	430.68	445.49	457.25
Equity/share, EUR, adjusted**	445.06	437.51	445.90	445.53	457.25
Net asset value/share, EUR, adjusted**	482.11	437.76	434.18	445.49	457.25
** adjusted with dividends paid					
Net result of the period/share, EUR***	42.11	6.79	12.93	-6.96	
*** incl. gains on sale					
Dividend/share, EUR	6.00****	4.00	3.50	3.50	

**** proposal by the Board of Directors

Book Value and Net Asset Value of Ahlström Capital Oy's Share

EUR 1000 if not otherwise stated	31 Dec. 2004	31 Dec. 2003
Book value of Ahlström Capital Oy's shareholders' equity	166 405	156 482
Book value of Ahlström Capital Oy's shareholders' equity, per share, EUR	461.06	430.51

Differences in the book value and net asset value

Book value of shares in Vacon Plc	19 758	19 646
Net asset value of shares in Vacon Plc*	24 934	21 617
Book value of OPALS securities	9 985	9 985
Net asset value of OPALS securities*	8 436	8 106
Differences in the book value and net asset value, total	3 627	92

Net asset value of Ahlström Capital Oy's

shareholders' equity	170 032	156 574
Net asset value of Ahlström Capital Oy's shareholders' equity, per share, EUR	471.11	430.76

Value of Ahlström Capital Oy's share, EUR, adjusted for dividends paid

Book equity per share, EUR	445.06	437.51
Net asset value per share, EUR	482.11	437.76

* Net asset value is the market value adjusted for deferred taxes

Formulas for Key Figures

Equity ratio	$\frac{\text{Shareholders' equity} + \text{Minority interest}}{\text{Balance sheet total} - \text{Advances received}} \times 100$
Gearing ratio	$\frac{\text{Interest-bearing debts} - \text{Securities included in financial assets} - \text{Cash and bank}}{\text{Shareholders' equity} + \text{Minority interest}} \times 100$
Earnings per share	$\frac{\text{Profit before extraordinary items and taxes} - \text{Taxes on regular operations} \pm \text{Minority interest}}{\text{Number of shares on average for accounting period}}$
Equity per share	$\frac{\text{Shareholders' equity at the end of fiscal year}}{\text{Number of shares at the end of fiscal year}}$

Corporate Governance

Governance Principles

The corporate governance of Ahlström Capital complies with high standards. It is based on the Finnish Companies Act and the company's articles of association. The recommendations on corporate governance in listed companies issued by HEX, the Finnish Central Chamber of Commerce and the Confederation of Finnish Industry and Employers are followed to the extent applicable to a non-listed company.

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

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

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

General Meeting of Shareholders

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

The Annual General Meeting was held in Helsinki on June 3, 2004.

The Board of Directors

The Annual General Meeting elects no fewer than five and no more than seven ordinary members to the Board of Directors (Board) for a term of one year at a time. The Board chooses a chairman from among its members. The current Board has five members, who have all been on the Board since the company was founded on June 30, 2001.

Ahlström Capital Oy's Board represents the owners of the company. The duties and responsibilities of the Board are based on the Finnish Companies Act and other applicable legislation, as well as on the articles of association and the Rules of Procedure adopted by the Board. The Board has general jurisdiction in all company affairs that are not specified by law or the articles of association to be decided or implemented by other bodies.

The Board of Directors attends, together with the President and CEO, to internal supervision, which also includes risk management.

The Board confirms the company's general targets and strategy and approves its annual plans. The Board decides on direct investments and divestments.

During the year, the Board had nine meetings, which, with the exception of one, were attended by all the members.

The President

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

Jan Inborr has served as the company's President since its incorporation on June 30, 2001. He had previously served in management duties for various operations and divisions of the Ahlstrom Group, most recently as CEO of Ahlstrom Paper Group. He is chairman of the Board of Directors at Enics AG and Vacon Plc as well as serving on the Boards of Directors of Ahlstrom Corporation, Nordkalk Corporation, Å&R Carton AB and Stiftelsen för Åbo Akademi.

Jan Inborr's holdings in portfolio companies are as follows: Nordkalk Corporation 2,617 shares, Å&R Carton AB 1,250 shares and Enics AG 25,000 shares.

He has entitlement to retire at the age of 60 and the right to severance pay equal to 18 months' salary in the event of termination of employment.

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

Salaries and Remuneration

The General Meeting of Shareholders confirms the remuneration of the members of the Board for one year at a time. The remuneration in 2004–2005 is EUR 1,000 per month and EUR 300 per meeting. The chairman is paid a double monthly fee. The Board confirms the President's salary and benefits and it also decides on the salaries and benefits for the other management.

Supervision

Ahlström Capital's auditor is the auditing firm KPMG Oy Ab, with Sixten Nyman, Authorized Public Accountant, as the auditor in charge. The auditors supply the company's shareholders with the statutory auditor's report as part of the annual financial statements. The auditors also report on their observations to the company's Board.

The fees paid for the audit of the Group in 2004 were MEUR 0.2.

Board of Directors

Morten Ahlström
born 1943, M.Sc. (Econ.)
Chairman of the Board of Directors
Member of the Board of Directors,
Nordkalk Corporation, Å&R Carton AB
and Enics AG



Thomas Ahlström
born 1958, M.Sc. (Econ.)
Head of Client Relationship
Management
SEB Merchant Banking,
Helsinki



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



Johannes Gullichsen
born 1964, B.Sc. (Eng.), MBA
Manager, R&D
RAM – Ra Asset Management



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



Ahlström Capital



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



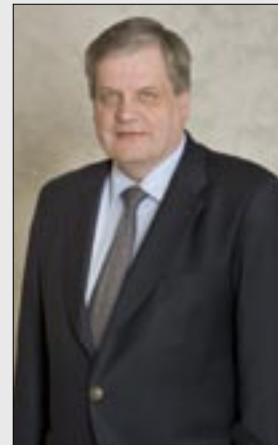
Kai Becker
born 1970, M.Sc. (Econ.)
Investment Director



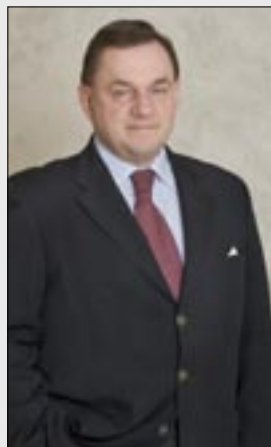
Johan Borgström
born 1948, LL.M.
General Counsel



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



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



Henrik Mikander
born 1949, MBA
Investment Director



Leena Savolainen
born 1948, BA
Executive Assistant



Helena Staffans
born 1956, B.Sc.
Executive Assistant to CEO

Shares and Shareholders

Shares and Share Capital

Ahlström Capital Oy's minimum share capital is EUR 9,090,000 and its maximum share capital is EUR 36,348,200, within which limits the share capital may be raised or lowered without amending the articles of association. The company's registered share capital on 31 December 2004 was EUR 36,091,900, divided into 360,919 shares with a par value of EUR 100 each.

Ahlström Capital has two series of shares. Series A and B shares each entitle the holder to one vote at general meetings of shareholders. At the end of 2004, the company's

entire issued stock, comprising 360,919 shares, consisted of series A shares.

The conversion and redemption of shares stipulated in the articles of association was carried out in spring 2004. The company redeemed 2,563 of its own shares and, at the same time, 28,576 shares (7.9%) changed owner through transactions between shareholders. The number of shareholders was reduced by 28 (11%).

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

Shareholders by group on December 31, 2004

At the end of 2004, Ahlström Capital had 220 shareholders.

	Number of shares	Percentage of shares
Companies	37 823	10.5
Financial and insurance institutions	3 750	1.0
Public corporations	23 490	6.5
Finnish households	239 506	66.4
Foreign households	51 086	14.1
Others	5 264	1.5
Total	360 919	100.0

Distribution of shareholdings on December 31, 2004

Number of shares	Number of owners	Percentage of owners	Number of shares and votes	Percentage of shares	Number of average ownership
1-100	75	34.1	2 137	0.6	28
101-500	36	16.4	8 206	2.3	228
501-1 000	23	10.5	17 941	5.0	780
1 001-2 500	39	17.7	57 430	15.9	1 473
2 501-5 000	28	12.7	100 043	27.7	3 573
over 5 000	19	8.6	175 162	48.5	9 219
	220	100.0	360 919	100.0	1 641

Shareholding by the Board of Directors

On December 31, 2004 the members of the Board of Directors held 11,621 shares in Ahlström Capital Oy, representing 3.2% of the voting rights and shares.

Morten Ahlström holds 967 shares in Nordkalk Corporation.

Information for Shareholders

Annual General Meeting

Ahlström Capital Oy's Annual General Meeting will be held in Helsinki, Eteläesplanadi 14, on Thursday, April 7, 2005, at 5 p.m.

The Notice convening the Annual General Meeting will be published in the Official Gazette No. 30/March 11, 2005.

Financial Information

Ahlström Capital's annual report for 2004 is published in English, Swedish and Finnish.

In 2005 the company will issue a financial review to its shareholders for the period January 1–June 30.

The company's annual report for 2005 is estimated to be completed in March 2006.

The annual report is available on the Internet at www.ahlstromcapital.com

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

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Heritage counts



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