

KWH 2011 Annual Review

KWH Pipe



KWH Mirka



KWH Logistics



KWH Invest



Contents

Group President's Review	2
KWH 2011	4
KWH 2007–2011	5
KWH at a Glance	6
KWH Pipe	8
KWH Mirka	14
KWH Logistics	20
KWH Invest	
KWH Plast	26
Prevex	28
Board of Directors	30
Group Management, Auditors	31
KWH's organisation March 31, 2012	32
Consolidated Income Statement	34
Consolidated Balance Sheet	35
Addresses	36

The KWH Annual Report 2011 consists of an Annual Review and a Financial Report.

The Annual Review gives a picture of the Group and its Business Operations 2011 and contains the Consolidated Income and the Consolidated Balance Sheet. The Annual Review is also available for download under www.kwhgroup.com. The Annual Review is available in English, Finnish and Swedish.

The Financial Report contains the financial statements including notes and can be ordered from KWH Group Ltd by e-mail info@kwhgroup.com. The Financial Report is available in Swedish.

Group President's Review



Peter Höglund, Group President

When it comes to 2011, the year was clearly dominated by the critical condition we are in. The economy and, in particular, the financial situation in the EU have taken a turn for the worse, which also negatively affected industry. The question is, will it be a recession now or a depression later? How deep and how long-term will it be? Will it affect mainly the EU, or will there also be a recession in the US?

Continued state and national deficits and continually growing debt makes recovery more difficult, and we are likely to see a long period of weak growth. Reducing the deficit would require a trade surplus or increased savings and/or lower consumption and investment levels. The latter translates automatically into lower growth. Repayment of foreign loans also requires exports, which practically every country is looking to increase in the current economic situation. The question is who will import in this situation and who has the competitive ability?

The "bad boy" of the finance crisis, Greece, cannot be helped any further, and is heading toward certain bankruptcy. The simple question is: when will politicians accept this fact and allow it to happen? The result of this is uncertain, but we can anticipate great uncertainty and many disruptions in our surroundings. We are now entering a time of some measure of capital deterioration, and Finland too will be forced to finance part of this.

The large banks in the EU must refinance their capital or be nationalised and probably ECB's capital will also have to be reinforced. ECB's role as bank financier is decisive today for credibility in the finance sector in the EU.

*Our strategies
and plans build on
continuous renewal.*

China's role in the global economy is interesting. The country is now demonstrating an interest in stepping up to the plate, acting as a financier and supporting the EU's stability, and perhaps Greece to begin with. Their interest is due to the fact that they are dependent on the export markets in the US and the EU. In a situation where demand in both places is low, it is important to support these markets as much as possible. China's domestic market cannot swallow the flow of export-oriented industry.

Another country that has not been mentioned much yet is Japan. The country's enormous debt financed on a domestic basis and with an ageing population will not be able to sustain growth without external lenders. There we have a new economic meltdown that is going to have wide-reaching consequences for the global economy.

KWH 2011

We achieved the expected 10% growth in revenue, but we did not reach the earnings goals that had been set. On the other hand, we were able to beat last year's earnings thanks to unexpected good results in the last months of the year.

Consolidated turnover increased by approximately 11%, but poorer sales margins and spiking fixed costs had a negative effect on earnings. The biggest disappointment was KWH Pipe's poor results on most markets, with the exception of Canada, which underwent very positive development. We can also mention KWH Plast, which is still in a restructuring phase.

KWH 2012

For 2012 we are budgeting moderate growth both in sales and earnings. This development in earnings calls for a higher sales margin than in the previous year. The question is whether this is realistic in the current climate, given the expected new recession in the EU and US. Significant improvements in productivity will be required, as competition grows tougher.

As global growth is threatened, it is reasonable to ask where the export market will be. Exports can be saved by the devaluation of the euro in relation to most major currencies. This can happen if the ECB continues to grant very large loans on favourable terms, with 1% interest on three-year loans with very low security requirements. ECB then

guarantees money supply to the banks in Europe, and directly or indirectly supports the crisis-stricken countries through bond purchases. In practice, this is the same as ECB printing money, which can save the day, but leads to inflation in the longer term. However, you have to fix the roof in order to keep your house of cards from collapsing.

It is also important to realise that crippling expectations must be resisted. Big dangers entail big risks, but also exceptional opportunities if you can take advantage of them! Our strategies and plans build on continuous renewal, but adapted, by necessity, to the circumstances. We are forward-looking, but we are also pragmatic, not dogmatic, which means plans cannot be static.

Despite the weak expectations for the economy, in our budget we believe in earnings improvements for KWH at group level and that all business groups should have stabilised positive earnings for 2012. The measures taken this past year should make this possible.

KWH 2011

Key Figures

	2010	2011
Turnover, EUR million	484.5	537.4
Operating profit, EUR million	22.1	24.8
Profit before taxes, EUR million	21.0	21.6
Return on Capital Employed, %	7	7
Return on Shareholders' Equity, %	5	6
Investments, EUR million	24.2	30.3
Equity Ratio, %	64	64
Gearing, %	8	3
Personnel	2,627	2,691

The KWH Group achieved the expected 10% growth in revenue, but did not reach the earnings goals that had been set. On the other hand, the Group was able to beat last year's earnings thanks to unexpected good results in the last months of the year.

Consolidated turnover increased by approximately 11%, but poorer sales margins and spiking fixed costs had a negative effect on earnings.

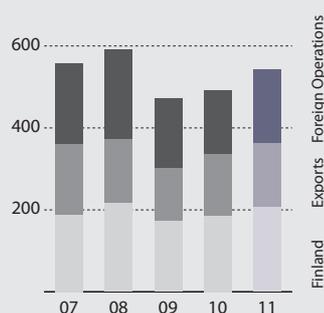
Share of Group Turnover



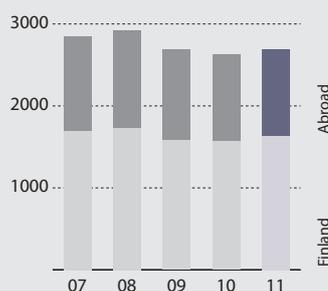
Turnover by Geographical Area



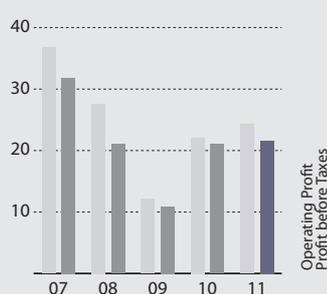
Turnover, EUR million



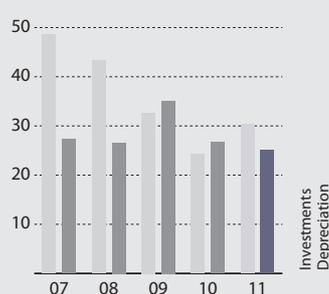
Personnel



Profit, EUR million



Investments, EUR million



KWH 2007–2011

	2007	2008	2009	2010	2011
Consolidated Income Statement					
Turnover					
Finland, EUR million	188.2	216.1	172.1	186.1	206.0
Exports from Finland, EUR million	172.5	156.4	130.5	148.6	156.1
Foreign Operations, EUR million	195.4	219.4	167.9	156.1	181.7
Total, EUR million	551.6	587.5	467.5	484.5	537.4
Salaries, Wages and Social Charges, EUR million	121.6	127.0	115.0	121.0	129.1
Depreciation and Impairment, EUR million	27.3	26.6	35.1	26.7	25.1
Operating Profit, EUR million	36.8	27.6	12.1	22.1	24.3
Financing Items, net, EUR million	5.0	6.6	1.3	1.1	2.7
Profit before Taxes, EUR million	31.8	21.0	10.9	21.0	21.6
Taxes according to the Income Statement, EUR million	9.4	5.4	3.3	6.4	5.0
Profit after Taxes incl. Minority Items, EUR million	22.5	15.6	7.5	18.4	13.6
Consolidated Balance Sheet					
Non-current Assets, EUR million	227.1	236.1	233.5	234.1	231.5
Inventories, EUR million	111.7	91.3	70.6	80.3	82.2
Receivables, EUR million	93.2	96.6	80.0	87.0	90.6
Cash in Hand and at Bank, EUR million	17.5	33.6	42.8	48.0	57.1
Shareholders' Equity, EUR million	260.3	267.6	270.6	284.6	293.8
Liabilities, EUR million	189.2	189.9	156.0	164.8	167.6
Net interest-bearing Liabilities, EUR million	66.7	57.7	34.7	24.1	7.8
Balance Sheet Total, EUR million	449.5	457.5	426.6	449.4	461.4
Ratios					
Change in Turnover, %	2	6	-20	4	11
Exports and Foreign Operations, %	67	64	64	64	63
Share of Group Turnover					
KWH Pipe, %	51	52	50	44	44
KWH Mirka, %	26	24	26	30	30
KWH Logistics, %	13	15	18	19	21
KWH Invest and others, %	10	9	7	7	5
Return on Capital Employed, %	11	8	4	7	7
Return on Shareholders' Equity, %	9	6	3	5	6
Equity Ratio, %	58	59	64	64	64
Gearing, %	26	22	13	8	3
Other Information					
Gross Investments, EUR million	48.6	43.3	32.7	24.2	30.3
Net Investments, EUR million	46.3	40.8	31.1	21.3	25.5
Average Number of Personnel	2 852	2 916	2 696	2 627	2 691
of which abroad	1 155	1 188	1 116	1 061	1 060
Turnover per Employee, 1,000 euros	193	201	173	184	200

Return on Capital Employed

Profit before taxes plus Interest and other Financing Expenses as per cent of Balance Sheet Total minus Non-interest-bearing Liabilities in average

Return on Shareholders' Equity

Net profit as per cent of Shareholders' Equity plus Minority Interest in average

Equity Ratio

Shareholders' Equity plus Minority Interest as per cent of Balance Sheet Total minus Advances Received

Gearing

Interest-bearing Liabilities minus Cash in Hand and at Bank as per cent of Shareholders' Equity plus Minority Interest.

KWH at a Glance

The KWH Group develops, produces and markets plastic products and abrasives globally and provides logistics services.

KWH Pipe



A leading international plastic pipe expert

Plastic pipes and pipe systems for industrial, infrastructure and building applications, environmental and low-energy products, pre-insulated pipe systems, special machinery, and production technology

KWH Mirka



Coated and non-woven abrasives, electric sanding machines and polishing compounds; complete sanding solutions

Customers: the automotive refinishing trade, original equipment manufacturers, composite manufacturers, the furniture industry, metal finishing, etc.

KWH Logistics



KWH Freeze (*Cold Storage*) is Finland's leading commercial cold storage

Backman-Trummer Group (business units *Port & Sea* and *Freight Forwarding*) operates in the fields of port operations, freight forwarding and international transports.

KWH Invest



Prevex manufactures products for the plumbing sector and customer specified products. The market leader in Scandinavia for water traps for kitchen sinks.

KWH Plast manufactures films for the food industry as well as films for labels and synthetic paper.

<p>Head office in Vaasa, Finland</p> <p>Ten productions units and five sales offices in Europe, Southeast Asia and North America</p> <p>The share of exports and foreign operations 66%</p>	<p>Turnover EUR 234 million</p>		<p>44%</p>
	<p>Personnel 1,238</p>		<p>46%</p>
Share of the KWH Group			
<p>Productions units in Jepua, Oravainen and Karjaa, Finland</p> <p>Fourteen marketing companies and three sales offices abroad</p> <p>Exports about 96% of its production mainly to Europe, the US and Far East</p>	<p>Turnover EUR 162 million</p>		<p>30%</p>
	<p>Personnel 883</p>		<p>33%</p>
Share of the KWH Group			
<p>KWH Freeze (Cold Storage) has cold storages in Vantaa and Inkoo, Finland</p> <p>Port & Sea and Freight Forwarding are present at ten Western Finland ports and Hamina.</p>	<p>Turnover EUR 112 million</p>		<p>21%</p>
	<p>Personnel 378</p>		<p>14%</p>
Share of the KWH Group			
<p>A production unit Uusikaarlepyy, Finland Exports about 80% of its production</p>	<p>Turnover EUR 34 million</p>		<p>5%</p>
<p>A production unit in Pietarsaari, Finland Exports 82% of its production</p>	<p>Personnel 181</p>		<p>7%</p>
Share of the KWH Group			
<p>Total</p>	<p>Turnover EUR 537 million</p>		
	<p>Personnel 2,691</p>		

Sustainable solutions to meet tough challenges

KWH Pipe is an expert in sustainable solutions and technologies for the transportation and storage of liquids and gases and in wastewater treatment and energy. This means that KWH Pipe has the best understanding of customers' needs and processes – and the best solutions. The product portfolio includes pipe systems, tanks, environmental and low-energy products. The products and services should offer the best value through the entire life cycle and be environmentally friendly at the same time.

KWH Pipe strives for increased profitability over increased turnover. This is achieved by increasing focus on niche markets that demand value-added products and services. In bulk products, the focus is on increased cost-efficiency, combined with sufficient volumes.

In markets in which KWH Pipe does not compete, it offers production technology to

companies in the plastics industry through the sale of products and services, licensing or franchising.

Considerable differences between countries

The operational climate during 2011 can be described as improved but very challenging. The stimulations after the economic recession caused the public sector to reduce their investments in infrastructure, which was further complicated with the macroeconomic problems in both the European Union and the US. The private sector improved somewhat and increased investments when profitability recovered, although they remain at a lower level than before the economic crisis. Raw material prices were volatile during the year and affected results negatively.

Geographically, there are great differences between countries. In Europe, KWH Pipe operates primarily in markets that have

survived the economic crisis better than average. Nevertheless, infrastructure development decreased, while house building continued to develop positively.

In North America, a clear upturn was seen for the second consecutive year, which is illustrated by the fact that the industry organisation Plastic Pipes Institute reported a 19% increase in total sales of PE-HD pressure pipe compared to the previous year (in 2010 +16%). However, this was mostly due to oil & gas production and especially due to enhanced recovery techniques utilised in the shale plays throughout North America.

Most economies in Asia are still growing. The Thai economy did well, too, until it was effected by the flooding incident in the autumn.

In Europe, KWH Pipe is a regional player with varying market positions in the different domestic markets, most of which are in



Jan-Erik Nordmyr, CEO

Even though the market climate continued to be tough in general, there were several bright spots and signs that the markets were recovering somewhat and the company's strategic direction is the right one.

KWH Pipe

Products	Plastic pipes and pipe systems for industrial, infrastructure and building applications, energy and environmental products, pre-insulated pipe systems and special machinery and production technology
Markets	Europe, North America and Southeast Asia
Operations	Productions Units in Finland, Sweden, Denmark, Poland, Czech Republic, Thailand and Canada Sales Offices in the United Kingdom, Lithuania, Germany, Estonia and Russia Weholite Licensees in the United Kingdom, Iceland, Oman, South Africa, Malaysia, Japan and Chile



Northern and Eastern Europe. The broadest product portfolio is that in Finland, while in some of the markets, KWH Pipe has specialised in a small number of products or applications areas.

In Finland, the changed regulations for wastewater treatment in rural areas have caused a strong decline in market potential, and the substantial investments made in the business have been wasted. There is, however, still some potential in the other Nordic countries.

The continued uncertainty in the EU regarding struggling economies and the Euro's future has slowed business and hampered investments and building activities in most countries.

KWH Pipe is the biggest producer of PE-HD pipes in Canada and has traditionally been strong in the larger pipe dimensions, which is a segment that forecasts predict will be one of the fastest growing in North America. Increased competition, volatility in exchange rates and the after-effects of the American government's temporary decision to make the purchase of American products a condition for the granting of stimulus funds has, however, continued to make export to the US difficult.

In Thailand, demand from the public sector was affected by the flooding, which has forced it to refocus its investments. Export possibilities increased, but the competition became stiffer. The Thai company continues to work with industry organisations by informing the market about the risks of using products made from raw materials that are not intended for pipe production, which is common among low-price competitors.

For the business area District Energy, 2011 was another difficult year due to continued low demand and a changed competitive situation. Activity in the markets began to increase in the autumn, and the competitive situation has eased somewhat. The efforts to promote sales of industrial insulated pipes combined with technical support started to give results.

For Technology, which primarily operates in the CIS countries and the Middle East, the effects of the recession were still tangible

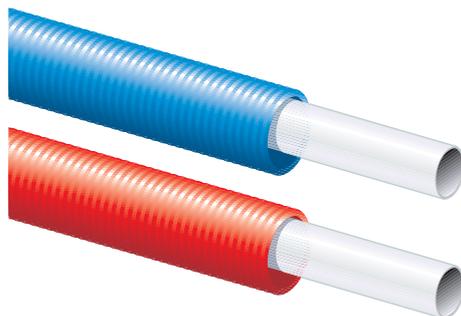
and demand is very uneven. Although the number of requests has increased, it has been difficult to finalise the deals. Orders and deliveries fell short of expectations.



Development of the company's competitiveness

In order to strengthen the company's competitiveness, product development has focused on niche products.

Considerable work has been put into developing jointing and production methods, including fabrication of the unique Weholite products. A heat exchanger has been developed and will be introduced on the Finnish market in 2012.



The introduction of multilayer pipes in the Functional Piping Solutions product family has taken a step forward and led to interesting commercial projects and new opportunities. The volumes are presently quite modest, but they are steadily growing with improved sales margins. Special extrusion tooling for various pipe types was successfully designed, manufactured and commissioned in 2011.

Due to continued low demand, KWH Pipe has reviewed its operations and adapted the organisation and activities to the current situation. Personnel levels have also had to be reduced as a result of this. Investments of a non-urgent nature, too, have been postponed.

Plastic raw material prices increased substantially during the first six months of

the year especially in Europe, but slowly fell back to earlier year-end levels in the second half of the year.

Parts of the Swedish operations were sold to Wavin on January 1, 2011. The production and sales of PE pressure pipes, and personnel working with this operation were affected by this sale. During 2011 KWH Pipe Sverige AB moved to premises in Ulricehamn and has been concentrating and successfully focusing on Weholite products, district energy and environmental products in accordance with the company's main strategy of focusing on niche products with increased profitability.

Throughout the company, processes and cost-effectiveness continued to be improved through continuous improvements within the framework of Lean. Results have been good, and further improvements are made almost on a daily basis.

Highlights

Even though the market climate continued to be tough in general, during the year there were several bright spots and signs that the markets were recovering somewhat and the company's strategic direction is the right one.

In the environmental area, new advances were made when the hitherto largest wastewater treatment plant was installed in Norway, a WehoPuts 1020. The numerical designation indicates how many people the

cleaning plant is dimensioned for.

In Denmark, good progress was made on sales of multilayer pipes. The Polish market remained strong during 2011. The Russian company performed well partly due to the fabrication products sales and also installation of a demanding Ob River crossing in Novosibirsk. In Sweden, the big mining company LKAB ordered a floating mine pit emptying installation including material.

In Finland different applications of Weholite tanks, for example storm water, retention and alkalisations tanks increased in sales, and this is expected to continue. Sales in WehoEnergy, ground heating products,



increased substantially.

In Asia, the company secured in October 2011 a major raw water intake pipeline order for a new 1,600 MW combined cycle power plant at Saraburi province north of Bangkok, including installation. The price competition on the Thai market continued to be tough.

In North America, the success the company has seen in the Weholite Storm Water Retention market continued with several project installations in the Saskatoon area and successful installations in new areas including Regina and Winnipeg. The highway culvert rehabilitation market continues to be a major end-use application for Weholite that the company continues to pursue aggressively. A certification process has been initiated with BNQ and NSF to certify that the product meets the requirements of ASTM F894. This has been instrumental in building market share with the Ministry of Transport in Quebec (MTQ) and the Indiana (DOT), which have been the key growth areas.

In district energy the improved heat conductivity values for insulation material combined with technical information packages for customers with challenging projects were well received in the market. In the district heating fair in Jönköping, Sweden, the new casing pipe with a polymer barrier layer was introduced, which will give better insulation values during the whole life span of the installation.

Technology, together with collaborating partners, conducted the first commercial project with WehoCoat, a machine for coating joints on steel gas pipelines with polyethylene to resist corrosion, in 2010. The project attracted many visits from potential customers, and future tests and approvals were made during 2011, and a breakthrough in sales is expected in 2012. The main deliveries in 2011 were to Finland and Russia, where installation of several blow film lines were done.

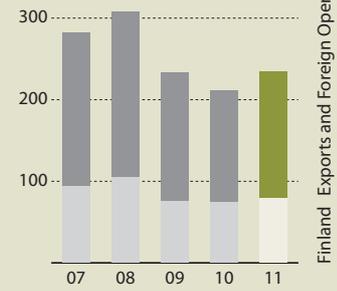
High quality and a safe working environment

The KWH Pipe Group's production units are certified according to the ISO 9001:2008 standard. The company collaborates closely with

Turnover

Turnover increased from 212 million euros to 234 million euros. Ulvila (Finland), Poland, Russia, Czech Republic, and Canada improved the most compared to the previous year. Improved turnover resulted in greater, but not yet satisfactory, profits for the entire group compared to 2010.

Turnover, EUR million



Personnel

An average of 1,238 people were employed by KWH Pipe in 2011. This was a reduction of 38 employees from the previous year.

Personnel



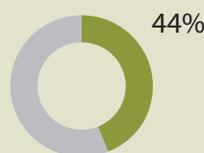
Investments

The KWH Pipe Group's gross level of investments in 2011 was at a par with the 2010 level, however, clearly lower than during the period preceding the economic crisis. Investments in product development and improvement of processes have continued on active levels.

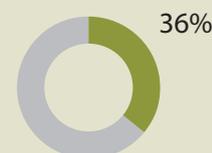
Investments, EUR million



Share of Group Turnover



Share of Capital Employed



KWH Pipe	2007	2008	2009	2010	2011
Turnover, EUR million	281.7	307.5	233.3	212.1	234.1
Changes, %	7	9	-24	-9	10
Exports and Foreign Operations, %	67	66	68	65	66
Share of Group Turnover, %	51	52	50	44	44
Investments, EUR million	15.9	13.1	7.7	5.8	5.8
Personnel	1 436	1 449	1 352	1 276	1 238

its customers in order to meet their needs by offering new products and comprehensive solutions in a competitive manner.

KWH Pipe does not compromise on product quality. In the production of both pipes and entire piping systems, only raw materials that meet international standards and which have been tested in the company's own laboratories are used.

Together with local raw material suppliers, industry organisations and the authorities, KWH Pipe implements information campaigns to increase quality awareness among customers.

By offering high-quality products, KWH Pipe helps its customers to protect the environment. With tight, durable pipe systems and tanks, leakages of both clean water and various forms of wastewater is minimised, which contributes to the efficient use of natural resources and prevents environmental damage. PE pipes that are removed from use can be recycled for various types of purposes. A study commissioned by the industry organisation The European Plastic Pipes and Fittings Association (TEPPFA) shows that different types of plastic pipes have very little impact on the

environment throughout their life cycle compared to pipes made from other materials.

A safe working environment is the basis for an efficient business. KWH Pipe's production units continuously focus on safe working methods, in order to avoid per-



sonal injuries and increase productivity. For example, in late 2011 the Canadian company embarked on a 'Road to Zero' journey as it endeavours to improve its overall safety statistics. Part of this effort involved the retraining of all company personnel regarding their responsibilities under the Safety Program, as well as a review of Supervisor Safety & the Law to the appropriate personnel.

Personnel and organisational changes

An average of 1,238 people were employed by KWH Pipe in 2011. This was a reduction of 38 employees from the previous year. Moreover, almost all units have had to adapt costs to the market situation or have been spending sparsely.

The decision to make organisational changes in KWH Pipe Ltd in early 2012 was made, so that the Finnish plastic pipe activities and district energy activities combined. In the new organisation, *Juha Kainulainen* was appointed Director of Sales and Marketing, and *Jan Rolin*, Director of Manufacturing. In addition, *Cay Backlund* was appointed Manager of Supply Chain Management. They all report to President and CEO *Jan-Erik Nordmyr*.

At the same time, Technology activities were restructured to focus as a department on specific machinery, license and franchising sales in cooperation with Extron Engineering, headed by *Jari Mylläri*, Executive Vice President. KWH Pipe will continue to make considerable investments in the personnel's skills, work capacity and well-being in the different units.

Turnover and profitability

Turnover increased from 212 million euros to 234 million euros. Ulvila (Finland), Poland,



Russia, Czech Republic, and Canada improved the most compared to the previous year. Improved turnover resulted in greater, but not yet satisfactory, profits for the entire group compared to 2010.

Pipe Finland's operations have presented acceptable profits in the present market situation.

The profits of the District Energy business still suffered from the weak demand, especially in Sweden, leading to continued low sales margins.

The profits of the Technology business were strongly weakened compared to 2010, mainly due to lower sales and project-related cost overruns.

Asia's profits were weak due to hard competition, although turnover improved 29%.

In North America, 2010 and 2011's improved market climate are evident in a clear improvement in profits after several earlier challenging years.

The Pipe Group's cash flow was clearly positive and on the same level as 2010.

Outlook for 2012

Developments in 2012 will depend to a great extent on how strong the global economy is. Both the European Union and the US are struggling with their economies, resulting in

overall weak world demand. Even if demand from the private sector were to continue to increase, the public sector would be obliged to moderate investments due to increased indebtedness. It is therefore likely that there will be a period of weak growth for several years to come.

It is at present difficult to judge how significant the consequences of the continued political unrest in the Middle East will be, especially the situation in Iran. Continuous uncertainty raises oil prices and consequently costs for raw materials for the plastics industry, which directly affects competitiveness and pressures margins. The beginning of 2012 has already indicated strong raw material price increases in the low season.

The company's niche focus translates to investment in increasing activity in areas that grow faster and give a better return than the market in general. This also means, for example divestment of badly performing assets. A challenging market climate accelerates this renewal faster than previously. Until demand and the market situation stabilise, KWH Pipe intends to work to maintain positive cash flow and improve cost efficiency, but will now take a more positive position on new investments.

By offering high-quality products, KWH Pipe helps its customers to protect the environment. With tight, durable pipe systems and tanks, leakages of both clean water and various forms of wastewater is minimised, which contributes to the efficient use of natural resources and prevents environmental damage.



Growth through new products and solution sales

The production programme is very comprehensive and consists of abrasive materials, polishing agents and sanding machines for different types of sanding processes in automotive refinishing and production (OEM), the manufacture of composite parts, furniture production, metal processing and for sales via the hardware, paint and machinery trades.

Nowadays, sales are increasingly in the form of systems sales, for which reason the product programme has been augmented by products such as backing pads, sanding blocks, vacuum cleaners and other accessories. Their importance has been constantly increasing.

In the *Surface Finishing* market segment, which encompasses automotive refinishing (ART), vehicle manufacturing (OEM) and its subcontractors, marine and composite, KWH Mirka is one of the leading global players.

This has been achieved thanks to a niche strategy consisting of a high-class and partially unique product range.

In the *Wood* market segment, the focus has been on small- and medium-sized users. The dust-free system with net products has constantly gained in importance. The CEROS electric sanding machine has also strengthened the brand in the Wood sector.

The new business unit, *Power Tools*, for the manufacture and marketing of sanding machines and accessories, grew rapidly during the year. New unique sanding machine models have been launched and new models are being developed.

Engineered Surface Finishing is a new development unit that will develop micro-products for the OEM sector and seek out new attractive market areas. The unit has developed several new unique products in the micro area for the OEM sector. Several

products have been launched, and even more are on the way.

The abrasives sector

KWH Mirka operates in a mature industry with weak or little growth. Last year, the industry underwent healthy growth. Growth was good in all countries where Mirka is active. The global industry encompasses approximately 140 manufacturers of flexible sanding materials. The automotive industry flourished again, which meant that demand for Mirka's unique products showed a fast increase. The biggest upturn was in Germany and France, as well as in the BRIC countries (Brazil, Russia, India, China).

ART, the car repair sector, experienced the greatest percentage increase, but DPT (Decoration, Paint and Trade) and Wood also experienced good increases.

The number of body shops in the ART



Ralf Karlström, CEO

Mirka's sanding systems improve the customer's productivity, which is of the highest priority in an ever-more competitive market for sanding materials.



KWH Mirka

Products	Abrasive paper, cloth and nets, non-woven abrasive products, sanding machines and polishing products
Customers	Automotive refinish technology, vehicle and furniture manufacturing
Markets	Europe, the US, Far East
Operations	Production units in Jepua, Oravainen and Karjaa in Finland. Marketing companies in the United Kingdom, Germany, the US, Sweden, France, Italy, Spain, Mexico, Brazil, Singapore, China, Russia, Canada and India Export offices in Norway, Denmark and Estonia
Trademarks	AbraClean, Abralon®, Abranet®, Autonet®, Basecut, Decosander®, EcoWet, Mirlon Total®, Miro 955®, Polarshine®, Polarstar®, Q.Silver®, Ultimax®, Unimax.

sector continues to decline. Consolidation is taking place. Insurance companies, paint manufacturers and car manufacturers are getting a firmer grip on the car repair sector.

KWH Mirka is one of the most aggressive and successful players in the "flexible coated abrasives" industry and is probably number four globally in sales volume, and very close to number three. Mirka is probably number two in paper-based coated abrasives.

During the year, only one new abrasives production line was built, and that was in Switzerland. In China and Europe, only modifications of existing facilities were made, mostly to save energy and improve quality and productivity.

Market conditions were favourable

Demand continued to be high throughout the year. The car repair sector did very well, thanks to a focus on Solution Sales and not on individual products.

The market has begun to understand the advantages of dust-free sanding, and, therefore the biggest increases have been seen in net products. That is true of all sectors.

KWH Mirka's most important market is still the EMEA (Europe, Middle East, Asia), which accounts for 71% of sales. North America accounts for 21% of turnover. Asia Pacific, which experienced excellent growth, has an 8% share of Mirka's turnover. The remainder is in South America, which experienced very satisfactory growth in 2011.

Offering added value builds the company image

Profiling as a supplier of complete abrasive solutions has reinforced Mirka's image as an innovator. Mirka's sanding systems improve the customer's productivity, which is of the highest priority in an ever-more competitive market for sanding materials. The added value that Mirka has thus been able to offer the customers has helped Mirka to achieve considerably better growth than the industry average.

In addition to the economic added values that the users of Mirka's products can be offered, the positive effect on the working environment thanks to dustlessness and

ergonomic sanding tools is appreciated.

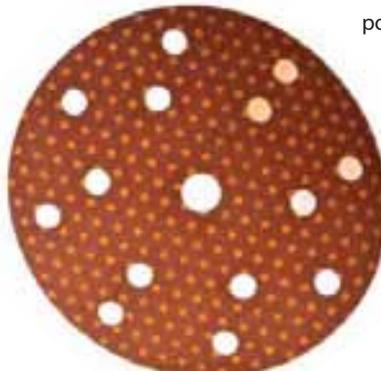
Investment in the development and marketing of sanding machines is an important component of Mirka's sanding systems. Polishing products are another example of new products.

The marketing and sales organisation expanded in most markets, but resources were reinforced in Asia and South America in particular. These markets also experienced the strongest growth. Mature markets such as Western Europe also experienced exceptionally good growth compared to 2010. The US also posted robust growth figures.



Production improvements

At the units in Nykarleby (Jeppo) and Oravais, abrasive paper, cloth and nets, non-woven abrasive products and sanding machines are manufactured. At Karis, textile bottom material is manufactured for net products. The subsidiaries abroad market and distribute the products



on their local markets. Assembly of endless abrasive belts also takes place locally under the auspices of the Spanish subsidiary.

The manufacture of semi-finished



products ran at full capacity during the year, and Mirka was also forced to operate on non-business days at times. There was a shift during the year towards the production of higher-end net products. The production of finished goods such as sanding discs and sheets increased strongly compared to the level of 2010.

The greatest increase was in non-woven and foam laminated paper products and net products.

The biggest investment in new capacity was a new textile treatment line and more efficient warp knitting machines for the Karis factory.

In 2011 the decision was made to plan, together with Ekokem Oy Ab, a bioenergy power plant that uses all waste material from Mirka, together with other biofuel as energy. The facility is expected to be ready for operation in the autumn of 2013.

Eleven distribution centres

To meet customer demands for short delivery times, Mirka has set up warehouses on different continents. Today, there are eleven Mirka distribution centres: five in Europe, two in North America, one in South America and three in Asia. The newest distribution centres are located in India and Russia.

Transport to the distribution centres is primarily by land and sea. Air transportation is also used.

Quality, environment and safe working conditions

KWH Mirka's quality work includes management systems according to ISO 9001 (Quality), ISO 14001 (Environment) and OHSAS 18001 (Occupational health and safety). All three factories are certified according to these systems. In addition to this, the subsidiaries in Sweden, the US, the United Kingdom and Germany are certified according to the ISO 9001 quality management system (Multi-site).

Focus has generally been on the overall quality goals that the management set for the year. The systematics of targeting, gauging and follow-up with regard to these projects have constantly improved.

In the framework of Multi-site, "cross audits" have been conducted, where individuals from one subsidiary are present and audit another subsidiary.

During the year, the management system tools and documentation have been built up in the new document management programme. This also includes a specially adapted audit scheduling and non-conformity handling programme.

In development and production, modern quality management tools relating to the Lean philosophy and Six Sigma have been employed to ensure the product quality demanded by customers. There were continued improvements in the monitoring of raw material quality, machine capacity and online monitoring during the year.

The work to conduct risk analyses and eliminate non-conformities on all lines in all three factories will continue in the coming year. The focus is on preventing the dangers of high points, that is, those dangers where there is a risk of serious accidents or work-related illnesses.

Accident/near-miss reporting is still at a good level. This shows that the personnel's awareness is high and that management considers this important.

Security rounds have expanded to include quality and order.

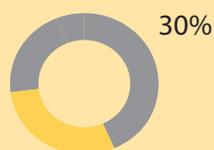
Personnel

At the end of 2011, Mirka had in all 895 (820) employees. During the year, the number of employees grew globally by 75 people, corresponding to a 9.1% increase. Of these, the increase in Finland was 51.

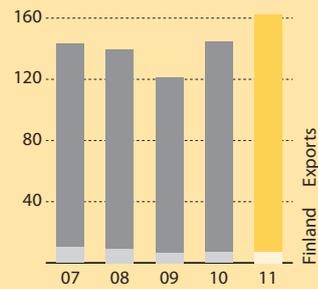
Investments

The biggest investment in new capacity was a new textile treatment line and more efficient warp knitting machines for the Karis factory.

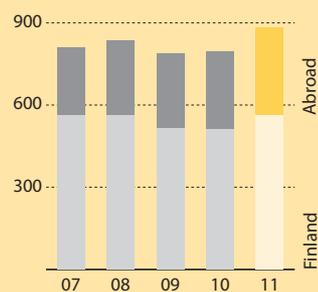
Share of Group Turnover



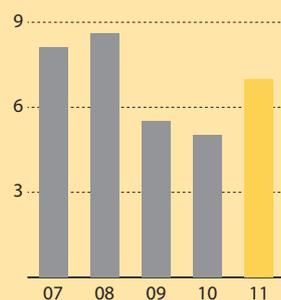
Turnover, EUR million



Personnel



Investments, EUR million



Share of Capital Employed



KWH Mirka	2007	2008	2009	2010	2011
Turnover, EUR million	143.6	139.4	121.4	144.9	161.9
Change, %	1	-3	-13	19	12
Exports and Foreign Operations, %	93	94	94	95	96
Share of Group Turnover, %	26	24	26	30	30
Investments, EUR million	8.1	8.6	5.5	5.0	7.2
Personnel	811	835	790	796	883

Increase in product development efforts

KWH Mirka increased its investment in direct product development during 2011 to 2.9% of turnover in the parent company. The unique products' share of sales was 31%, with continued excellent profitability. The unique products' percentage of the sales contribution was considerably higher.

Product development has had an intensive year and the majority of product development projects were completed during the year. The long-term investments in new technology for the production of micro products in the Engineered Surface Finishing (ESF) unit over the course of the year have now produced results in that the first products are now out on the market.

The Polarstar SR family is designed for removal of dust nibs on newly painted cars in the vehicle industry. Now Mirka finally has an own unique family of products for this interesting area. A microfilm product for paint sanding in the ART and OEM industries is also ready to be launched soon.

Mirka's portfolio of polishing agents was expanded during the year, and it can now offer an own complete range of products for the marine and ART sectors. Several Po-

larshine products also work well for polishing painted wood surfaces.

The Gold family also welcomed two new members during the year, with the launch of Gold Proflex flexible hand sanding sheets and Gold Soft discs for machine-sanding of difficult paint surfaces.

Product development at KWH Mirka received development support from Tekes (the Finnish Funding Agency for Technology and Innovation) during the year, for the development of new micro product technology and applications.

In addition, Tekes financing was also received for a collaboration project with Ekokem for

the development of unique new technology for material-efficient energy solutions. Based on the results of this project, an investment

decision was also made by Ekokem to build a new bioenergy facility fully to cover the energy needs of the Jeppo factory.

Developing the skills of the personnel

At the end of 2011, Mirka had in all 895 (820) employees. During the year, the number of employees grew globally by 75 people, corresponding to a 9.1% increase. Of these, the increase in Finland was 51. On the average, there were 883 (796) employees, of whom 560 (509) were in Finland and 323 (287) abroad. Staff turnover was 2.9% (5.7%).

Personnel and skill developments during the year focused on broadening skills among personnel at the factories. The remuneration system in the factories was also adapted to



reward broad skill sets and flexibility. This was done with the objective of satisfying the demand for short delivery times.

The learning contract-based training programmes in chemical technology have proceeded according to plan.

Focus has also been on developing leadership skills in the organisation in line with the personnel policy "Success Driven by People". To develop skills within the organisation and satisfy future demands, a number of organisational changes were also made in the marketing and sales organisations.

The company has a co-operative committee, which includes members from different personnel groups. Several volunteer co-operative bodies work together with personnel in a variety of areas of interest.

The company offers a comprehensive recreational programme for motivating personnel to adopt a healthy lifestyle.

Profitability at a good level in 2011

Profitability was at a good level for 2011 thanks to the mix with more unique products and total solutions for customers. The substantial increases in raw material prices could be partly compensated for.

Outlook for 2012

Thanks to the many new products, particularly in the micro area, to be launched during the year, Mirka believes the year is going to be a good one. Products for new areas will also increase Mirka's attractiveness. Mirka will also be working on new niche areas.

Investment in the development and marketing of sanding machines is an important component of Mirka's sanding systems. Polishing products are another example of new products.



Optimal service concepts ensure growth

KWH Logistics consists of three business units: *Cold Storage, Port & Sea* and *Freight Forwarding*.

The Cold Storage business unit is composed of KWH Freeze Ltd, a leading commercial cold storage company in Finland.

The Port & Sea and Freight Forwarding business units are part of the Backman-Trummer Group, which engages in port operations, storage, transport, forwarding and comprehensive logistics solutions.

Last year, the world economy continued its recovery from the recession, although the European debt crisis increased market instability for some countries.

Demand in Asia and particularly in China remained at a good level. The increase in goods flows was evident in the export of transit and mining industry products. Despite the uncertainty prevailing in the markets,

goods flows remained at a good level until the end of 2011.

Challenging market situation

The market situation remained difficult in the field of logistics due to tough competition.

Thanks to their competitive, high-quality service concepts, the Backman-Trummer Group and KWH Freeze successfully maintained their market position and even strengthened it.

Building on expertise and efficient processes

The vision of KWH Logistics is to be a leading player in cargo handling, international logistics and storage in selected specific segments.

KWH Logistics hopes the customers value the logistics services and see KWH Logistics

as their key logistics supplier. The vision is founded on the continuous development of the strategic expertise and logistics processes.

Cold Storage

KWH Freeze is a leading commercial cold storage business in Finland, with storage facilities located in Vantaa and Inkoo.

The business focuses mainly on services for the food industry. As a result of systematic development, KWH Freeze can offer its customers the most efficient link possible in the frozen food logistics chain. The company's strong knowledge and expertise regarding its customers and products enable it to adapt its services to the market needs.

KWH Freeze also offers tailor-made cold storage solutions, such as a service where the customer can rent space from the company's



Hannu Uusi-Pohjola, Head of Division

The vision of KWH Logistics is to be the leading player in cargo handling, international logistics and storage in selected specific segments.



KWH Logistics

Operations Cold and chilled storage facilities in Finland in Vantaa and Inkoo

Stevedoring and warehousing services as well as transport, forwarding and ship's clearance services in Finland in Hamina, Hanko, Kalajoki, Kokkola, Kristiinankaupunki, Naantali, Pori, Turku, Uusikaupunki, and Vaasa

storage facilities and use its own personnel to handle the goods.

Since 2011, customers have also been offered chilled storage.

The largest customer groups are Finland's leading wholesalers, major food producers and importers. The company's operations are supervised through quality and environmental systems certified according to the SFS-EN-ISO 9001 (2008) and SFS-EN-ISO 14001 (2004) standards.

The utilisation rate of storage facilities in 2011 was satisfactory, and the total volumes of handled goods increased. The company's turnover grew by nearly 11% and amounted to 12.68 (11.45) million euros. The result for the year was satisfactory.

KWH Freeze's long-term strategy focuses on expanding storage capacity as the market grows and demand increases, and on acting as the primary co-operation partner for its customers in the field. The outlook for 2012 is positive.

Port & Sea

The Backman-Trummer Group is one of the largest port operators in Finland and the largest in terms of area coverage. The Group has operations in ten ports in western Finland, from Kalajoki to Hanko and Hamina. The total floor area of the Group's warehouses is about 180,000 m².

The port operator companies within the Group offer tailor-made logistics services from conventional stevedoring to comprehensive solutions covering all stages of the logistics process.

Over the course of the year, the Group's port operator companies handled a total of 10.2 (7.27) million tonnes of cargo, which is a 40.3% increase over 2010.

Oy M. Rauanheimo Ab's volumes in the Port of Kokkola saw the most marked increase, i.e., from 5 million tonnes to 6.27 million tonnes.

M. Rauanheimo — Kokkola

The company primarily focuses on stevedoring, forwarding and vessel clearance at the Port of Kokkola. The handled traffic volumes increased 24.2% over the year to 6.27 (5.05)

million tonnes. The company's turnover grew by 19.6% during the year and amounted to 55 (46) million euros.

The year was once again record-breaking for Rauanheimo. The profit development was favourable and the structural renovation work continued. During the year, the company's strategy was fine-tuned further and special attention was paid to internal operations in order to improve cost efficiency.

Russian transit volumes and bulk volumes of the Finnish mining industry increased strongly due to the favourable market situation, especially in China.

As the result of increased co-operation between local industry and affiliated company Kokkolan Lastaus Oy, new overall logistic solutions were developed that will further improve industry competitiveness.

The large port area, infrastructure, 13-metre fairway depth, handling systems for bulk goods and all-weather terminal for break bulk goods provide an excellent foundation for continuing to develop competitive and high-quality stevedoring and forwarding operations in Kokkola.

Kokkola's volumes have increased, creating good conditions for efficient operations. The foundation of the operations is the transport and handling of goods going to local industrial plants and their outbound goods, goods of the mining industry and Russian transit goods.

Various products of other industries also form a significant part of operations.

Kokkolan Lastaus — Kokkola

Kokkolan Lastaus Oy is a growing and versatile business focusing on machine and logistics services for the large-scale industry as well as machine rental and material handling. Due to the extensive

and up-to-date competence as well as the versatile machine stock, the company is able to offer equipment for most bulk handling, factory services, repair shop services and maintenance.

The company mainly operates in the Kokkola large-scale industrial area and at the Port of Kokkola. The company is an affiliated company of Oy M. Rauanheimo Ab.

The company's year went as planned and turnover grew by over 48% from the previous year. The profit development was favourable and the company reached its goals due to the new business operations and increased co-operation with the local large-scale industry in Kokkola.

During the year 2012, business operations are expected to increase further and the goal is to expand company operations to new areas. There is great demand for efficient solutions in the field of machine and logistics services in the large-scale industry.

Blomberg Stevedoring — Vaasa

The company operates at the ports of Vaasa and Kalajoki. A slight increase was seen in the volumes handled over the year in comparison to the previous year. The total volume of Vaasa and Kalajoki was 428,000 tonnes.

The company's turnover increased by approximately 10% from the previous year, and the result for the year was satisfactory. The increase in turnover was mainly due to the increase in the so-called value-added services.

Break bulk traffic, especially the import of steel products and paper, also grew. However-



er, grain export declined by about a quarter, which was mainly due to the quality of the 2011 oat crop in the operation area.

The most significant investment was the break bulk terminal completed in Rein's quay, Vaskiluoto, Vaasa, Finland. The thermally-insulated warehouse of 2,000 m² serves mostly project traffic. In Kalajoki, more space was acquired by renting a bulk warehouse of 1,800 m² that was completed during the year.

In the coming years, employee retirement is expected to increase and, hence, new employees were hired during the year. Three supervisors of the company are completing a specialist vocational qualification in cargo handling.

The expectations for 2012 focus on the project and other break bulk traffic. Investments will also be made in increasing value-added services and the intensification of operations. Short-sea traffic is also expected to continue its boom. The traffic on Kvarken and its continuation also influence the goods flows of Blomberg Stevedoring in many ways.

Kristinestads Stevedoring — Kristiinankaupunki

Due to increased coal import, the total volume increased by a quarter to approximately 471,000 tonnes. Other traffic remained at the level of the previous year.

The company's turnover increased in proportion and the result for the year was satisfactory.

Traffic diversification and independence from coal have been central goals for a long time. Measures for building a new pier and an additional field in Karhusaari are, for the present, still at the planning stage.

Stevena — Naantali

Stevena Oy is the second largest port operator in the Backman-Trummer Group. Stevena engages in conventional stevedoring in Southwest Finland, at the ports of Pori, Uusikaupunki, Naantali and Turku as well as RoRo traffic stevedoring at the Port of Hanko. Stevena also has operations in Hamina.

Volumes handled by Stevena grew strongly to 2.34 (1.46) million tonnes, which translates into a growth of 60%. The strongest

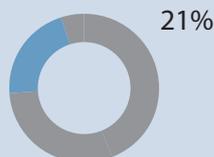
Personnel

In 2011, the KWH Logistics division employed an average of 378 (347) people; 73 (70) of these worked at Cold Storage, 266 (240) at Port & Sea and 39 (37) at Freight Forwarding and Backman-Trummer administration. The increase in personnel is largely due to changes in the operations of the Port & Sea and Cold Storage units.

Investments

The division's gross investments in 2011 were 15.4 (11.4) million euros. The largest single investment in the past year was the basic renovation of the oldest KWH Freeze cold storage, which was commissioned in mid-November 2011.

Share of Group Turnover



Turnover, EUR million



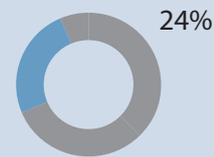
Personnel



Investments, EUR million



Share of Capital Employed



KWH Logistics	2007	2008	2009	2010	2011
Turnover, EUR million	74.2	92.4	82.3	95.4	111.9
Change, %	-6	25	-11	16	17
Share of Group Turnover, %	13	15	18	19	21
Investments, EUR million	12.4	16.0	16.6	11.4	15.4
Personnel	302	339	330	347	378

growth was seen at the Port of Naantali, but Hanko and Uusikaupunki also achieved a solid path for growth.

Stevens's largest single development project was the expansion of the cement terminal at the Port of Naantali. Its operations started at the beginning of April 2011.

Talavuo — Pori

Talavuo Oy, which engages in stevedoring at the Port of Tahkoluoto in Pori, merged with the Backman-Trummer Group in June 2011.

Talavuo complements the Group's service offering at the Port of Pori where Stevens also has operations.

BT-Logistore — Naantali

BT-Logistore Oy Ab, which started operations at the beginning of 2010, offers logistics services outside the port area. These services

include a diverse range of warehousing, terminal and value-added services.

The company has modern facilities along good traffic connections in Naantali and Pori.

Vaasa Stevedoring — Vaasa

Vaasa Stevedoring Oy, which is a versatile company specialising in machine and scaffold rental, increased its turnover during the year with its functional and modern machine stock.

Continuous renewal of the machine stock is appreciated by loyal customers, mainly in the building trade.

Freight Forwarding

The past year was a time of stabilisation for Freight Forwarding. Cost-efficient operations and an organisation adapted to fit the scope of operations have been the basis for moderate growth and continuous profitability in accordance with the Group's goals.

Customers have welcomed the logistics solutions tailored from the different forms of operation offered by Freight Forwarding. Freight Forwarding has developed a functional concept in co-operation with customers. Local knowledge, international co-operation networks and adapted logistics solutions have created the foundation for the recent growth. These three factors combined with the area's development potential and co-operation possibilities with the Port & Sea Unit will enable controlled growth.

Quality and environmental issues

The quality systems are based on the ISO 9001:2008 standard, while the environmental management systems are based on ISO 14001:2004. Certified systems are used in all KWH Logistics companies.

Maintaining a high standard will continue to be of great importance as quality plays



a major role in optimising the overall costs for the customers' supply chains.

Development of personnel skills and well-being

In 2011, the KWH Logistics division employed an average of 378 (347) people – 73 (70) of these worked at Cold Storage, 266 (240) at Port & Sea and 39 (37) at Freight Forwarding and Backman-Trummer administration. The increase in personnel is largely due to changes in the operations of the Port & Sea and Cold Storage units.

According to its Vision 2015 and its strategy, KWH Logistics will continue to make considerable investments in personnel skills, work capacity and well-being.

KWH Logistics provides active encouragement and support for activities to increase the interest of personnel in physical exercise and in maintaining their work capacity.

Considerable investments

Investments increased by 34% compared to 2010 and were still high in proportion to the scope of operations.

The division's gross investments in 2011 were 15.4 (11.4) million euros.

The largest single investment was the basic renovation of the oldest KWH Freeze cold storage, which was commissioned in mid-November 2011.

Outlook for 2012

The outlook for 2012 is promising, and volumes are expected to continue their growth.

Maintaining a high standard will continue to be of great importance as quality plays a major role in optimising the overall costs for the customers' supply chains.



Functional products give value for money

Prevex produces the world's most functional and space-saving drain trap and is the market leader in the industrial sector in Scandinavia.

Active dialogue with customers

The company has successfully developed collaboration with several major players and can therefore create excellent growth in volume in the drain trap sector. The drain trap sector forms the base of the company's activities, with an 80% share of sales.

Prevex has close and professional collaboration with partners regarding customer-specific product solutions. A perfect example of this is the sales of centrings and centring belts to district heating pipe manufacturers in Scandinavia.

The sales organisation consists of own sales personnel in Finland and Scandinavia, and an agent in Poland.

The company's turnover was €18.5 (16.1) million. 80% of the company's production is exported from Finland. Marketing is aimed at selected customer segments and includes active dialogue with customers.

Prevex cares for the environment and works continuously to reduce the environmental impact that production causes. The starting points and goals are anchored in a quality and environmental policy. The company's operations are supported by a certified ISO 9001-2000 and ISO 14001-2001 quality and environmental system.

Modern Lean factory

In both the production and assembly process, Prevex is working to raise efficiency and thereby achieve cost savings. The full-automation system for the manufacture of drain traps enables an effective manufacturing process and improves internal logistics.

Considerable resources are being invested in innovative and unique solutions.

In product development and design, the customers' wishes are combined with cost-efficient production. Functional products that give value for money and are appreciated in the market are thus created. An example is the drain trap's unique telescope construction, which facilitates mounting.

Focus on the well-being of personnel

The personnel actively take part in quality work. The aim is the continual improvement in the quality assurance of products and deliveries, as well as follow-up and management of the processes. The co-operating group, with representatives from all personnel groups, meets regularly. The goal is to improve the working environment and create a more pleasant, safer workplace.



Internal logistics have been further improved with the additional space now available. The aim is a modern Lean factory with maximum flow of commodities.

Kjell Antus, Head of Division

Investments

Investments were €1.3 (1.4) million. The majority of the investments were made in production machinery and equipment. Half of investments were made in equipment for two-component production.

Personnel

At the end of the year, 105 (109) people were employed. On average, 111 (109) people were employed.

Profitability and outlook

The profitability can be graded as "very good". Thanks to favourable sales developments, as well as new products being introduced in new market areas, good profitability is expected.



Prevex

Products Complete ranges of drain traps for dish-washing tables and bathroom fittings
 Customer-specific product solutions
Markets Scandinavia and Poland, rest of Europe, China
Operations Factory in Uusikaarlepyy, Finland



KWH Invest	2007	2008	2009	2010	2011
Turnover, EUR million	55.8	50.6	31.4	37.7	34.1
Change, %	-13	-9	-38	20	-10
Exports and Foreign Operations, %	83	80	75	79	81
Share of Group Turnover, %	10	9	7	7	5
Investments, EUR million	12.1	4.8	2.1	1.9	1.5
Personnel	291	281	212	196	181

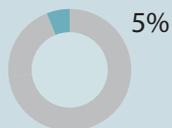
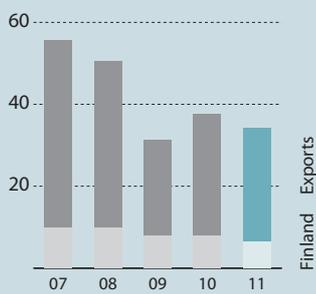
The tables and charts - KWH Invest.

KWH Plast

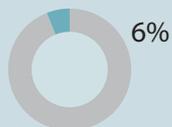
Products Plastic films
Customers Packaging industry, food industry and labelling industry.
Markets Europe
Operations Factory in Pietarsaari, Finland



Turnover, EUR million

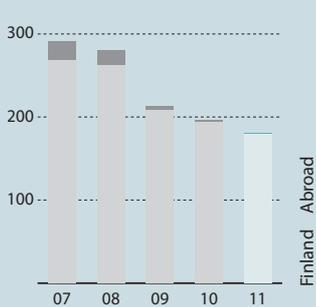


Share of Group Turnover

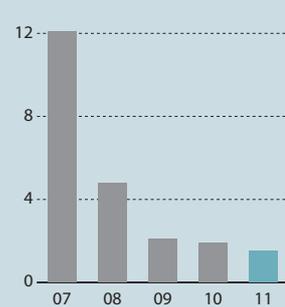


Share of Capital Employed

Personnel



Investments, EUR million



The tables and charts - KWH Invest

WWW.KWHPLAST.COM

LESS MATERIAL

- ◆ Excellent barrier
- ◆ Longer shelf life
- ◆ Less wasted foodstuff

FUTURE PACKAGING

YOUR PARTNER IN DEVELOPMENT

Specialty films for high-quality packaging

KWH Plast focuses on the development of products in various niche segments for flexible packaging films and synthetic label films with special property requirements.

Sales and marketing are carried out using own resources in Finland, Germany and Denmark, while other market areas are served via a network of agents and distributors. During the year, the network of agents in Europe was strengthened. 82% of KWH Plast's production goes to export, mostly to Europe.

Adapting to consumer trends

For the global market for flexible packaging, annual growth of about 5% is anticipated through to 2015, most of which is expected to come from Asia, Latin America and Eastern Europe. The wave of consolidations underway is expected to further strengthen the strong grip that multinational companies have on

the market, which has led to smaller companies focusing increasingly on niche markets.

Improvement in product performance and the shift from glass and stiff packaging towards lighter, more flexible packaging with properties that also lengthen the product's life and meet consumer demands for easy-to-open packaging suitable for microwaving are trends where KWH Plast expects to see the most growth.

In early 2011, the normal levels of demand were reflected, while the market in the second half of the year was characterised by great precaution and price-awareness. This also affected the company's volume.

Strengthening the competitive position

Through strong know-how, flexible production and high-quality products and service, KWH Plast is working to become an interesting partner for customers for both customer-

tailored solutions and standard products. This is done in the framework of the Converter Partner Program launched during the year. The goal-oriented development process that KWH Plast runs in selected market areas is generating results. A number of barrier products were launched for applications both in the labelling and packaging sectors.

Outlook

Cost pressures on standard products in the industry are expected to continue in 2012, with reduced profitability as a result. The market launch of new barrier films and products from customer-specific projects is expected to have a positive effect on both volume and profitability.

Work with the Converter Partner Program together with the expanded sales network are expected to create new business opportunities.

Personnel

The number of employees during 2011 was 69.

The decline in volume in the autumn forced the company to adopt restructuring measures. Personnel were reduced through a lay-off and termination programme both in Finland and abroad in order to match the company's needs.

Through established Lean principles, the staff participates in both the production environment and in product and trade development, in the continual improvement of the business.

During the year, the company trained its staff and implemented new work methods in the handling of the sales process.



In a competitive market, innovation and networks are the key to progress for operators on the market.

Board of Directors



Henrik Höglund
Born 1949
B Sc (Econ)
Vöyri
Chairman since 1998
Board Member since 1974



Gösta von Wendt
Born 1945
B Sc (Econ)
Björkboda
Board Member since 1985



Klas Damstén
Born 1941
B Sc (Econ)
Maalahti
Board Member since 2002



Peter Höglund
Born 1949
B A
Vaasa
Board Member since 1973
Chairman 1988–1997



Ola Tidström
Born 1944
M Sc (Econ)
Vöyri
Vice Chairman since 1993
Board Member since 1975



Kurt Betlehem
Born 1945
Business College Graduate
Uusikaarlepyy
Board Member since 2005

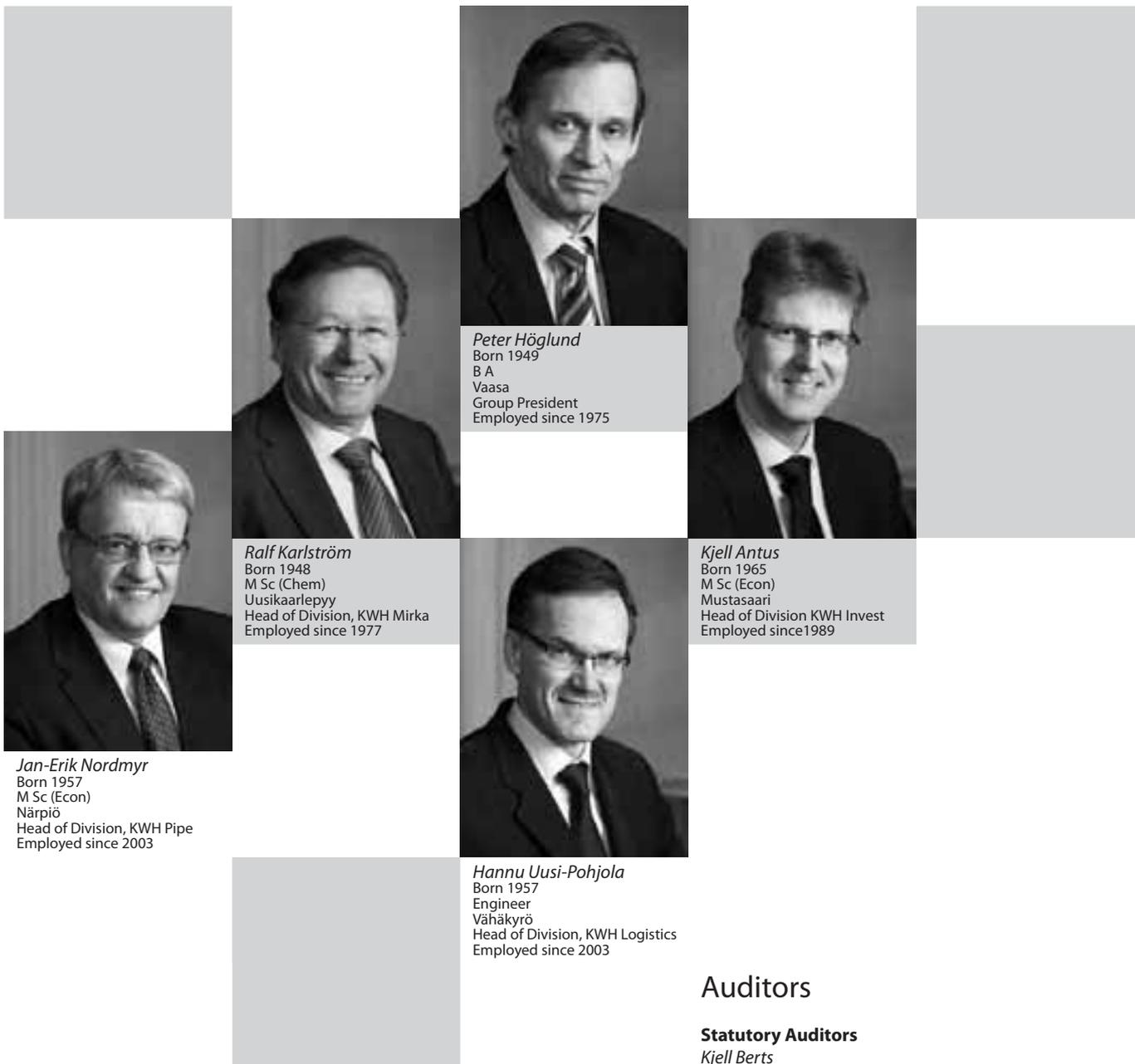


Kjell Antus
Born 1965
M Sc (Econ)
Mustasaari
Secretary of the Board since 2002



Holger Wester
Born 1942
Docent
Uusikaarlepyy
Board Member 1977–1980 and
since 1988

Group Management, Auditors



Peter Höglund
Born 1949
B A
Vaasa
Group President
Employed since 1975



Ralf Karlström
Born 1948
M Sc (Chem)
Uusikaarlepyy
Head of Division, KWH Mirka
Employed since 1977



Kjell Antus
Born 1965
M Sc (Econ)
Mustasaari
Head of Division KWH Invest
Employed since 1989



Jan-Erik Nordmyr
Born 1957
M Sc (Econ)
Närpiö
Head of Division, KWH Pipe
Employed since 2003



Hannu Uusi-Pohjola
Born 1957
Engineer
Vähäkyrö
Head of Division, KWH Logistics
Employed since 2003

Auditors

Statutory Auditors

Kjell Berts
M Sc (Econ), APA, Ernst & Young Oy
Roger Rejström
B Sc (Econ), APA, Ernst & Young Oy

Deputy Auditors

Bengt Nyholm
M Sc (Econ), APA, Ernst & Young Oy
Kristian Berg
M Sc (Econ), APA, Ernst & Young Oy

Supervisory Auditors

Ernst & Young Oy

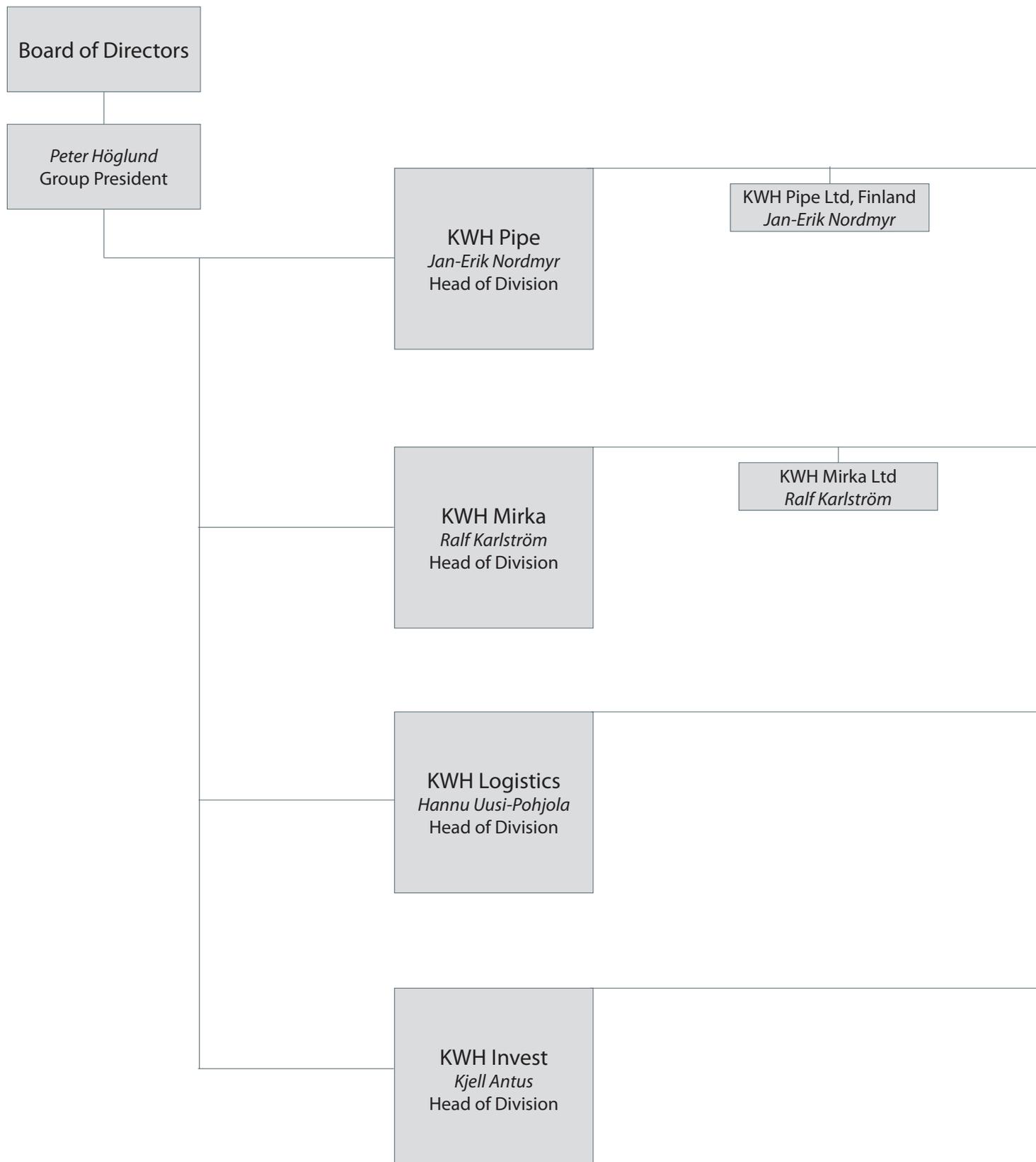
Consolidated Income Statement

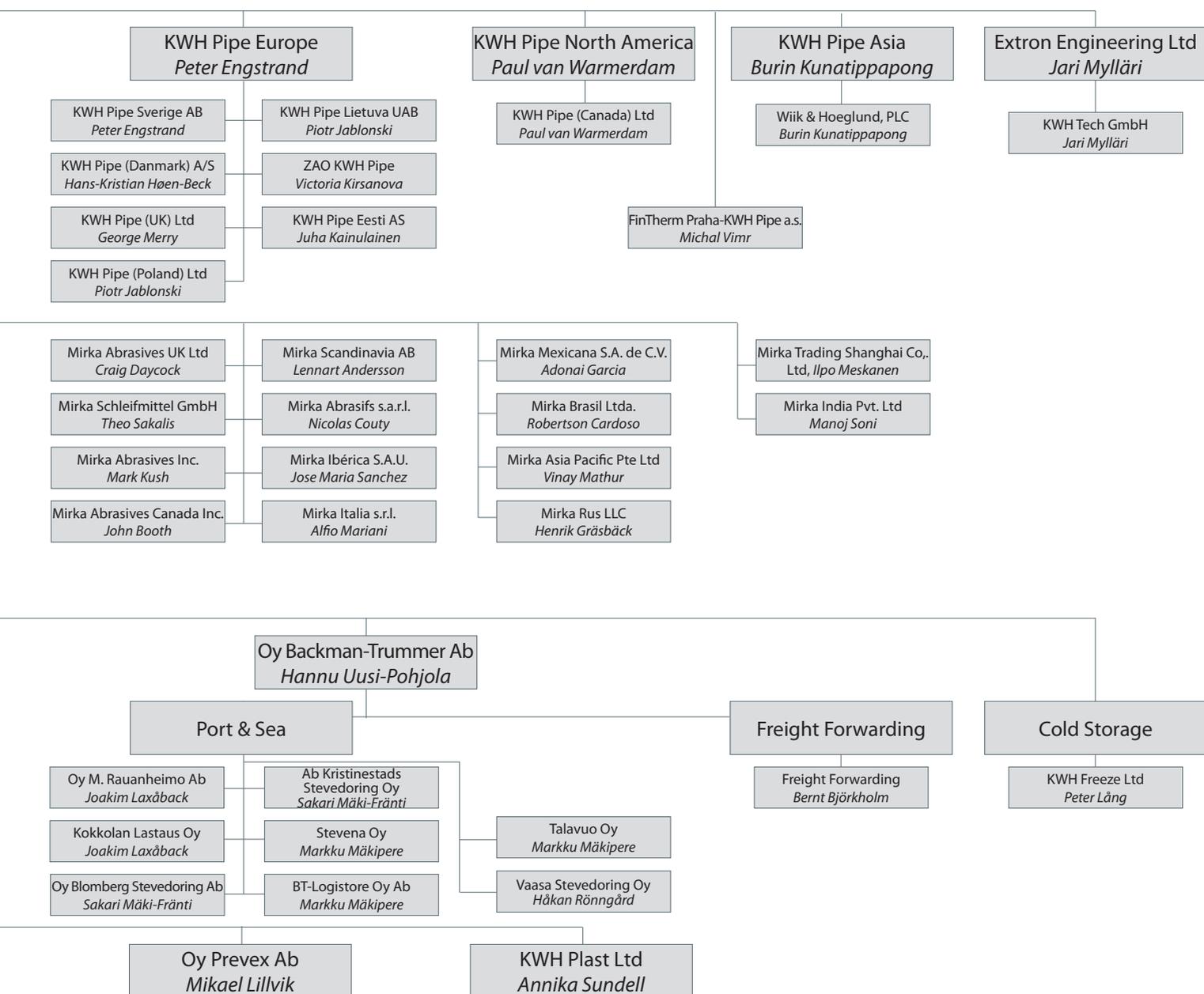
EUR 1,000	Jan. 1–Dec. 31, 2011	Jan. 1–Dec. 31, 2010
Turnover	537 435	484 488
Other operating income	3 565	4 467
Increase (+) / decrease (-) in inventories of finished goods and work in progress	654	8 130
Production for own use	2 426	2 206
Materials and services	-285 045	-258 269
Personnel expenses	-129 112	-121 021
Depreciation and impairment	-25 115	-26 690
Other operating expenses	-80 521	-71 198
Operating profit	24 288	22 112
Financial income	4 097	5 347
Financial expenses	-6 816	-6 475
Profit before taxes	21 569	20 984
Income tax expense	-4 990	-6 421
Profit for the financial year	16 579	14 563
Attributable to:		
Parent company shareholders	16 950	14 816
Minority	-372	-252
Profit for the financial year	16 579	14 563
Statement of comprehensive income		
Profit for the financial year	16 579	14 563
Profits/losses from financial assets available-for-sale		
- net profits/losses	6	-1
- through profit and loss	-1	1
Cash flow hedges		
- net losses/profits	-1 988	1 357
- through profit and loss	-684	62
Translation differences	-1 218	4 390
Equity net investment hedges	902	-1 907
Acc. transl. diff. from discount. subsidiaries through profit and loss		-31
Other comprehensive income for the period, net of tax	-2 983	3 869
Total comprehensive income for the period	13 596	18 432
Attributable to:		
Parent company shareholders	14 048	18 103
Minority	-452	329
Total comprehensive income for the period	13 596	18 432

Consolidated Balance Sheet

Assets EUR 1,000	Dec. 31, 2011	Dec. 31, 2010
Non-current assets		
Intangible assets	8 877	6 968
Goodwill	1 184	1 487
Tangible assets	214 434	216 424
Investment property	1 699	1 810
Financial assets available-for-sale	1 125	1 138
Long-term employee benefits (pensions)	68	875
Finance lease receivables	2 535	2 845
Other financial assets	45	436
Deferred tax assets	1 536	2 138
	231 503	234 121
Current assets		
Inventories	82 217	80 317
Finance lease receivables	310	303
Trade and other receivables	89 708	86 082
Income tax receivables	527	512
Cash in hand and at bank	57 139	48 047
	229 900	215 261
	461 403	449 382
Equity and liabilities EUR 1,000	Dec. 31, 2011	Dec. 31, 2010
Shareholders' equity		
Share capital	3 756	3 756
Share premium reserve	9 533	9 533
Reserve fund	401	385
Translation differences	1 811	2 047
Fair value reserve	73	2 594
Retained earnings	275 252	262 738
Minority share	3 110	3 566
Shareholders' equity	293 789	284 618
Non-current liabilities		
Provisions	1 296	706
Deferred tax liabilities	15 275	18 256
Long-term employee benefits (pensions)	2 093	2 632
Interest-bearing liabilities	24 968	34 378
Finance lease liabilities	1 145	1 356
Trade and other liabilities	880	
	45 657	57 328
Current liabilities		
Interest-bearing liabilities	36 426	33 559
Finance lease liabilities	269	262
Trade and other liabilities	81 152	71 818
Income tax liabilities	4 110	1 797
	121 957	107 436
	461 403	449 382

Organisation March 31, 2012





Addresses

KWH Group

KWH Group Ltd
PO Box 21, FI-65101 Vaasa, Finland
Tel. +358 20 778 7111
Fax +358 20 778 7916
www.kwhgroup.com
info@kwhgroup.com

KWH Pipe

KWH Pipe Ltd
PO Box 21, FI-65101 Vaasa, Finland
Tel. +358 20 778 7111
Fax +358 20 778 7901
www.kwhpipe.com
marketing@kwhpipe.com

Extron Engineering Oy
www.extron.fi

KWH Pipe Sverige AB
www.kwhpipe.se

KWH Pipe (Danmark) A/S
www.kwhpipe.dk

KWH Pipe (UK) Ltd
www.kwhpipe.co.uk

KWH Tech GmbH, Germany
www.kwhtech.com

KWH Pipe (Poland) Ltd
www.kwh.pl

KWH Pipe Eesti AS
www.kwhpipe.ee

KWH Pipe Lietuva UAB
www.kwhpipe.lt

ZAO KWH Pipe, Russia
www.kwhpipe.ru

KWH Pipe Ltd, Russia
Representative Office (Technology)
www.kwhpipe.ru

Fintherm Praha - KWH Pipe a.s.,
Czech Republic
www.fintherm.cz

KWH Pipe (Canada) Ltd
www.kwhpipe.ca

Wiik & Hoeglund, PLC, Thailand
www.wiik-hoeglund.com

KWH Mirka

KWH Mirka Ltd
Pensalantie 210
FI-66850 Jepua, Finland
Tel. +358 20 760 2111
Fax +358 20 760 2290
www.mirka.com
sales@mirka.com

Mirka (UK) Ltd
www.mirka.co.uk

Mirka Schleifmittel GmbH, Germany
www.mirka.de

Mirka Abrasives Inc., USA
www.mirka-usa.com

Mirka Scandinavia AB
www.mirka.se

Mirka Abrasifs s.a.r.l., France
www.mirka.fr

Mirka Italia s.r.l.
www.mirka.it

KWH Mirka Ibérica S.A.U., Spain
mirkaiberica@mirka.com

KWH Mirka Mexicana, S.A. de C.V.
www.mirka.com.mx

Mirka Brasil Ltda.
www.mirka.com.br

Mirka Asia Pacific Pte Ltd, Singapore
www.mirka-asiapac.com

Mirka Trading Shanghai Co., Ltd, China
www.mirka.com.cn

Mirka Rus LLC, Russia
www.mirka.ru

Mirka Abrasives Canada Inc
sales.ca@mirka.com

Mirka India Pvt Ltd
sales.in@mirka.com

KWH Logistics

Oy Backman-Trummer Ab
PO Box 49, FI-65101 Vaasa, Finland
Tel. +358 20 777 1111
Fax +358 20 777 1150
www.backman-trummer.fi

Oy Blomberg-Stevedoring Ab
www.blomberg.fi

BT-Logistore Oy Ab
sales@bt-logistore.fi

Kokkolan Lastaus Oy
sales@kokkolanlastaus.fi

Ab Kristinestads Stevedoring Oy
www.kristinestadsstevedoring.fi

Oy M. Rauanheimo Ab
www.rauanheimo.com

Stevena Oy
www.stevena.fi

Talavuo Oy
talavuo@talavuo.fi

Vaasa Stevedoring Oy
rentsales@vaasastevedoring.fi

KWH Freeze Ltd
www.kwhfreeze.fi

KWH Invest

KWH Invest
PO Box 21, FI-65101 Vaasa, Finland
Tel. +358 20 778 7111
Fax +358 20 778 7901
www.kwhgroup.com

KWH Plast Ltd
PO Box 32, FI-68601 Pietarsaari, Finland
Tel. +358 20 768 6111
Fax +358 20 768 6222
www.kwhplast.com

Oy Prevx Ab
FI-66900 Uusikaarlepyy, Finland
Tel. +358 6 781 8000
Fax +358 6 781 8099
www.prevx.com



www.kwhgroup.com