



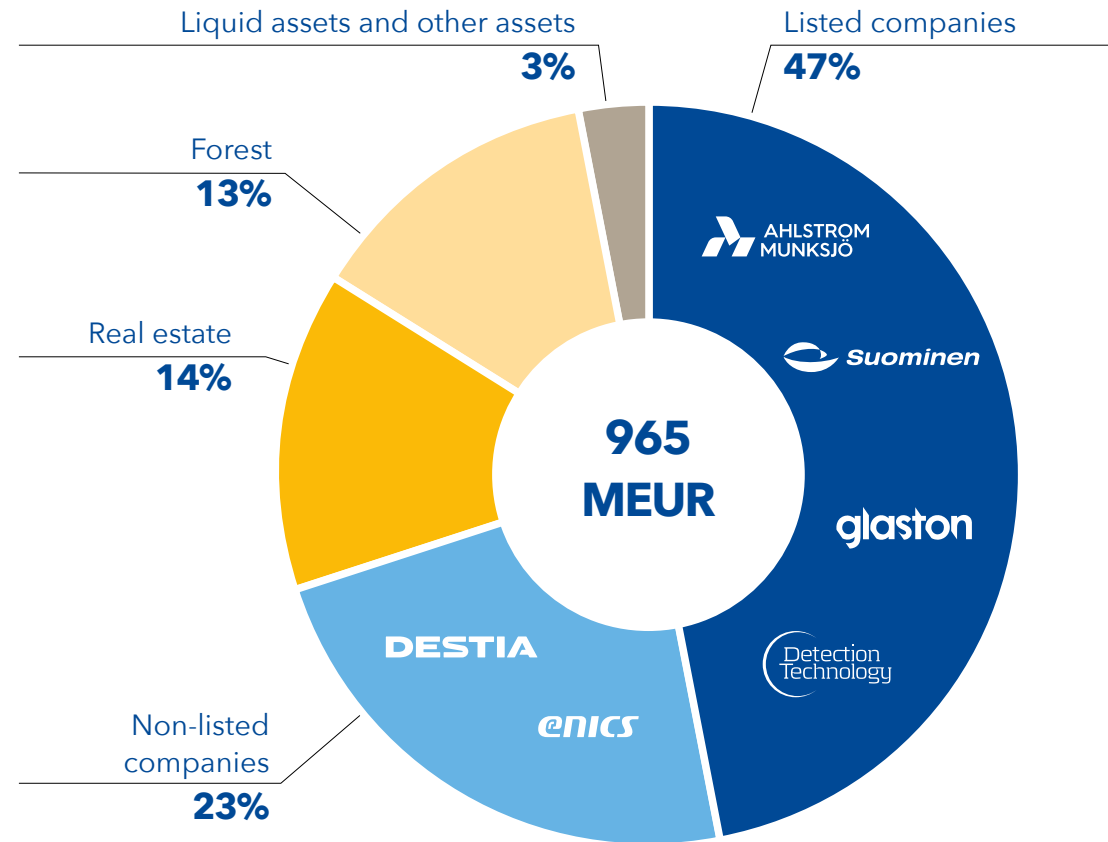
**AHLSTRÖM CAPITAL**

YEAR 2019

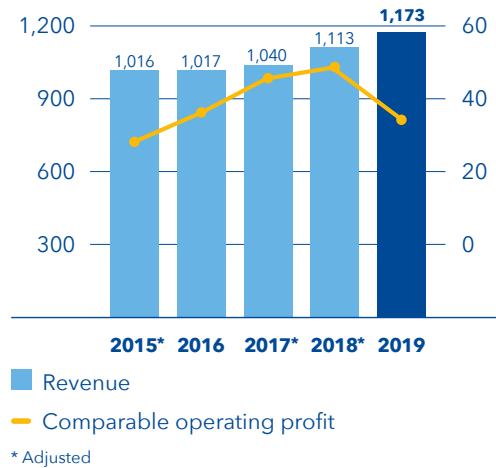
## Ahlström Capital in brief

Ahlström Capital is a family-owned company that focuses its investment activity on industrial companies, real estate and forest. We are one of the largest and most significant investment companies in Finland with a long history of nearly 170 years. Ahlström Capital creates long-term shareholder value by actively developing its portfolio. Our industrial investments include substantial holdings in the listed companies Ahlstrom-Munksjö Oyj, Detection Technology Plc, Glaston Corporation and Suominen Corporation. In addition, the portfolio includes direct investments in non-listed companies Destia Group Plc and Enics AG as well as an investment in the AC Cleantech Fund. Ahlström Capital's real estate and forest holdings are managed by its fully owned subsidiary A. Ahlström Real Estate Ltd.

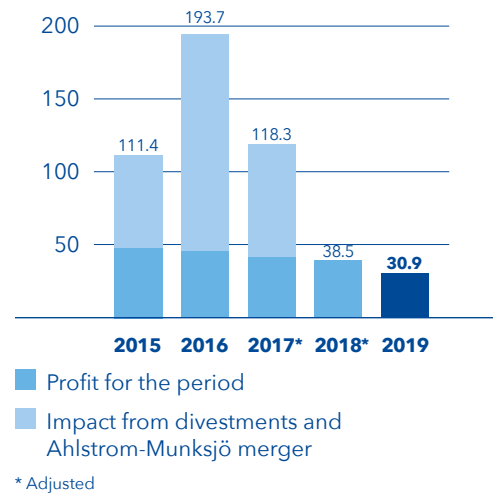
## External fair value (EFV); December 31, 2019



## Revenue and comparable operating profit, MEUR

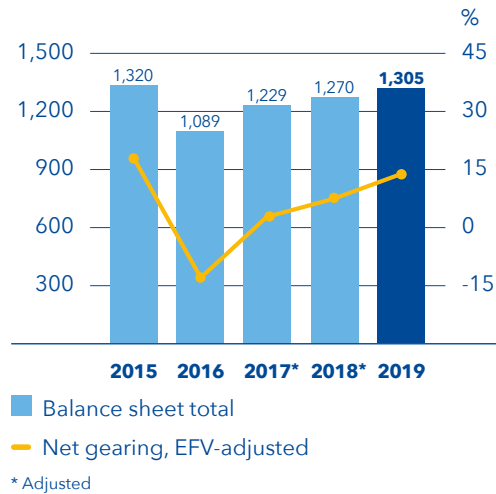


## Profit for the period, MEUR

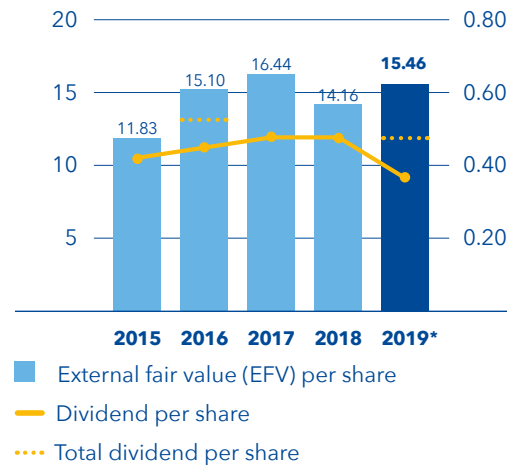


2019: Good revenue growth but profitability development was disappointing

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



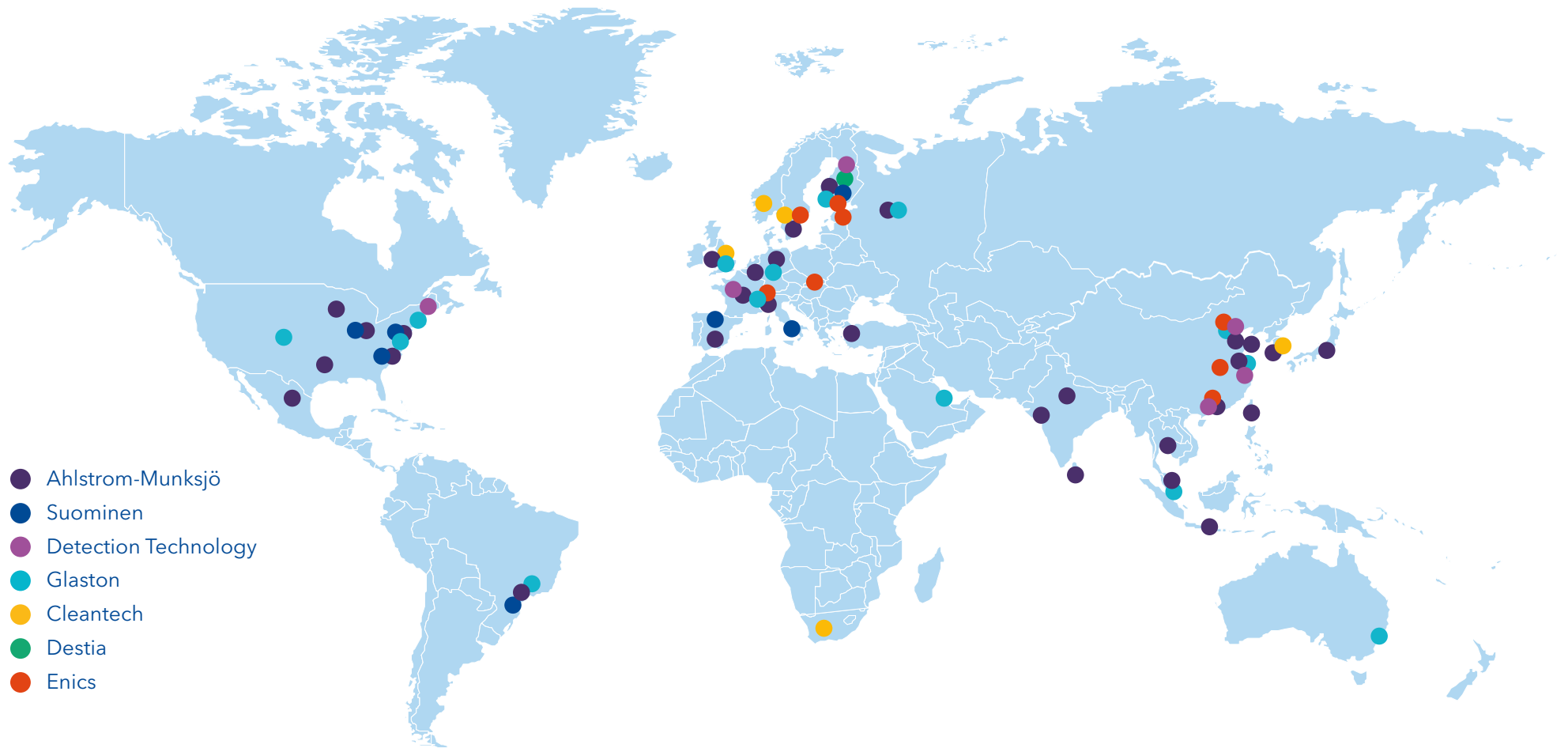
## External fair value (EFV) per share and dividend per share, EUR



\* Board's dividend proposal: A dividend of EUR 0,36 per share be paid in spring 2020 and additional maximum EUR 0,12 per share in autumn subject to the Board's discretion.

Number of shares was increased in 2017 (share issue without payment), comparative figures restated correspondingly.

# The international operating environment of our portfolio companies



~ **EUR 5 billion**  
revenue of portfolio  
companies, total

~ **15,500**  
employees in portfolio  
companies

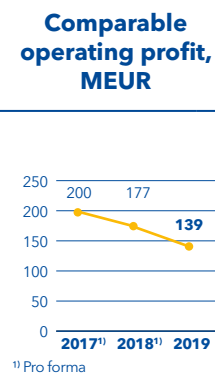
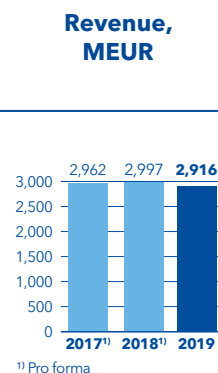
**29**  
operating countries

# Our portfolio

## Listed companies



Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to its customers.



**Market capitalisation, MEUR**

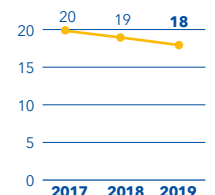
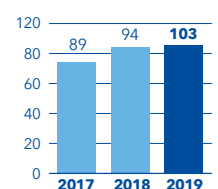
1,651

**Ahlström Capital's shareholding**

18.7%



Detection Technology is a global provider of X-ray detector solutions for medical, security and industrial applications.

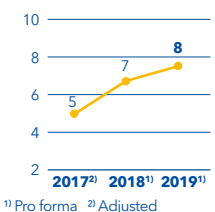
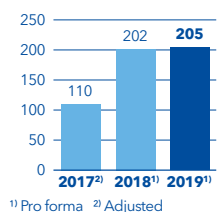


368

36.7%



Glaston is the glass processing industry's innovative technology leader supplying equipment, services and solutions to the architectural, automotive, solar and appliance industries.

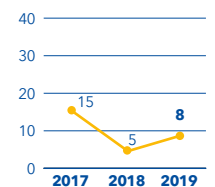
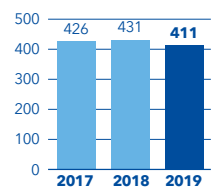


106

26.4%



Suominen manufactures nonwovens as roll goods for wipes and other applications. The end products made of Suominen's nonwovens, such as wet wipes, feminine care products and swabs, are present in people's daily life worldwide.



133

24.0%

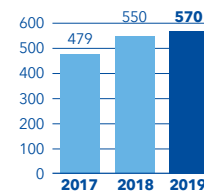


## Non-listed companies

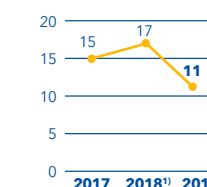
### DESTIA

Destia is a Finnish infrastructure and construction service company that creates tomorrow's infrastructure for its customers, society and people in general. The company creates urban construction innovations and smart infrastructure solutions that are built on a sustainable foundation.

Revenue,  
MEUR



Comparable  
operating profit,  
MEUR



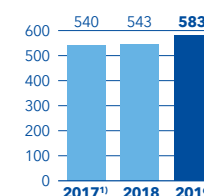
Ahlström Capital's  
shareholding

100%

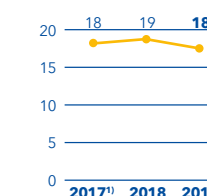


### ENICS

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

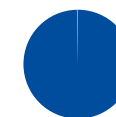


<sup>1)</sup>Adjusted



<sup>1)</sup>Adjusted

99.8%



## Real estate and forest



### Real estate

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

**67,700 m<sup>2</sup>**

Real estate area in total

**143**

### Forest

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

**34,000 ha**

Forests in total

**141**

External fair value,  
MEUR

# Good value growth in our portfolio while challenges in underlying performance

In 2019, we had good growth in the value of our assets and the dividend-adjusted increase in our external fair value (EFV) was 12%. The overall profit development was unsatisfactory, while the underlying cash flow development of our portfolio companies was strong. Ahlström Capital as the largest shareholder had an important role in financing Glaston's acquisition of Bystronic glass and we increased our ownership in Glaston during the year to 26.4%. We updated value creation plans for some of our companies and new talents were recruited to company boards and management. Strategies were updated, and in many of our portfolio companies this included organisational changes aiming to secure long-term value creation.

The revenue of Ahlström Capital Group increased by 5.4% from the previous year and amounted to EUR 1.2 billion. Our comparable operating profit decreased and was EUR 34.1 million.

## Good growth but unsatisfactory profitability in our non-listed portfolio

The revenue growth in our non-listed portfolio companies Destia and Enics was good, but at the same time the profitability development was disappointing. At Destia, the maintenance service business performed well. The profitability in the road construction business decreased due to a few challenging projects. In 2020, Destia is increasing focus on the bidding process and project management improvement. At Enics, engineering services performed well but low profitability in manufacturing

services was driven by a reduced material margin at few sites. A performance improvement programme focusing on operational excellence is ongoing, and the first results were already visible as customer satisfaction and delivery quality improved during the second half of 2019.

Both real estate and the forest investment portfolio continued to provide a stable performance. In December, a new real estate investment in Vantaa was signed. During 2019, over 500 hectares of forest was acquired.

## Strong value growth in our listed portfolio companies

Ahlstrom-Munksjö had a clear headwind in the market during 2019. Sales volumes reduced and the profitability was below expectations. Cash flow developed favourably,



driven by effective working capital management. The integration of the acquired businesses was completed according to plan. Ahlstrom-Munksjö has initiated an over EUR 50 million profit improvement programme providing a good ground for performance improvement in 2020.

At Detection Technology, annual revenue exceeded EUR 100 million for the first time, and growth was driven by the security and industrial business unit. The operating profit margin was above medium-term guidance of 15%. Detection Technology launched several new products during 2019 to strengthen the competitiveness in all target markets.

Glaston doubled its size by acquiring Bystronic glass during 2019. Thanks to the strong performance of the ac-

quired business, revenue (pro forma) for 2019 was stable and profitability improved. Glaston now has a strong platform for growth.

At Suominen, revenue was at the level of 2018 and profit improved mainly driven by sales margin improvement. Sales prices increased during the year, but at the same time sales volumes reduced. An updated strategy with a sustainability agenda gives good ground for further improvement.

### **Sustainable value development**

We maintain both short-term and long-term value creation plans for our investments. Sustainability driven value creation aligns with our values - ambition and responsibility. We released our first UN Global Compact report during summer 2019 and will continue to work together with our portfolio companies on the ESG agenda during 2020.

Our main priority is to further develop the companies and real estate in our portfolio, but at the same time we are actively screening new industrial and real estate investments. I am happy to see that Ahlström Capital as a family-owned investment company is often perceived as a preferred partner.

Finally, I would like to thank my team at Ahlström Capital and all the employees in our portfolio companies for their hard work done last year. I also wish to express my gratitude to our shareholders and Board for their continued trust and support.

**Lasse Heinonen**  
President and CEO



### **AC Network Day**

AC Network Day 2020 was organised in January in Helsinki, gathering Ahlström Capital's portfolio companies' Boards and managements together with Ahlström Capital's own Board and management. The event's topic this year was transformation and sustainability. The event had two interesting keynote speakers - Nathan Furr, a professor at INSEAD, with the topic of

"Leading transformation" and Kaisa Hietala, a partner at Gaia, with a presentation "Transformation driven by sustainability". We ended the seminar with an inspiring workshop sharing the ideas on transforming businesses in each portfolio company. AC Network Day is an important platform for exchanging ideas and generating new business opportunities in our portfolio.



# Sustainable value creation

Ahlström Capital is a family-owned investment company. We focus our investments on industrial holdings, real estate and forests. We develop our investments with a sustainable, long-term approach.

Ahlström Capital invests assets that the Ahlström family has accumulated during almost 170 years. We hold significant financial resources as one of the largest investment companies in Finland. Our mission is to create sustainable long-term shareholder value growth with attractive cash returns.

Our industrial investments include substantial holdings in listed companies as well as direct investments in non-listed companies. They offer opportunities for strong value growth with a flexible holding period. Real estate and forest investments form the firm basis of our portfolio that provides strong cash flow and solid value growth.

As a responsible investor we also want to impact the environmental, social and governance (ESG) policies and performance of our investments.

## **Our values are ambition and responsibility**

The values of the Ahlström family - ambition and responsibility - guide all our operations. We have a long history and we want to continue that legacy and increase the company's value for future generations. We are a reputable owner that leads our own and our companies' operations with a Nordic governance approach. We develop our portfolio

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

together with our vast network, consisting of our owners as well as the boards and management of Ahlström Capital and its portfolio companies.

## **Developing leading businesses**

Ahlström Capital invests in established companies that have strong positions in attractive markets and offer further development and value creation potential. We look for medium-sized companies (EUR 50-500 million) with Nordic presence and a global potential. Our aim is to have the leading role in listed companies and to be the majority owner in non-listed companies. However, we welcome co-investment opportunities with reputable investors.

For screening new potential acquisition targets and for developing our existing businesses we apply a

### **Financial targets**

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

### **Foundation**

- Reputable owner with Nordic governance approach
- Focus on sustainable value creation
- Industrial traditions and experience
- Strong partner network

comprehensive set of evaluation criteria. Understanding market attractiveness, companies' strengths and weaknesses as well as the value creation potential is essential. As part of the process we evaluate management, customers operations and ESG related issues.

We develop our portfolio companies through active board and strategy work, as well as through mergers and acquisitions. We support and develop the companies by forming effective boards that possess in-depth industrial expertise and support the management to succeed in leading their business.

## Developing real estate

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

Our forests are concentrated in the Satakunta region, and in Central and Eastern Finland. As a private forest owner, we are one of the largest in Finland. Maintaining the carbon sink is one of the main objectives of our forestry strategy. Our real estate and forest assets are managed by A. Ahlström Real Estate Limited.

## Investment focus

### Industrial holdings: 70-80% of EFV

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

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

### Real estate & Forests: 20-30% of EFV

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

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

*Special role to take care of Heritage assets*

### VALUE CREATION: AC WAY & AC NETWORK

Choose

Create

Capture

We develop  
leading  
businesses



## Ahlstrom-Munksjö - smart solutions out of fibers

**Ahlstrom-Munksjö** is a global leader in innovative and sustainable fiber-based solutions. The global operating platform was further strengthened through the acquisitions of Expera and Caieiras in 2018. The acquired companies have been integrated and have expanded Ahlstrom-Munksjö's presence in North and South America.

Innovation, quality and service are the base of the company's value proposition. The high-value products Ahlstrom-Munksjö delivers are oriented towards customer requirements, rather than industry standards. Long-term cooperation in product development with customers creates a foundation for advancing the capabilities of what fiber-based materials can do.

Sustainability is a key priority for Ahlstrom-Munksjö. Its offering contributes to a more sustainable everyday life by providing renewable materials that are alternatives to non-renewables, and solutions that make the end product more sustainable. Ahlstrom-Munksjö provides solutions that have better performance and safer materials, use fewer resources and have a lower impact than alternative options. An important instrument in the sustainability strategy is the EcoDesign tool. The tool is used to consider the environmental performance of new products from the design phase onwards.

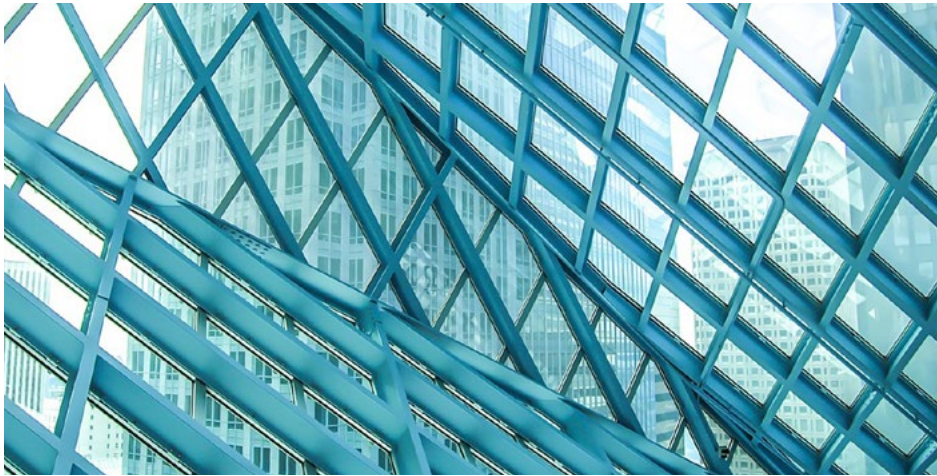
## Detection Technology - growth through new innovations

**Detection Technology's (DT)** new strategy, DT-2025, is targeting to be a growth leader in digital X-ray imaging detector solutions and a significant player in other technologies and applications where the company sees good business opportunities. DT estimates the market size of digital X-ray imaging detector solutions to be around EUR 3 billion in 2025.

The main goal of DT's previous 2020 strategy was to become a leader in the Computed Tomography (CT) and line scan X-ray detector and solution markets by the end of 2020. The company reached the goal ahead of time at the end of 2019 with approximately 20% market share.

DT has continued to invest in new customer acquisitions, startup of production of new products and the expansion of its technology base. DT's market and competitive position have strengthened especially in China in the line-scanning segment due to the new Aurora product family. The development of the X-panel product family has continued and sales for dental applications will start during spring 2020. DT expanded its technology base and launched TDI-based X-Scan T camera for industrial application (optimised for the food industry). The company aims to also start a commercial production of the Multi-Energy (ME) product line by the end of 2020.

A new production and service site in Wuxi, China was completed during 2019.



## Glaston - combining the strengths of two companies

**Glaston** acquired Bystronic glass, a Swiss-German based globally operating high-end machinery, systems and services provider for the processing of flat glass in 2019. The acquisition strengthened Glaston's position in the glass processing value chain.

The integration has progressed well and the two companies have succeeded in combining their operations faster than expected. The planned integrations of operational functions were completed, a new organisation was published and overlapping functions were removed. The merging of various IT and CRM systems, the integrations of the Bystronic glass brand with Glaston and the development of a

common digital product platform, are the next steps in concluding the integration.

The integration is expected to result in significant benefits through synergies in services sales and cross-selling of new equipment, as well as estimated annual cost synergies. The transaction also provides additional synergy potential related to product development, procurement, fixed cost leverage and best practice sharing.

Glaston has defined a corporate responsibility agenda with themes focusing on its own activities and purchases as well as being a responsible partner and member of society.

## Suominen - new strategy and sustainability agenda

**Suominen** published its new strategy for 2020-2025. The company has two main targets, growth and improved profitability. Suominen is planning to grow by creating innovative and more sustainable nonwovens for its customers, improving its profitability through more efficient operations and building a high-performance culture. The company's vision is to be the frontrunner for nonwoven innovation and sustainability.

Suominen has named five focus areas to achieve the strategic targets: Operational excellence, Sustainability leadership, Differentiate with innovation & commercial excellence, Great place to work, as well as Dual operating model.

As legislation and consumer behaviour drive for more sustainable products, Suominen has also updated its sustainability agenda for 2020-2025. The company will focus on four themes: people & safety, sustainable nonwovens, low-impact manufacturing, and corporate citizenship. The people & safety theme includes increasing employee engagement, building a high-performance culture and strengthening the company's safety culture. The corporate citizenship theme includes following responsible business practices throughout the company's operations and supply chain, as well as transparent communication.

Petri Helsky started as the new President and CEO of Suominen in January 2019.



## Destia - a stronger urban developer

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

The goal of Destia's renewed 2020-2024 strategy is "Connecting northern life" and the strategic objective is to ensure the competitiveness of the company's core business, comprising of large road projects and infrastructure maintenance requiring special expertise. Destia will grow into a stronger urban developer in a changing, increasingly demanding operating environment. Destia will also chart new business opportunities in Northern Sweden and Northern Norway. With this renewed strategy, Destia is looking for a more prominent role in the sector's value

chain by offering its customers services with higher added value.

Destia's strong expertise and the Destia spirit - the harmonised, ethically sustainable and responsible way of doing business - provide a firm foundation for the implementation of the strategy. Customer orientation, sense of infrastructure, smart production and inspiring leadership are the factors creating Destia's competitive advantages.

A new service-based organisation structure was implemented in 2019 to support and drive the updated strategy.

## Enics - focus on operational excellence

**Enics** is one of the biggest Industrial Electronics Manufacturing Services providers in the world. The company aims to be the partner of choice for professional electronics in the fields of energy, industrial automation, transportation, building automation and instrumentation.

The execution of the updated strategy started in 2019, led by new President and CEO Elke Eckstein. Strategy execution has been divided into three phases: Back to Basics, Build the Future and Shared Successes, which will be implemented over the coming years.

In 2019, Enics focused on the Back to Basics programme which introduces a new governance model and includes a set of

initiatives addressing e.g. production efficiency, supply chain processes and inventory management practices. A co-creation project of a process-driven organisation, "Enics New Governance Model", was launched, and dozens of Enics' employees started working on defining processes and an organisation structure enabling effective day-to-day work for the best of the customers.

In addition to the new governance model, several Key Improvement Priorities (KIP) were launched. For each of the KIPs, measurable targets were defined. The work will continue in 2020 with a strong focus on operational excellence and further development of processes towards a customer-centric way of working.



## Real estate - renewal of the Industrial Palace

**At our flagship building,** Eteläesplanadi 14, many changes were made during the year. With an excellent location in the commercial business district in Helsinki city centre, the building has several long-term tenants, with the average tenancy at around 10 years. As the owner, we want to maintain and develop the building, built in 1937, by implementing regular renovations. Last year our largest tenant, Castrén & Snellman, renovated their facilities. Ahlström Capital's office was also converted into a modern and flexible open office space.

The traditional and famous Restaurant Savoy started a general overhaul of their 8<sup>th</sup> floor facilities in December 2019. The

improvement project is a collaboration between Ahlström Capital, in the position of a property owner, together with Alvar Aalto Foundation, Helsinki City Museum and Artek. The original interior design of Restaurant Savoy was by Alvar and Aino Aalto and the new one is designed by Ilse Crawford's Studioilse. The new design honours the original work of Alvar and Aino Aalto.

Sustainable operations are important for us in our real estate investments. All buildings in our ownership are managed in an energy-efficient manner. We either have or will apply for an environmental certificate (BREEAM, LEED) for the buildings.

## Forests - sustainable forestry

**With 34,000 hectares of forest,** Ahlström Capital is one of the largest private forest owners in Finland. We have a long tradition in forestry, as the basis of the company's forest assets was formed in the late 1800s.

Our silviculture is most efficient when it is both financially profitable and sustainable. Forests cultivated in this way also sequester carbon in the best possible manner. Maintaining vitality and the growth of trees is the best way to also keep carbon sequestration high in our forests. Our forest holdings contain a substantial amount of old forest and our focus is on long-term silviculture.

Forest carbon sinks can be enhanced by improving tree growth. In 2019, we

planted 380,000 new seedlings, which is about four times more than the number of logged trees. Cultivation of new trees and tending to seedling stands are the most important measures in terms of carbon sequestration and silviculture. We also strive to preserve the carbon stock in the soil by transitioning to uneven-aged forest management on suitable sites.

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

# Ahlström Capital as a responsible investor

Ahlström Capital develops its portfolio companies with a sustainable long-term approach. We are committed to promoting responsible business practices in our portfolio companies and to conducting sustainable asset management of our real estate and forest investments

Our biggest impact on the environment and society is created through our portfolio companies, which form approximately 70% of our investments. At the end of 2019, we had six companies in our portfolio, of which five are in manufacturing and one in the infrastructure construction industry. Almost 30% of our investments are in real estate and forests. Our real estate portfolio includes prime location buildings and heritage assets of ca. 67,700 m<sup>2</sup> as well as forest assets ca. 34,000 ha. Our companies employ around 15,500 people in 29 countries.

## Active ownership

As a responsible investor we want to incorporate environment, social and governance (ESG) issues into our analysis and decision-making processes and impact the ESG performance of our portfolio companies, as well as real estate and forest investments. ESG issues need to be managed in all aspects of the investment process, including deal screening, due diligence, ownership and value creation and also in the exit process. All Ahlström Capital portfolio companies need to manage, monitor and evaluate ESG risks, opportunities and value creation possibilities.

We support our portfolio companies in their responsibility efforts through active board participation and guidance as well as by cooperation with the management. Our portfolio companies need to define sustainability

goals and follow up on the initiatives and the ESG development in the Boards regularly. We have created assessment tools to be able to monitor the development of our portfolio companies' sustainability work and we evaluate status updates from each company annually.

We have identified Ahlström Capital's material ESG topics that will be followed in all our portfolio companies. The sustainability objectives we want to focus on are;

- Environment: promote activities that combat climate change and improve energy efficiency
- Social: promote health and safety and customer satisfaction
- Governance: promote fair business and governance practices

Key performance indicators applicable to our portfolio for these ESG objectives have been identified and we are creating a reporting process to enable the monitoring of the development in our companies. In addition to these ESG topics, portfolio companies have their own industry specific ESG topics.

## Sustainable real estate and forest management

Our investments are operated in a way that carefully evaluates environmental impacts. The built environment has

a significant role in decreasing our carbon footprint and waste. When we select new properties into our real estate portfolio, we need to consider energy efficiency, property life-cycle thinking and using materials and techniques that endure. All properties are managed in an energy efficient manner, with the aim of getting environmental certificates (e.g. LEED and BREEAM) for them.

We promote ecologically and economically sustainable forestry and take into account the multipurpose use of forests. The carbon sink of our forests can be maintained and increased with sustainable forestry. All our forests have PEFC Sustainable Forest management certification.

## Sustainable way of working

Our sustainability work is based on the UN Global Compact's ten principles. The progress in Ahlström Capital Group is reported once a year to the UN Global Compact. We also expect that our listed portfolio companies, Ahlstrom-Munksjö, Detection Technology, Glaston and Suominen, are committed to the UN Global Compact's ten principles. In order to develop our sustainability work, we have continuous dialogues with all of our stakeholders, including the Finnish organisation for sustainable business practices, FIBS, which we joined in 2016.

## Sustainability work based on the UN Global Compact's ten principles

Ahlström Capital Group is committed to the United Nation's ten principles of the Global Compact with respect to human rights, labour, environment and anti-corruption. Our first report on the progress towards implementing the ten principles was published in June 2019. The report describes the assessments, policies, targets and actions in Ahlström Capital, our direct holdings Destia and Enics and our subsidiary A. Ahlström Real Estate (our real estate and forest investments). Each company's Code of Conduct stipulates the basic principles guiding the daily work with respect to human and labour rights, environment and anti-corruption. All the companies have whistleblowing channels for reporting any misconduct. You can find the report on our webpage ([www.ahlstromcapital.com/en/sustainability](http://www.ahlstromcapital.com/en/sustainability)).

## Unique hospitality for over 150 years

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

Noormarkku Works offers a warm and unique destination for different customer groups. Alongside the high-quality meeting facilities in the elegantly renovated conference rooms, the guests can enjoy local food at Noormarkku Club and accommodation in the unique rooms of the hotel in some of the guest houses. Companies are also able to combine culture with business by choosing from cultural and nature services offered

at the Works area. There are three significant historical buildings located in the Noormarkku Works area: Isotalo, Havulinna and Villa Mairea.

Villa Mairea has attained the most worldwide recognition of all the buildings in Noormarkku Works. Last year the building, designed by Aino and Alvar Aalto and built in 1939, celebrated its 80<sup>th</sup> birthday.

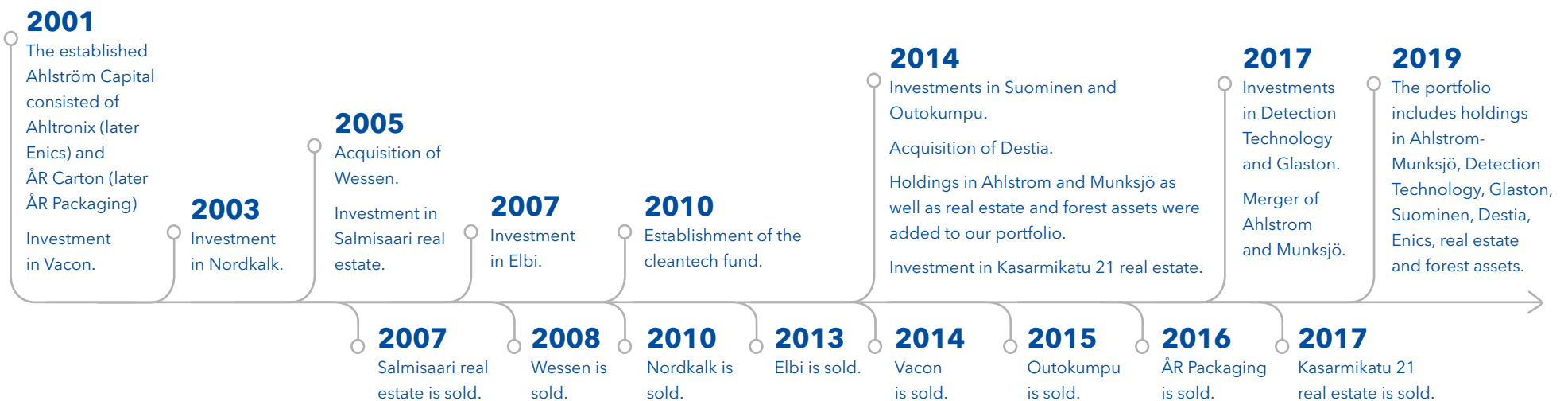




# Almost 170 years of industrial traditions



## Active value creation - Ahlström Capital



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