

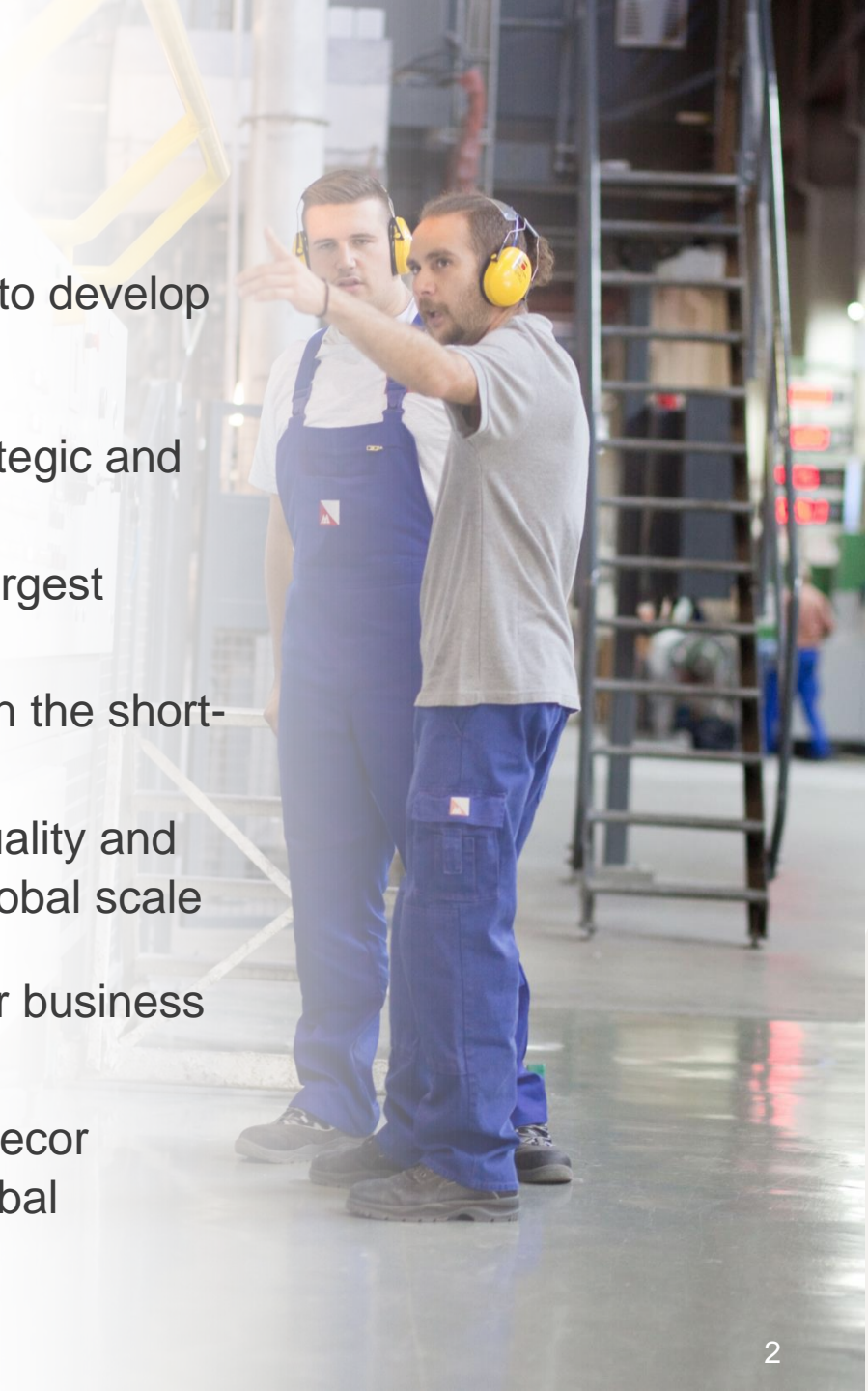
AHLSTROM-MUNKSJÖ DECOR BUSINESS

September 2019



Exploring strategic opportunities for Decor business with suppliers in China

- Ahlstrom-Munksjö is committed to the Decor business and wants to develop and grow the business in a sustainable manner
- Partnering with a Chinese supplier would be based on strong strategic and financial rationale
 - Create global leader with strong presence in the world's two largest markets
 - Strengthen the business and abilities to serve our customers in the short- and long-term
 - Allow leveraging from industry leading brand, with premium quality and service, and the state-of-the-art production capabilities on a global scale
- Investigating the possibility to attract outside capital into the Decor business
 - Speed up the execution of strategy
 - Outside capital will enable investments to grow and develop Decor business and strengthen our operations into a stand-alone global operation



Decor

Demand drivers

- Population and GDP growth
- Rapidly growing middle class in D&E markets driving construction and furniture demand
- Substitution from solid wood, veneer and plastic foils

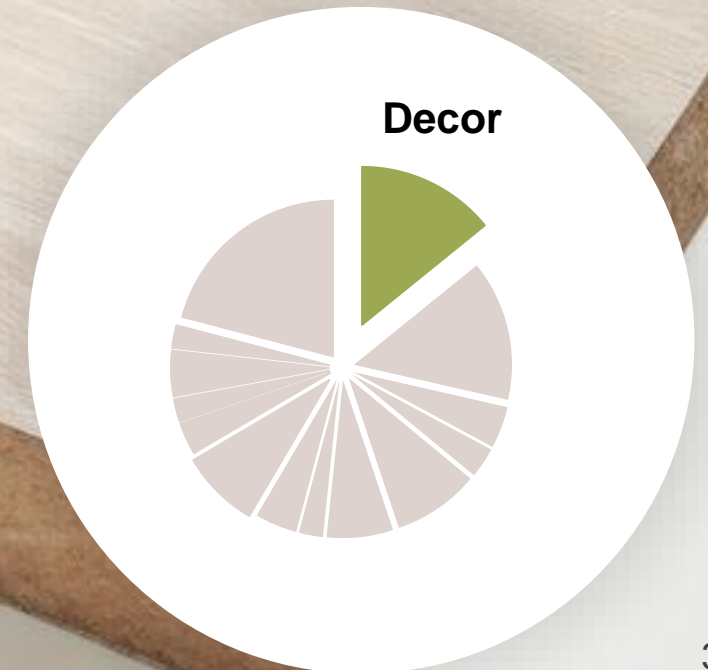
Key strengths

- Industry leading brand – well established supplier with leading capabilities and reputation in service and quality
- Strong positions in Europe and Americas
- Diverse, high quality product and service offering
- Global leader in solid colors and pre-impregnated papers

Ahlstrom-Munksjö Decor Business Area

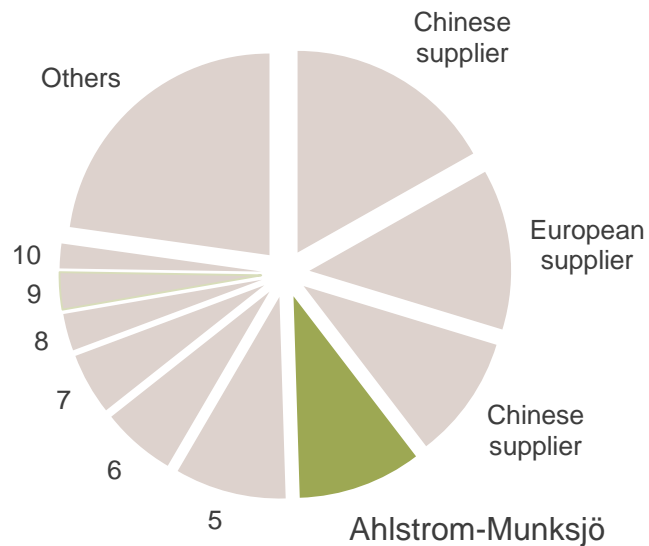
- **Market position:** #2–4
- **Key markets:** Europe and Americas
- **Average market growth:** 3% p.a.
- **Annual net sales in 2018:** EUR 452 million
- **Decor production platform**
 - **Dedicated plants:** Unterkochen (DE), Dettingen (DE) and Tolosa (SP)
 - **Shared plants:** Arches (FR) and Caieiras (BR)

Sales breakdown by business in 2018



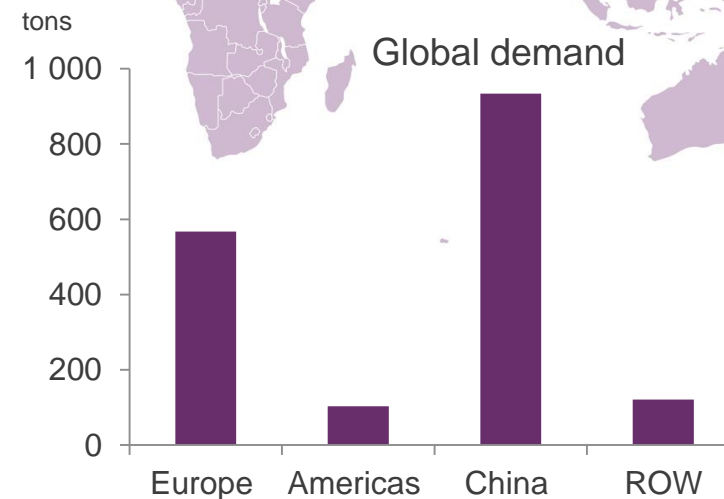
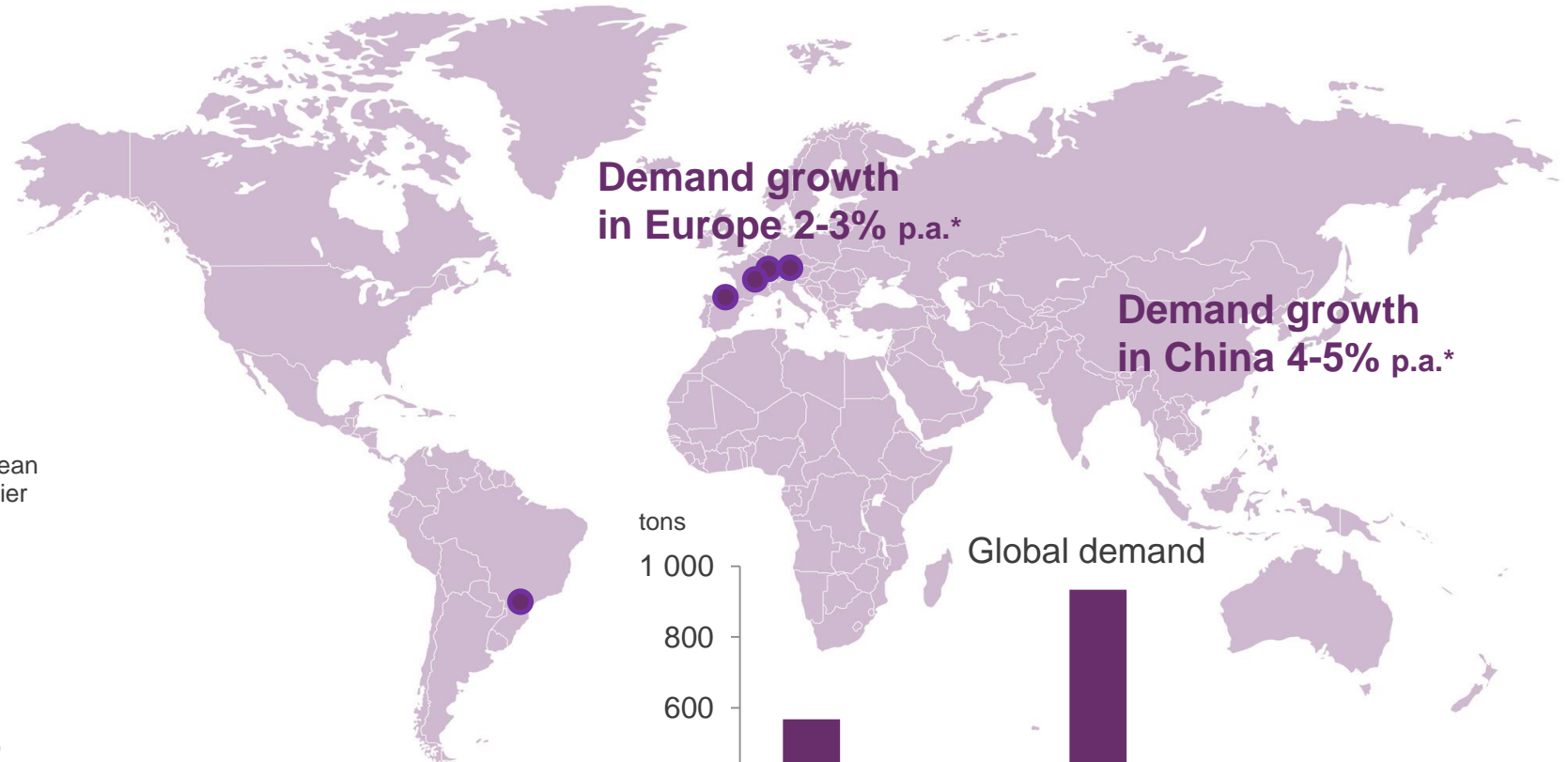
Strong in Europe and Americas, leading brand globally

Share of global capacity



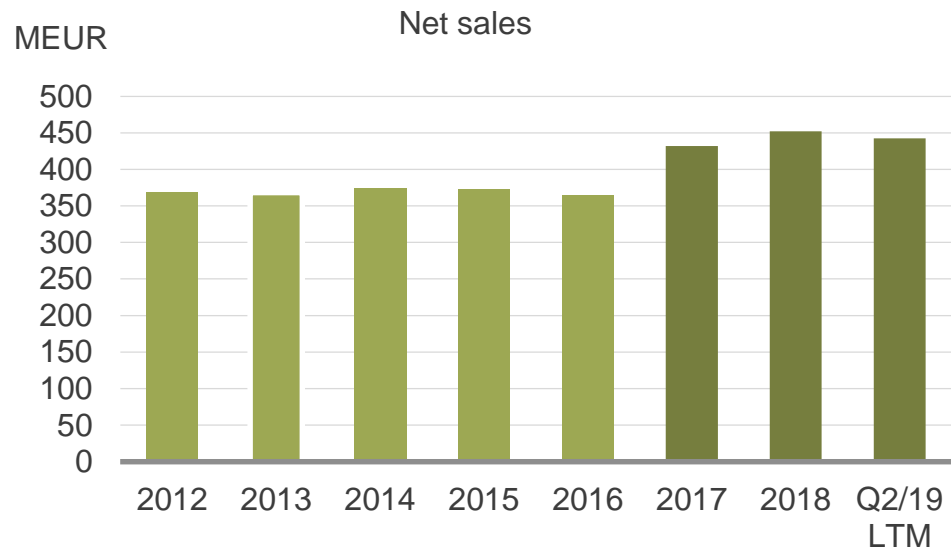
● Ahlstrom-Munksjö's manufacturing site

* Estimated market growth



Financial background

Volatility in profitability driven by fluctuating raw material costs and market demand



2012- 2016

- Strong underlying market growth
- Price and mix management driving margin improvement

2017

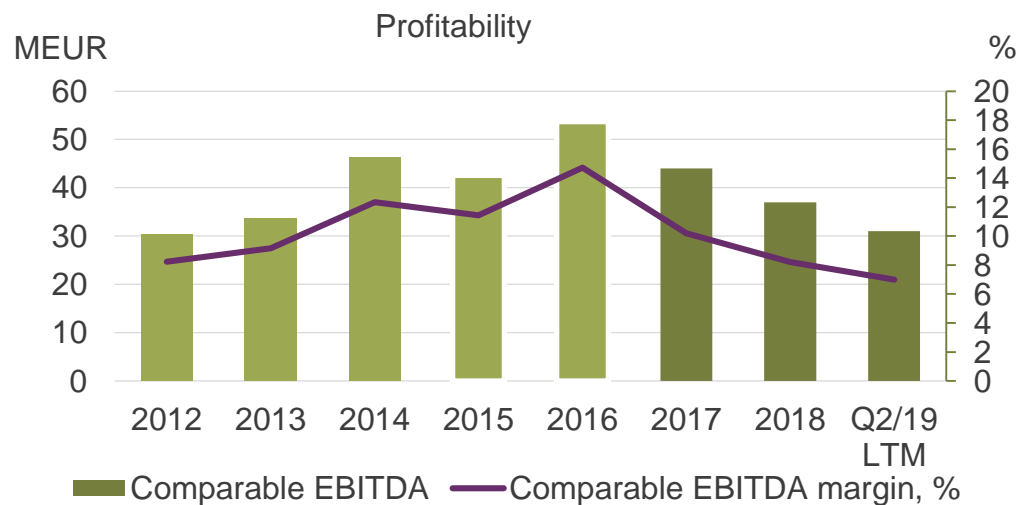
- Rapidly escalating raw material costs driving price increases, margin erosion and inventory build-up across the industry

2018

- Volume losses in oversea markets due to price increases and new competition, impacting sales and EBITDA
- Gross margins per ton restored through successful price increases
- Industry-wide de-stocking following the peak of TiO₂ prices in the summer adding further negative impact on sales in the second half of the year
- Sharp decline in market demand

2019-

- Continued weak and volatile demand, causing price pressure
- Gross margin per ton maintained on a good level through successful price management



Strategic Priorities – the way forward

- **Defend and grow leading positions in Europe and North America**
- **Strengthen growth platform in South America**
- **Entry to China**



Defend and grow leading positions in Europe and North America

- **Continue optimization of product and customer mix**
 - Further enhance capabilities in the most attractive segments
 - Colors and pre-impregnated papers
- **Maintain leadership in quality, service and innovation to deliver the best customer value**
 - Investment at the Dettingen plant, Germany, to enhance the quality of pre-impregnated decor papers
- **Improve cost competitiveness and production efficiency**
 - Enhanced raw material and energy efficiency (best practice implementation)
 - Harmonization of colors and product line optimization
 - Optimize supply footprint and long-term investment strategy
- **Continue to be a forerunner in sustainability**

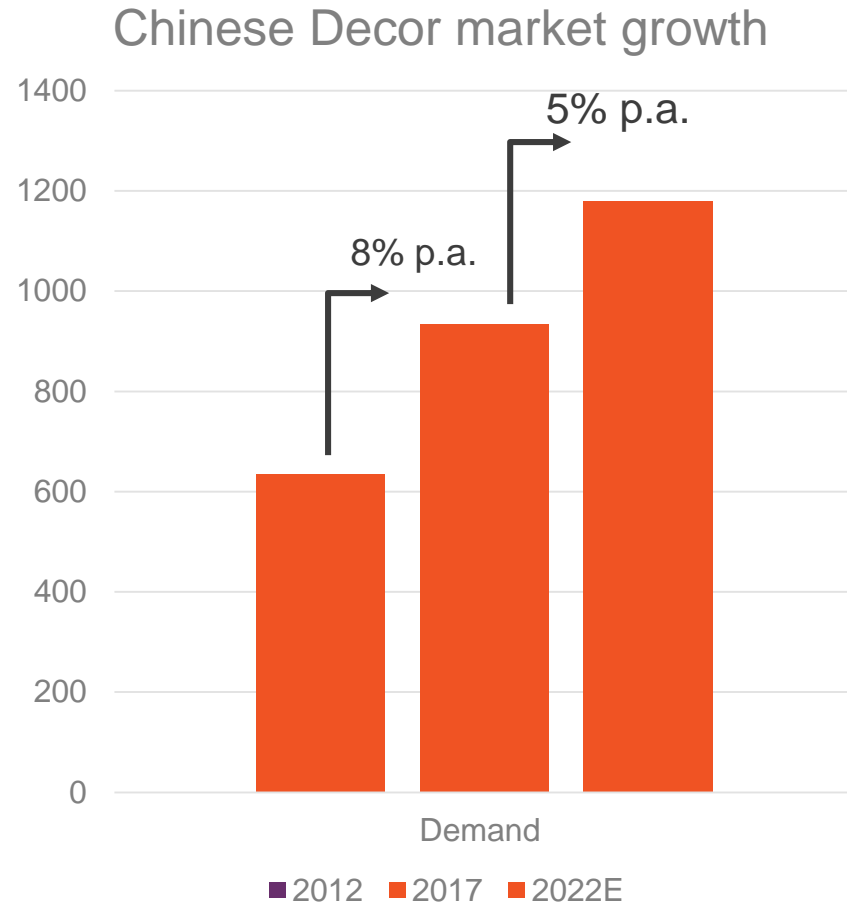


Establish a strong growth platform in South America

- **As the only decor producer in South America, Caieiras offers a unique platform to grow in Latin American markets**
- **A program to realize Caieiras full potential is being implemented**
 - Sourcing
 - Optimization of recipes
 - Claim reduction program
 - Product line optimization
 - Trainings and best practice transfer
- **Sales and technical customer service being integrated step by step**
- **Investment program to enable Caieiras to grow and qualify as print based paper supplier is being developed and finalized**



Chinese decor paper market – rapidly growing big market



- After two decades of rapid growth, China is currently the world's largest decor paper market
- In 2018, annual demand increased by 7% compared to 2017
- Two-third of global demand growth is expected to come from China
- High-quality segment growing significantly faster than the market