



Made by Munksjö™

Munksjö Oyj

Financial Statements Bulletin 2013

Combination completed and synergy level ahead of plan

Highlights of the fourth quarter 2013

- The second and final phase of the business combination was completed at the turn of the month, November.
- Net sales for the fourth quarter increased to EUR 255.7 (159.1) million, primarily as a result of the combination.
- Adjusted EBITDA was EUR 16.0 (8.8) million.
- Operating result adjusted for non-recurring items amounted to EUR 2.6 (1.9) million. The non-recurring items, totalling EUR -16.6 (-2.2) million, were primarily costs for achieving synergy benefits, including the improvement programme for Graphics and Packaging as well as increased environmental provisions.
- Operating result was EUR -14.0 (-0.3) million and the net result was EUR -26.2 (-4.6) million.
- Earnings per share (EPS) were EUR -0.6 (-0.4).

Highlights of the reporting period January–December 2013

- The business combination with Ahlstrom's Label and Processing business area in Europe and Brazil was completed in two phases; in May and December, respectively.
- Trading with Munksjö Oyj's shares commenced on the Helsinki Stock Exchange on 7 June.
- Net sales increased to EUR 863.3 (607.1) million, primarily as a result of the combination.
- Adjusted EBITDA was EUR 55.0 (42.3) million.
- Operating result adjusted for non-recurring items amounted to EUR 15.7 (16.9) million. Most of the non-recurring items, totalling EUR -49.1 (-9.4) million, relates to the business combination.
- Operating result was EUR -33.4 (7.5) million and the net result EUR -57.4 (-10.4) million.
- Earnings per share (EPS) were EUR -2.0 (-0.9).
- Interest-bearing net debt at the end of the reporting period was EUR 230.4 million (30 Sep 2013: 257.5, 31 Dec 2012: 217.3), equivalent to a gearing of 54.4% (30 Sep 2013: 66.8%, 31 Dec 2012: 108.9%). The net debt has decreased with EUR 37.8 million since the end of the second quarter.
- The Board of Directors proposes that the Annual General Meeting would decide to pay EUR 0.1 per share from the reserve for invested non-restricted equity as return of equity based on the balance of 31 December 2013.

KEY FIGURES (MEUR)	Oct-Dec		Full year	
	2013	2012	2013	2012
Net sales	255.7	159.1	863.3	607.1
EBITDA (adj*)	16.0	8.8	55.0	42.3
EBITDA margin, % (adj*)	6.3	5.6	6.4	7.0
EBITDA	-0.6	6.6	5.9	32.8
EBITDA margin, %	-0.2	4.2	0.7	5.4
Operating result (adj*)	2.6	1.9	15.7	16.9
Operating margin, % (adj*)	1.0	1.2	1.8	2.8
Operating result	-14.0	-0.3	-33.4	7.5
Operating margin, %	-5.5	-0.2	-3.9	1.2
Net result	-26.2	-4.6	-57.4	-10.4
Earnings per share (EPS), EUR	-0.6	-0.4	-2.0	-0.9
Interest-bearing net debt	230.4	217.3	230.4	217.3

*Adjusted for non-recurring items

Munksjö Oyj was created as a result of the combination between Munksjö AB, Sweden and the Label and Processing business area of Ahlstrom Corporation, Finland. In addition to the financial result for the reporting period January–December 2013, this interim report provides pro forma figures reflecting the business combination. Information of how the pro forma figures were derived is provided in the notes to the Financial Statements under the heading 'Business combination', on page 27.

Unless otherwise indicated, the figures in parentheses refer to the figures for the equivalent period in 2012. This interim report is unaudited. It is published in Swedish, Finnish and English. In case of any discrepancies between the three versions, the Swedish text shall prevail.

▲ Munksjö's President and CEO, Jan Åström

In December Munksjö completed the combination between Munksjö and Ahlstrom Corporation's specialty papers division, Label and Processing, by making Ahlstrom's specialty paper mill in Jacarei outside Sao Paulo in Brazil, a part of the Munksjö Group. The complete group was fully operational during the last month of 2013.

Munksjö's business continues to develop well, especially the business areas Decor and Industrial Applications, where the volume growth was five (5) and seven (7) per cent respectively year on year, and prices have remained stable. During the year the Group continued to release working capital and the business combination contributed to a significantly improved capital structure.

In 2014, the focus for Munksjö is to realise the remaining synergies and the completion of the integration. The work with achieving synergies is continuing unabated. At year end, the annual synergy run-rate was EUR 11 million. The realised synergies for 2013 were EUR 5 million. The synergies of EUR 20-25 million will be achieved earlier than expected, since the annual run-rate is expected to be within the communicated range already during 2014, and are in their entirety expected to be realised already during 2015.

The programme to significantly improve the profitability of the business area Graphics and Packaging, is proceeding according to plan. The strategic change that involves replacing low-margin products in the product portfolio began to take effect in the fourth quarter. Negotiations, regarding personnel reductions with the relevant trade unions, are ongoing and the ambition is to finalise them during the first quarter of 2014.

Munksjö's year as a complete company has started and the organisation is now set to deliver on synergy and profitability targets.

▲ Outlook

During the first half of 2014, demand for Munksjö's products is expected to be generally stable, but some improvement in certain product areas can be seen. Prices are expected to remain at the same level at the beginning of 2014 as in the fourth quarter of 2013.

The synergy benefits of EUR 20-25 million will be achieved earlier than expected, since the annual run-rate is expected to be within the communicated range already during 2014, and are in their entirety expected to be realised already during 2015.

The production facility in Aspa, Sweden will prolong the intervals between the maintenance stops from 12 to 18 months. This means that Aspa's maintenance shutdown will take place already in early April 2014. Otherwise, the yearly shutdowns for the holiday, during which planned maintenance operations are scheduled, are expected to be carried out to the same extent as in 2013.

▲ Webcast and conference call

A combined news conference, conference call and live webcast for investors, analysts and media will be arranged on the publishing day, 13 February 2014 at 15:00 pm CET (16:00 pm EET, 14:00 pm UK time) at the corporate head office in Stockholm (Klarabergsviadukten 70, elevator D, 5th floor). The report will be presented by President and CEO Jan Åström. The event will be held in English.

The conference call and live webcast can be followed on the Internet and an on-demand version of the webcast will be available on the same webpage later the same day.

Webcast and conference call information

Finnish callers: +358 (0)9 2313 9201
 Swedish callers: +46 (0)8 5052 0110
 US callers: +1 334 323 6201
 UK callers: +44 (0)20 7162 0077
 Conference ID: 940958

To join the conference call, participants are requested to dial one of the numbers above 5-10 minutes prior to the start of the event.

http://qsb.webcast.fi/m/munksjo/munksjo_2014_0213_q4/#/stream

▲ Forming a global leader in specialty paper – combining Munksjö AB with Ahlstrom's Label and Processing business area

On 28 August 2012, Munksjö Oyj, Munksjö AB, EQT and Ahlstrom Corporation agreed to form a global leader in specialty papers by combining Munksjö AB with Ahlstrom's Label and Processing business area in Europe (LP Europe) and Brazil (Coated Specialties). In 2013, the new company had in aggregate pro forma net sales of EUR 1.1 billion, approximately 3,000 employees, 15 production sites in Europe, Brazil and China, and a worldwide sales organisation. The operations are divided into four business areas: Decor, Release Liners, Industrial Applications, and Graphics and Packaging.

The business combination is a natural step in Munksjö's strategy to focus on growth within specialty papers. Munksjö Oyj is the world's largest specialty paper company with a strong position in selected market segments. The acquisition will boost competitiveness and efficiency while offering further potential for organic and strategic growth.

The combination of the operations was completed in two phases during 2013. Phase 1, the combination of Munksjö AB with LP Europe, was effected on 27 May following regulatory approvals from the European Commission's Competition Authority and the Brazilian Competition Authority (CADE). The second phase of the combination was completed on 2 December, when the Coated Specialties operation's in Jacarei, Brazil was combined with Munksjö Oyj in a partial demerger. Coated Specialties is since 2 December part of the business area Release Liners.

The approval by the European Commission's Competition Authority for the combination was conditional on the divestment of Ahlstrom's production lines for abrasive paper backings and pre-impregnated decor papers in Osnabrück, Germany, to a third party. On 31 December 2013, Ahlstrom issued a stock exchange release announcing that the company had finished the divestment process.

LP Europe was combined with Munksjö AB as follows: first, a demerger of Ahlstrom was carried out, followed by the acquisition of Munksjö AB in exchange for new shares in Munksjö Oyj, and finally by a directed share issue by Munksjö Oyj to Ahlstrom, EQT, Munksjö AB and certain institutional investors.

The conditions for the execution of the Coated Specialties demerger were not fulfilled prior to the expiration of the demerger decision made by Ahlstrom's Extraordinary General Meeting on 27 November 2012, and therefore Ahlstrom convened an new Extraordinary General Meeting to resolve on a new partial demerger of Coated Specialties. Ahlstrom's Extraordinary General Meeting approved on 4 July 2013 the demerger of the Coated Specialties in accordance with the demerger plan. Munksjö Oyj's and Ahlstrom's respective boards signed on 13 May 2013 a new partition plan and cancelled the previous plan because not all approvals by the Authorities were obtained before the previous resolution expired.

Coated Specialties was combined with Munksjö Oyj according to the following: According to the demerger plan, all assets and liabilities belonging to Coated Specialties was transferred to Munksjö Oyj through a partial demerger. According to the demerger plan Munksjö's shareholders resolved, on 17 May 2013, that on the completion day of the demerger, new shares would be issued as a demerger consideration.

Upon execution of the two phases of the combination, the shareholders in Ahlstrom received, as demerger consideration, new shares in Munksjö Oyj. Trading of Munksjö Oyj's shares commenced on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Oy) on 7 June 2013. Further details on share trading and the demerger consideration can be found under the heading 'Shares and shareholders'. Further details on the business combination is provided in the notes under the heading 'Business Combination'.

Synergy benefits and integration

Annual synergy benefits rising from the business combination are related to procurement, production efficiency, economies of scale and improved organisational performance and efficiency, and are still expected to be between EUR 20-25 million.

Integration efforts were launched in May when the first phase of the business combination was completed and are proceeding according to plan. At year end, the annual synergy benefits run-rate was EUR 11 million. The synergies were achieved within procurement and improved efficiency within the organisation. It is within these areas, including the improvement programme in the business area Graphics and Packaging, that synergies are expected to be further developed during 2014.

EUR 5 million in synergy savings were realised and recorded in the 2013 financial results.

An annual synergy savings level within the communicated range is expected to be reached already during 2014. The previously communicated 60 per cent after the first 12 months is expected to be surpassed.

Non-recurring items to achieve synergies are estimated to EUR 10-15 million and the majority; approximately EUR 11 million was recorded in the financial result for 2013. Of these costs EUR 4 million impacted the cash flow in 2013, while the rest of the costs are expected to affect the cash flow during 2014.

Annual cost savings as a result of the separation of the specialty paper operations from Ahlstrom's other business operations (stand-alone cost savings), will amount to EUR 11 million annually and are hence within the previously communicated range of EUR 10-15 million.


The Munksjö Group

MEUR	Oct–Dec		Full year	
	2013	2012	2013	2012
Reported ¹⁾				
Net sales	255.7	159.1	863.3	607.1
EBITDA (adj*)	16.0	8.8	55.0	42.3
EBITDA margin, % (adj*)	6.3	5.6	6.4	7.0
EBITDA	-0.6	6.6	5.9	32.8
EBITDA, margin %	-0.2	4.2	0.7	5.4
Operating result (adj*)	2.6	1.9	15.7	16.9
Operating margin, % (adj*)	1.0	1.2	1.8	2.8
Operating result	-14.0	-0.3	-33.4	7.5
Operating margin, %	-5.5	-0.2	-3.9	1.2
Net result	-26.2	-4.6	-57.4	-10.4
Capital expenditure	8.2	5.4	22.6	14.8
Employees, FTE	2,641	1,669	2,216	1,679
Pro forma II (incl. LP Europe and Coated Specialties) ²⁾				
Net sales	265.2	288.5	1,120.3	1,154.6
EBITDA** (adj*)	16.8	23.3	64.1	76.6
EBITDA** margin, % (adj*)	6.3	8.1	5.7	6.6
EBITDA**	1.0	21.1	42.3	39.8
EBITDA**, margin %	0.4	7.3	3.8	3.4
Delivery volumes, tonnes	208,875	222,439	885,232	897,371

* Adjusted for non-recurring items

** Includes stand-alone cost savings and synergies obtained after 27 May 2013. Further information under the heading Pro forma information in the notes.

1) Includes LP Europe from 27 May 2013 and Coated Specialties from 2 December 2013.

2) Includes LP Europe and Coated Specialties from 1 January 2012.

Reported

Fourth quarter 2013

Net sales increased to EUR 255.7 (159.1) million, primarily as a result of the business combination. The acquired business contributed an additional EUR 105.0 million to net sales.

EBITDA adjusted for non-recurring items increased to EUR 16.0 (8.8) million while the adjusted EBITDA margin was 6.3% (5.6%). Operating result adjusted for non-recurring items amounted to EUR 2.6 (1.9) million and the adjusted operating margin 1.0% (1.2%). The non-recurring items, totalling EUR -16.6 (-2.2) million, was primarily costs for achieving synergies and the improvement programme for Graphics and Packaging as well as increased environmental provisions.

The operating result was EUR -14.0 (-0.3) million with a net result of EUR -26.2 (-4.6) million.

January–December 2013

Net sales increased to EUR 863.3 (607.1) million, primarily as a result of the combination. The acquired business contributed an additional EUR 257.0 million to net sales.

EBITDA adjusted for non-recurring items increased to EUR 55.0 (42.3) million while the adjusted EBITDA margin was 6.4% (7.0%). Operating result adjusted for non-recurring items was EUR 15.7 (16.9) million and the adjusted operating margin 1.8% (2.8%). Most of the non-recurring items totalling EUR -49.1 (-9.4) million relates to the business combination. For non-recurring items in January–December 2013, see the table below.

EUR million

Transaction costs	-13.4
Commitment in relation to Osnabrück	-13.5
Inventory valuations	-2.4
Cost for achieving the foreseen synergy benefits	-11.0
Environmental provisions	-6.3
Other costs	-2.5
Total	-49.1

The transaction costs are primarily costs for financial and legal advice as well as market studies and similar activities for the assessment of the transaction.

Munksjö made a commitment to pay certain costs arising from the divestments of some businesses in Osnabrück, Germany, required by the European Commission as a condition for regulatory approval. This commitment is included in the non-recurring items in the amount of EUR 13.5 million. This cost was booked in the second quarter of 2013. The equivalent impact on cash flow during 2013 was EUR 2.5 million. Inventory valuation refers to the non-cash revaluation of inventories at the time of acquisition.

The costs for achieving the synergy and integration benefit levels are costs for achieving the communicated synergies including the improvement programme for Graphics and Packaging. The environmental provisions in respect of the closed production facilities in Italy and the USA have increased. Other non-recurring items include, among other things, minor restructuring costs deemed to be unrelated to the synergy benefits programme.

The operating loss was EUR -33.4 (7.5) million with a net loss of EUR -57.4 (-10.5) million.

Pro forma II

Fourth quarter 2013

Pro forma II net sales decreased to EUR 265.2 (288.5) million. Compared to 2012, the Brazilian Real has weakened significantly against the Euro, which affected the euro-translated sales of the Brazilian operations. The Brazilian operation is part of the business area Release Liners.

Adjusted pro forma II EBITDA decreased to EUR 16.8 (23.3) million and the adjusted pro forma II EBITDA margin to 6.3% (8.1%). The result for the fourth quarter 2012 includes a positive impact on the result of approximately EUR 8 million as result of the release of certain accruals related to personnel liabilities and production costs.

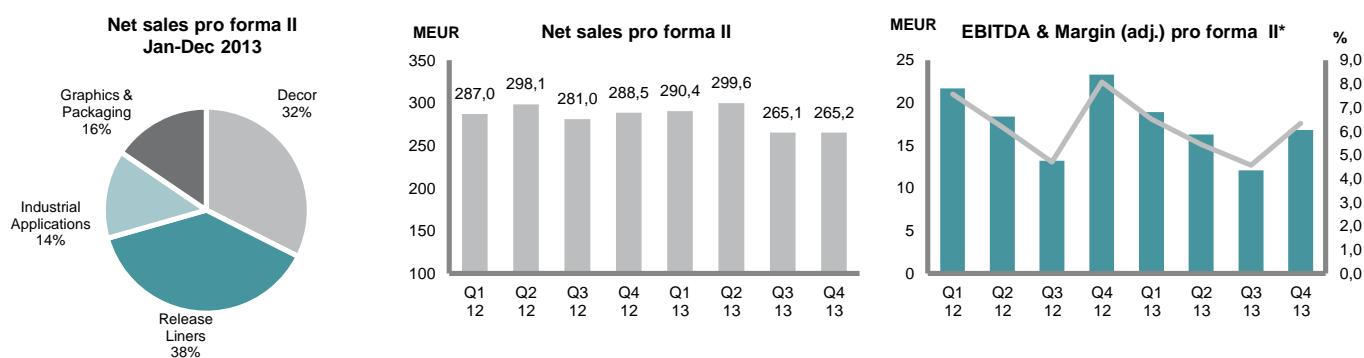
January–December 2013

Pro forma II net sales decreased to EUR 1,120.3 (1,154.6) million. Net sales for the business area Industrial Applications increased but remained at the same level as in the previous year for business area Decor. Net sales for Release Liners decreased short of the 2012 level. Compared to 2012 the Brazilian real weakened significantly against the euro, which affects the euro-translated sales and profit of the Brazilian operations. Net sales by Graphics and Packaging decreased short of the 2012 level.

The business areas Decor and Industrial Applications showed higher adjusted EBITDA margins than in 2012 whereas the equivalent margins for the business areas Release Liners and Graphics and Packaging were weaker. Somewhat lower raw material prices in 2013 had a positive impact on profitability but a less favourable product mix diluted this effect. The holiday shutdown in the third quarter went according to plan in terms of scope, but its negative impact on financial result was slightly greater than in 2012.

Adjusted pro forma II EBITDA decreased to EUR 64.1 (76.6) million and the adjusted pro forma II EBITDA margin to 5.7% (6.6%). The fourth quarter 2012, includes a positive impact on the result of approximately EUR 8 million, the release of certain accruals related to personnel liabilities and production costs. The result for the first quarter 2013 includes a positive impact on the result of approximately EUR 3 million as result of the release of certain accruals related to personnel liabilities.

The market conditions and financial result in the fourth quarter and year 2013 as a whole for the respective business areas are discussed on the following pages.



Decor business area

MEUR	Oct–Dec		Full year	
	2013	2012	2013	2012
Reported				
Net sales	89.9	99.7	368.2	368.4
EBITDA (adj ^{*)})	8.7	8.7	33.7	30.3
EBITDA margin. % (adj ^{*)})	9.7	8.7	9.2	8.2
EBITDA	2.1	8.3	26.3	29.7
EBITDA. margin %	2.3	8.4	7.1	8.1
Operating result (adj ^{*)})	4.6	5.6	21.9	19.6
Operating margin. % (adj ^{*)})	5.1	5.6	5.9	5.3
Operating result	-2.0	5.2	14.5	19.1
Operating margin. %	-2.2	5.2	3.9	5.2
Capital expenditure	1.4	1.4	4.5	4.7
Delivery volumes, tonnes	42,800	45,500	174,800	166,500
Employees, FTE	888	896	888	911

^{*)} Adjusted for non-recurring items

The business combination has not impacted the business area and therefore no pro forma-information is presented

Reported

Fourth quarter 2013

Market demand, particularly in the particle board and furniture industry, was slightly weaker than during the equivalent period in 2012, resulting in a 6% decrease in delivery volumes.

Net sales decreased to EUR 89.9 (99.7) million. The average price was slightly lower than in the fourth quarter of 2012, mainly due to a less favourable geographic and product mix, but still higher than in the third quarter of 2013. No overall price reductions were made by the business area.

Lower raw material costs driven by the decreasing price of titaniumoxide and pulp had a positive impact on the financial result. EBITDA adjusted for non-recurring items was EUR 8.7 (8.7) million while the adjusted EBITDA margin increased to 9.7% (8.7%). Operating result adjusted for non-recurring items was EUR 4.6 (5.6) million with an adjusted operating margin of 5.1% (5.6%).

Operating result was EUR -2.0 (5.2) million with an operating margin of -2.2% (5.2%).

January–December 2013

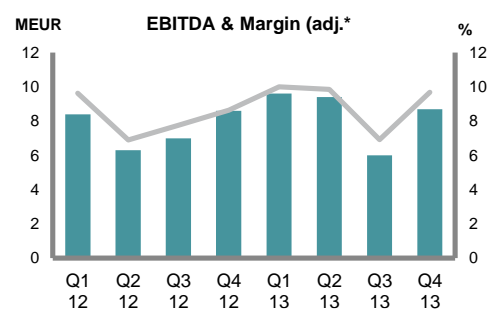
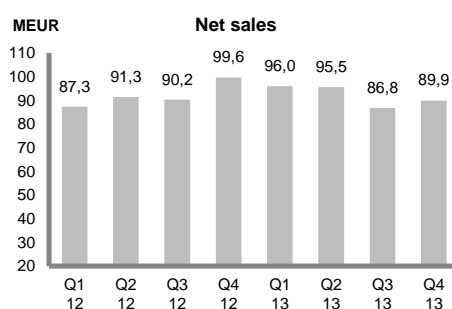
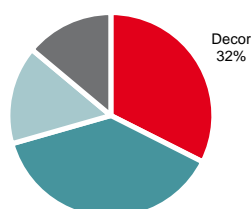
Volumes developed favourably during the year growing by 5%. The growth in volumes characterising the first half of 2013 levelled off slightly during the second half following the traditionally weaker summer season. Above all, the increase in volume was due to greater demand for pre-impregnated decor paper used primarily within the furniture industry. The patented proprietary pre-impregnated decor paper technology has been developed in-house with great success over the past ten years.

Net sales remained at the same level as in 2012 reaching EUR 368.2 (368.4) million. The positive trend in volumes did not have an equivalent impact on net sales, and the average price was lower than in 2012, which was mainly due to the less favourable geographic and product mix and partly due to the selective price adjustments made. No overall price reductions were made by the business area.

The financial result was affected by the yearly holiday shutdown which was slightly longer than in 2012 as well as by increased personnel and sales-related costs. The lower raw material costs driven by lower prices on titaniumdioxide and pulp had a positive effect on the result. EBITDA adjusted for non-recurring items increased to EUR 33.7 (30.3) million and the adjusted EBITDA margin to 9.2% (8.2%). Operating result adjusted for non-recurring items was EUR 21.9 (19.6) million with an adjusted operating margin of 5.9% (5.3%).

Operating result was EUR 14.5 (19.1) million with an operating margin of 3.9% (5.2%).

Net sales pro forma II
Jan-Dec 2013



*Adjusted for non-recurring items

Release Liners business area

MEUR	Oct–Dec		Full year	
	2013	2012	2013	2012
Reported ¹⁾				
Net sales	87.3	24.4	249.1	98.2
EBITDA (adj*)	5.9	-1.4	15.7	4.8
EBITDA margin, % (adj*)	6.8	-5.6	6.3	4.9
EBITDA	4.2	-1.4	12.8	4.8
EBITDA, margin %	4.8	-5.6	5.1	4.9
Operating result (adj*)	0.3	-3.1	0.4	-1.8
Operating margin, % (adj*)	0.3	-12.7	0.2	-1.9
Operating result	-1.4	-3.1	-2.5	-1.8
Operating margin, %	-1.6	-12.7	-1.0	-1.9
Capital expenditure	4.1	1.7	7.5	3.3
Delivery volumes, tonnes	100,100	46,800	313,500	184,600
Employees, FTE	717	168	465	169
Pro forma II (incl. LP Europe and Coated Specialties) ³⁾				
Net sales	96.8	110.4	432.8	467.2
EBITDA** (adj*)	6.7	11.0	23.9	35.7
EBITDA** margin, % (adj*)	6.9	10.0	5.5	7.6
EBITDA**	4.8	11.0	21.2	34.2
EBITDA**, margin %	5.0	10.0	4.9	7.3
Delivery volumes, tonnes	116,575	126,243	497,530	520,882

* Adjusted for non-recurring items

** Includes stand-alone cost savings and synergies obtained after 27 May 2013. Further information under the heading Pro forma information in the notes.

1) Includes LP Europe from 27 May 2013 and Coated Specialties from 2 December 2013

2) Includes LP Europe and Coated Specialties from 1 January 2012

MEUR	ACQUIRED OPERATIONS	Oct–Dec	27 May–Dec
		2013	2013
Reported ¹⁾			
Net sales		64.6	154.6
EBITDA (adj*)		4.1	8.4
EBITDA margin, % (adj*)		6.3	5.4
EBITDA		2.4	5.5
EBITDA, margin %		3.7	3.6
Operating result (adj*)		0.2	0.2
Operating margin, % (adj*)		0.3	0.1
Operating result		-1.5	-2.7
Operating margin, %		-2.3	-1.7
Delivery volumes, tonnes		58,214	139,714

Reported

In 2012, the business area consisted of Muncksjö's pulp production facility in Aspa. The part of LP Europe that primarily manufactures release papers for e.g. labels, special tapes, office labels, self-adhesive stickers and a range of industrial and graphics applications, was included into the business area as of 27 May 2013. The production facility in Jacarei (Coated Specialties), Brazil, was included in the business area as of 2 December 2013. The Jacarei production facility delivers coated and uncoated specialty paper grades to the South-American market, primarily Brazil.

Fourth quarter 2013

Net sales increased to EUR 87.3 (24.4) million as a result of the business combination. The acquired business contributed an additional EUR 64.6 million to net sales.

EBITDA adjusted for non-recurring items increased to EUR 5.9 (-1.4) million and the adjusted EBITDA margin to 6.8% (-5.6%). Operating profit adjusted for non-recurring items was EUR 0.3 (-3.1) million with an adjusted operating margin of 0.3% (-12.7%).

Operating result was EUR -1.4 (-3.1) million with an operating margin of -1.6% (-12.7%).

January–December 2013

Net sales increased to EUR 249.1 (98.2) million as a result of the business combination. The acquired business contributed an additional EUR 154.6 million to net sales.

EBITDA adjusted for non-recurring items increased to EUR 15.7 (4.8) million and the adjusted EBITDA margin to 6.3% (4.9%). Operating result adjusted for non-recurring items was EUR 0.4 (-1.8) million with an adjusted operating margin of 0.2% (-1.9%).

Operating result was EUR -2.5 (-1.8) million with an operating margin of -1.0% (-1.9%).

Pro forma II

Fourth quarter 2013

The total volumes delivered by the business area decreased by 8%. Total volumes delivered by the European paper business decreased slightly below the 2012 level despite of a market characterised by intense competition. Pulp volumes delivered decreased during the fourth quarter 2012 as a result of shifts in production between bleached and unbleached pulp. Deliveries by the production facility in Jacarei were slightly lower.

Pro forma II net sales decreased to EUR 96.8 (110.4) million mainly due to the lower delivery volumes and the weaker Brazilian Real.

The average price in the pulp business increased because of the higher market price of pulp. The average price in the Brazilian operations denominated in the local currency increased compared to the corresponding period last year. The average price in the European paper business, affected by intense competition in the market, decreased relative to last year.

Adjusted pro forma II EBITDA decreased to EUR 6.7 (11.0) million and the adjusted pro forma II EBITDA margin to 6.9% (10.0%). The result for the fourth quarter 2012 includes a positive impact on the result of approximately EUR 7 million as result of, inter alia, the release of certain accruals related to personnel liabilities and production costs. When adjusted for this item, the business area's adjusted pro forma II EBITDA and margin were higher than in the equivalent period in 2012.

January–December 2013

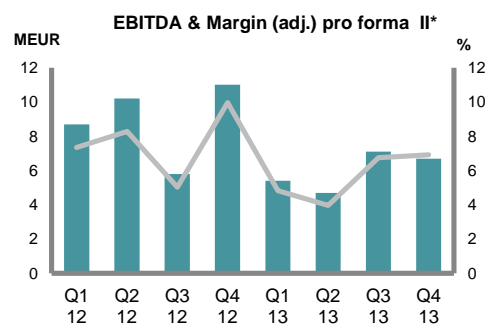
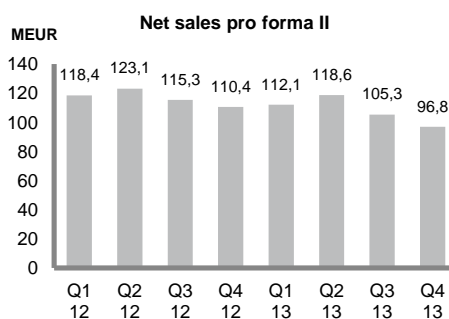
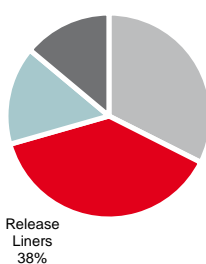
The delivery volumes by the business area decreased due to the reduced pulp deliveries and lower deliveries within the paper business.

Pro forma II net sales decreased to EUR 432.8 (467.2) million. Pro forma II net sales by the Brazilian operations was EUR 81.8 million.

The average price in the paper business decreased because of price adjustments whereas the average price in the pulp business increased as a result of the higher market price of pulp. The average price in the Brazilian operations denominated in local currency increased mainly due to price increases. Compared to 2012, the Brazilian Real has weakened significantly against the Euro, which affected the euro-translated sales of the Brazilian operations.

Financial result in the pulp business developed favourably mainly as a result of the higher market price and lower cost of wood. The price increases introduced by the Brazilian operations did not fully compensate for the increased cost of raw materials. As the Brazilian Real has weakened against the Euro, depreciation of the Brazilian real against the euro also affected the euro-translated financial result of the Brazilian operations. Adjusted pro forma II EBITDA decreased to EUR 23.9 (35.7) million and the adjusted pro forma II EBITDA margin to 5.5% (7.6%). In the fourth quarter 2012, the financial result was affected by said item of approximately EUR 7 million. The result for the first quarter 2013 includes a positive impact on the result of approximately EUR 1 million as result of, the release of certain accruals related to personnel liabilities.

Net sales pro forma II
Jan-Dec 2013



*Adjusted for non-recurring items

Industrial Applications business area

MEUR	Oct-Dec		Full year	
	2013	2012	2013	2012
Reported				
Net sales	42.3	37.0	158.0	148.2
EBITDA (adj*)	5.7	1.5	16.1	12.2
EBITDA margin, % (adj*)	13.5	4.1	10.2	8.2
EBITDA	4.9	1.3	14.8	11.7
EBITDA margin, %	11.6	3.5	9.4	7.9
Operating result (adj*)	3.9	-0.4	8.6	4.7
Operating margin, % (adj*)	9.2	-1.2	5.4	3.2
Operating result	3.1	-0.7	7.3	4.2
Operating margin, %	7.3	-1.8	4.6	2.9
Capital expenditure	1.2	1.4	5.7	5.9
Delivery volumes, tonnes	20,900	18,500	81,500	76,100
Employees, FTE	538	571	556	568

* Adjusted for non-recurring items

The business combination has not impacted the business area and therefore no pro forma-information is presented

Reported

Fourth quarter 2013

Strong demand, particularly for abrasive backings and interleaving papers resulted in a positive development of volumes, and an improved capacity utilisation rate. The total volume of deliveries by the business area grew by 13%. The Asian market in particular showed an improvement in the volume of deliveries of abrasive backings.

Net sales increased as a result of the positive development of volumes to EUR 42.3 (37.0) million.

Improved performance was due to the increase in volumes, a marginally higher average sales price and reduced raw material costs. EBITDA adjusted for non-recurring items increased to EUR 5.7 (1.5) million and the adjusted EBITDA margin to 13.5% (4.1%). Operating result adjusted for non-recurring items was EUR 3.9 (-0.4) million with an adjusted operating margin of 9.2% (-1.2%).

Operating result was EUR 3.1 (-0.7) million with an operating margin of 7.3% (-1.8%).

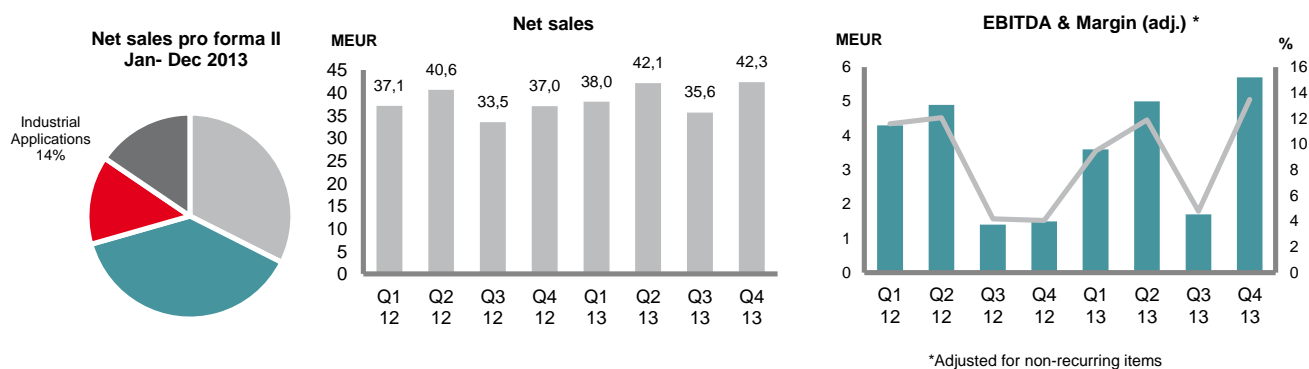
January–December 2013

The year was characterised by a positive development of volumes, particularly in abrasive backings and thin papers, resulting in a 7% increase in deliveries.

Net sales increased as a result of increased volumes to EUR 158.0 (148.2) million.

The investment in a wet pulp loading station for unbleached pulp, from Billingsfors, in the production facility in Aspa brought to completion in May 2013 contributed to a more favourable energy balance and increased capacity utilisation rate in the Billingsfors production facility. Other factors affecting financial result included improved capacity utilisation due to a positive development of volumes and reduced raw material costs. The holiday shutdown impacted the financial result to similar extent as in the previous year. EBITDA adjusted for non-recurring items increased to EUR 16.1 (12.2) million and the adjusted EBITDA margin to 10.2% (8.2%). Operating result adjusted for non-recurring items was EUR 8.6 (4.7) million with an adjusted operating margin of 5.4% (3.2%).

Operating result was EUR 7.3 (4.2) million with an operating margin of 4.6% (2.9%).



Graphics and Packaging business area

MEUR	Oct–Dec		Full year		ACQUIRED OPERATIONS MEUR	Oct–Dec 2013	27 May–Dec 2013
	2013	2012	2013	2012			
Reported ¹⁾							
Net sales	40.4		102.4	-	Net sales	40.4	102.4
EBITDA (adj*)	-0.5		-1.5	-	EBITDA (adj*)	-0.5	-1.5
EBITDA margin, % (adj*)	-1.2		-1.5	-	EBITDA margin, % (adj*)	-1.2	-1.5
EBITDA	-6.0		-9.0	-	EBITDA	-6.0	-9.0
EBITDA, margin %	-14.9		-8.8	-	EBITDA, margin %	-14.9	-8.8
Operating result (adj*)	-2.1		-5.1	-	Operating result (adj*)	-2.1	-5.1
Operating margin, % (adj*)	-5.2		-5.0	-	Operating margin, % (adj*)	-5.2	-5.0
Operating result	-7.6		-12.6	-	Operating result	-7.6	-12.6
Operating margin, %	-18.8		-12.3	-	Operating margin, %	-18.8	-12.3
Capital expenditure	0.7		1.9	-	Delivery volumes, tonnes	32,700	83,700
Delivery volumes, tonnes	32,700		83,700	-			
Employees, FTE	444		262	-			
Pro forma I & II ²⁾							
Net sales	40.4	43.4	175.9	178.4			
EBITDA** (adj*)	-0.5	2.2	-0.6	3.7			
EBITDA** margin, % (adj*)	-1.2	5.1	-0.3	2.1			
EBITDA**	-6.0	2.2	-7.0	2.6			
EBITDA**, margin %	-14.9	5.1	-4.0	1.5			
Delivery volumes, tonnes	32,700	34,196	145,602	142,289			

* Adjusted for non-recurring items

** Includes stand-alone cost savings and synergies obtained after 27 May 2013. Further information under the heading Pro forma information in the notes.

1) Includes LP Europe from 27 May 2013.

2) Includes LP Europe from 1 January 2012, Coated Specialties does not affect this business area.

Reported

As the business area became part of the Group in connection with the completion of the first phase of the business combination on 27 May 2013, no financial result for the corresponding period last year is reported.

Fourth quarter 2013

Net sales were EUR 40.4 million.

EBITDA adjusted for non-recurring items was EUR -0.5 million and the adjusted EBITDA margin -1.2%. Operating result adjusted for non-recurring items was EUR -2.1 million with an adjusted operating margin of -5.2%.

Operating result was EUR -7.6 million with an operating margin of -18.8%.

January–December 2013

Net sales were EUR 102.4 million.

EBITDA adjusted for non-recurring items was EUR -1.5 million and the adjusted EBITDA margin -1.5%. Operating result adjusted for non-recurring items was EUR -5.1 million with an adjusted operating margin of -5.0%.

Operating result was EUR -12.6 million with an operating margin of -12.3%.

Pro forma II

Fourth quarter 2013

Delivery volumes decreased during the fourth quarter mainly due to decreased demand for graphic and industrial papers.

Pro forma II net sales decreased mainly as a result of lower delivery volumes, to EUR 40.4 (43.4) million. The average price in the business area decreased mainly due to the changes made to the product mix.

The programme to substantially improve the financial result launched during the third quarter of 2013 started having an impact during the fourth quarter and the business area's adjusted EBITDA margin improved slightly in the second and third quarter despite higher production costs relative to the equivalent period in 2012.

The business area's adjusted pro forma II EBITDA decreased to EUR -0.5 (2.2) million and the adjusted pro forma II EBITDA margin to -1.2% (5.1%). The result for the fourth quarter 2012 includes a positive impact on the result of approximately EUR 1 million as result of, the release of certain accruals for personnel liabilities.

January–December 2013

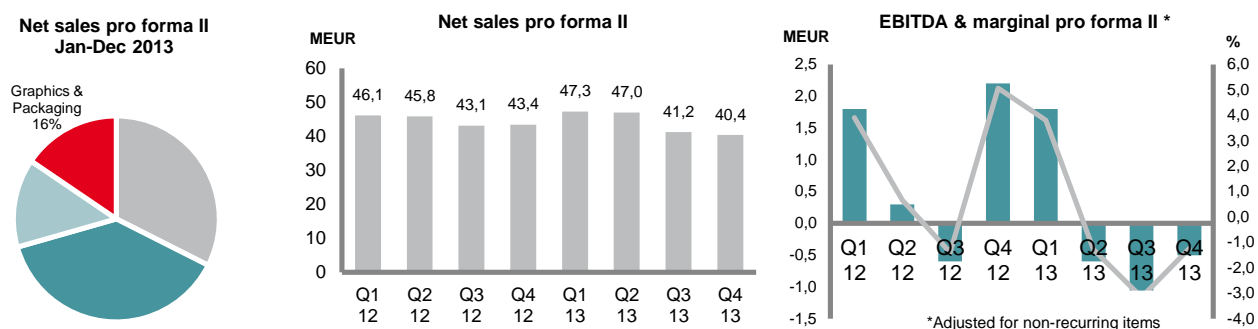
Delivery volumes increased by 3% relative to 2012. The increase was mainly during the first half of the year. Pro forma II net sales decreased to EUR 175.9 (178.4) million.

The result for the fourth quarter 2012 was impacted by the above mentioned item of approximately EUR 1 million. The result for the first quarter 2013 includes a positive impact on the result of approximately EUR 2 million as result of the release of certain accruals for personnel liabilities.

Adjusted pro forma II EBITDA decreased to EUR -0.6 (3.7) million and the adjusted pro forma II EBITDA margin to -0.3% (2.1%).

A programme was launched during the third quarter to substantially improve the business area's financial performance. The programme includes measures to reduce fixed costs, increase capacity utilisation rate and adjust the product mix to improve competitiveness. The strategic change that involves replacing low-margin products in the product portfolio had a slightly negative impact on capacity utilisation and thus financial result during the year. The holiday shutdown of the two production facilities included in the business area during the third quarter of 2013, had a negative impact on financial result. The production costs in the business area increased relative to 2012 mainly due to higher energy costs.

Parts of the programme to substantially improve the business area's financial result require consultations and information to the relevant trade unions in compliance with national laws and regulations. The process is ongoing and the ambition is to finalise during the first quarter of 2014. The cost of and savings for personnel reductions are included in the foreseen synergy costs and synergies.



▲ Balance sheet, financing, cash flow and taxes

In connection with the business combination described above in the section titled 'Forming a global leader in specialty paper – combining Munksjö AB with Ahlstrom's Label and Processing business area', Munksjö Oyj in May 2013 entered into a EUR 365 million Term and Revolving Facilities Agreement.

The facilities consist of EUR 295 million term loan facilities to provide financing for the repayment of certain existing loans of Munksjö AB to credit institutions, and for the repayment of the debt assumed by Munksjö Oyj towards Ahlstrom Corporation in connection with the LP Europe demerger, and EUR 70 million revolving credit facility to provide working capital financing for Munksjö Oyj and its subsidiaries. At 31 December 2013, EUR 305 million of the total facilities of EUR 365 million had been utilised.

EUR 100 million of the term loan facility has bi-annual repayments of EUR 10 million commencing December 2013 and finishing March 2018. The remaining EUR 195 million is also repayable in March 2018. The interest payable under the facilities agreement depends on the ratio of consolidated senior net debt to consolidated EBITDA of the Group. Currently, the weighted average interest rate is approximately 4.2 per cent.

As a consequence of the net debt adjustment mechanism agreed upon in the business combination, Munksjö AB's shareholders received a net debt compensation amounting to EUR 11.5 million. This net debt compensation was invested in a directed share issue of Munksjö Oyj. Munksjö AB following the receipt of the new shares in Munksjö Oyj distributed the new shares to its shareholders in the form of a dividend in kind. In addition, Ahlstrom paid a total of EUR 9.5 million to the reserve for invested unrestricted equity of Munksjö Oyj in respect of a working capital adjustment.

Ahlstrom, EQT III Limited through Munksjö Luxembourg Holding S.à r.l. and the institutional investors, made equity investments in Munksjö Oyj's directed share issue of EUR 128.5 million divided between the investors as follows: Ahlstrom EUR 78.5 million, EQT III Limited EUR 25.0 million, Varma Mutual Pension Insurance Company EUR 6.25 million and Ilmarinen Mutual Pension Insurance Company EUR 18.75 million.

Summary of financing activities	EUR million
Dividends to Munksjö AB shareholders	-11.5
Working capital adjustment	9.5
Proceeds from directed share issue	128.5
Cost of share issue	-6.6
Proceeds from facilities agreement	315.0
Cost of new borrowings (excluding legal fees)	-9.6
Repayment of LP Europe debt	-154.3
Repayment of Munksjö AB borrowings	-264.3

Interest-bearing net debt amounted to EUR 230.4 million at 31 December 2013 (30 September 2013: 257.5 31 December 2012: 217.3), resulting in a gearing of 54.4% (30 September 2013: 66.8%, 31 December 2012: 108.9%).

Shareholders' equity at the end of the year amounted to EUR 423.8 (30 September 2013: 385.7, 31 December 2012: 199.5) and total assets increased to EUR 1,188.3 (30 September 2013: 1,101.3; 31 December 2012: 679.0). The increase in equity and assets is mainly related to the business combination.

Net financial items

Net financial items for January-December 2013 amounted to EUR -22.9 (-16.3) million of which EUR 4.0 million relates to the amortisation of capitalised bank fees. Costs relating to the new facilities of Munksjö Oyj has been capitalised with EUR 9.7 million. These will be amortised over the duration of these facilities. The net financial cost for the period includes realised interest rate swaps of EUR -0.2 (-3.7) million. At the end of the year, the fair value of unrealised interest rate swaps amounted to EUR -0.2 (-0.1) million.

Hedging

Munksjö Oyj is hedging part of its electricity and pulp costs, as well as a part of the expected net cash flow in foreign currencies. Hedging activities are managed centrally and reported in segment 'other'. At the end of the year the market value of unrealised hedges amounted to EUR -1.3 (-0.4) million. The operating result for January to December 2013 includes realised hedges of EUR -0.7 (0.7) million.

Cash flow

Cash flow from operating activities amounted to EUR 52.8 (55.1) million. The cash outflow from capital expenditure amounted to EUR -22.6 (-14.8) million and the cash flow from financing activities was EUR -3.7 (-1.6) million. The cash flow during the financial year is i.a. impacted by the significant changes in corporate structure. The first interim statement subsequent to the transaction with LP Europe as of the second quarter 2013 showed a net debt of EUR 268.2 million whereas as of fourth quarter the net debt amounts to EUR 230.4 million. The main factors affecting the cash flow generated from operations between these dates in addition

to the underlying earnings is the effect of the working capital improvement program including an increase in factoring as well as the cash flow effect of non-recurring items.

Capital Expenditures

Capital expenditure for January-December 2013 amounted to EUR 22.6 (14.8) million and was mainly related to smaller investments for maintenance. The comparative figures are only related to Munksjö AB. The largest recent investment project during the year has been a wet pulp loading station in the production facility in Aspa to receive pulp from the production facility in Billingsfors leading to better capacity utilisation in Billingsfors, and lower production cost per tonne. The construction commenced at the end of 2012 and was completed in May 2013.

Taxes

The income tax charge for the year ended was EUR -1.8 (-1.1) million representing an effective rate of 3.2 per cent. The charge is a combination of tax charges and tax benefits in local jurisdictions. The tax benefit from losses is low due to the significant level of non-deductible expenses related to the combination. The tax charge has also been impacted by an additional tax provision recorded in respect of an ongoing German tax audit.

▲ Company structure and Management Team

Munksjö is organised in four business areas and five group functions. The Business Areas are Decor, Release Liners, Industrial Applications and Graphics and Packaging. The five group functions include Finance, Human Resources and Communications, Strategic Development, Legal and Sales Offices.

The new Management Team structure commenced in May 2013, as Munksjö Oyj was formed. The Management Team consists of the CEO, functional managers and managers of the various business areas. The members of the Management Team are nominated by the CEO and appointed by the Board of Directors. The members of the Management Team report to the CEO.

The management team consists of;

Jan Åström	President and CEO
Kim Henriksson	Executive Vice President and Chief Financial Officer
Daniele Borlatto	Executive Vice President and President Release Liners
Åsa Fredriksson	Senior Vice President HR and Communications
Anna Bergquist	Senior Vice President Strategic Development
Gustav Adlercreutz	Senior Vice President and General Counsel
Christian Mandl	Business Area Manager Manufacturing Decor
Norbert Mix	Business Area Manager Sales and Marketing Decor
Dan Adrianzon	President Industrial Applications
Roland Le Cardiec	President Graphics and Packaging

Complete profiles of the members of the Management Team are available at www.munksjo.com.

▲ Employees

The average number of employees (FTE's) in the fourth quarter was 2,641 (1,669). For the period January to December, the reported number of employees (FTE's) was in average 2,216 (1,679). The reported number is a calculated average with only seven months of the combined business entities included, with the exception of the employees in Brasil, included only for one month. At the end of December 2013, Munksjö had 2,893 (1,769) number of employees and the average number of employees (FTE's) for December was 2,783 (1,664).

Of Munksjö's total number of employees at the end of the fourth quarter 38% (28%) were employed in France, 21% (36%) in Sweden, 16% (26%) in Germany, 10% (0%) in Italy, 8% (0%) in Brazil, 6% (9%) in Spain and 1% (1%) in other countries. More information about Munksjö's employees will be published in the annual report.

▲ Product development

Munksjö's four business areas are responsible for their respective product development. Most of this work is carried out in the development center in Apprieu in France, with full focus on meeting customer requirements for functionality and quality. The development projects are initiated and implemented in collaboration with clients, but also in the context of Munksjö's own product development.

▲ Risks and uncertainty factors

Munksjö is exposed to changing market conditions and uncertainty caused by both macroeconomic and industry related events and is exposed to risks that may arise from its operations, changes in the business environment, developments in the global economy or potential changes in the legislative framework. The materialisation of such risks could have an adverse effect on Munksjö's operations, earnings and financial position.

Munksjö's significant risks and uncertainty factors mainly consist of developments in demand and prices of sold products, the cost and availability of significant raw materials, financial risks, as well as other business factors including developments on the financial markets. Munksjö may also have difficulties integrating the businesses of Munksjö AB and Ahlstrom's Label and Processing business and the expected benefits and synergies of the business combination may not be realised.

Munksjö's key operational and strategic risks are the possible volatility or increases in raw material prices and energy costs as well as availability of materials and energy. Raw materials that are the most significant cost items for the Group are wood, pulp, titanium dioxide and energy. Munksjö's key financial risks include interest rate and currency risks, liquidity risk and credit risk. The Group has exposure to tax risks due to potential changes in tax laws or regulations or their application, or as a result of ongoing and future tax audits.

For a more detailed description of the Group's risks and uncertainty factors, see the summary and securities notes published in May 2013 and updated in June 2013 respectively, together with the registration document published in November 2012 available at <http://www.munksjo.com/munksjo-a-new-global-specialty-paper-company-is-created/>. More information about business risks and risk management will be published in the annual report and on www.munksjo.com.

▲ Authorisations to repurchase and distribute the company's own shares

On 13 May, 2013 the shareholders of Munksjö resolved on the following issues.

Authorisation to repurchase own shares

The Board of Directors was authorised to repurchase at maximum 600,000 own shares of the company, however taking into account the provisions concerning the maximum amount of own shares held by the company. The own shares may be repurchased in one or several instalments by using the invested unrestricted equity of the company. The authorisation is valid until 30 June 2014.

The shares may be repurchased otherwise than in proportion to the shareholders' holdings in the company through public trading in NASDAQ OMX Helsinki Ltd at the prevailing market price. The shares will be repurchased and paid in accordance with the rules and guidelines of NASDAQ OMX Helsinki Ltd and Euroclear Finland Ltd. The company's own shares may be repurchased for the development of the Company's capital structure, for consideration used in acquisitions or industrial reorganisations, for financing acquisitions of assets related to the company's business and as part of the incentive plan for company management as well as otherwise for further distribution, holding by the company or for annulment. The Board of Directors shall resolve on all other terms and conditions for the repurchase of own shares.

Current authorisation for a share issue

The Board of Directors was authorised to resolve on the issuance of at maximum 600,000 new shares of the company or own shares held by the company in a share issue as described below. The authorisation may be used in one or several instalments either against consideration or without consideration. The authorisation is valid until 30 June 2014.

The Board of Directors is authorised to resolve on to whom and in which order the shares will be issued. The Board of Directors may decide on the issuance of shares in deviation from the shareholders' pre-emptive rights. The Board of Directors may use the authorisation for the development of the company's capital structure, for consideration used in acquisitions or industrial reorganisations, for financing acquisitions of assets related to the company's business or as a part of the incentive plan for company management. The shares may be conveyed also through public trading. The Board of Directors shall be authorised to resolve on all other terms and matters relating to the share issue in the same way as the General Meeting of shareholders would be entitled to decide.

Used authorisation for a share issue

The Board of Directors was authorized to resolve on the issuance of at maximum 28,000,000 new shares of the company in a share issue as described below. The authorisation may be used in one or several instalments either against consideration or without consideration. The Board of Directors is authorised to resolve on to whom and in which order the shares will be issued. The Board of Directors may decide on the issuance of shares in deviation from the shareholders' pre-emptive rights. The Board of Directors shall be

authorised to resolve on all other terms and matters relating to the share issue in the same way as the General Meeting of shareholders would be entitled to decide.

The authorisation was valid until 30 June 2013 and was used on 24 May 2013 as part of the completion of the first phase of the combination between Munksjö AB and Ahlstrom's Label and Processing business. For further details, see Munksjö's stock exchange release published on 24 May 2013.

M Approval of demerger and demerger plan related to Coated Specialties

The Board of Directors of Munksjö Oyj on 13 May 2013 signed a new demerger plan, according to which all the assets and liabilities that belong to Ahlstrom's Label and Processing business in Brazil (Coated Specialties) will be transferred to Munksjö Oyj through a partial demerger. The previous demerger plan concerning Coated Specialties was cancelled due to the fact that the conditions for implementing the demerger were not fulfilled prior to the expiration of the decision made by Ahlstrom's Extraordinary General Meeting on 27 November 2012. In accordance with the Coated Specialties demerger plan, the shareholders of Munksjö Oyj, resolved on 17 May 2013, on the date of implementation of the demerger, to issue new shares for the payment of the demerger consideration for Coated Specialties. Pursuant to the demerger plan, the shareholders of Ahlstrom Corporation received, in connection with the implementation of the demerger, at the turn of the month November 2013, Munksjö shares as a demerger consideration as described in the section titled 'Shares and shareholders'.

M Shares and shareholders

The trading in Munksjö Oyj's shares commenced on the Helsinki Stock Exchange (NASDAQ OMX Helsinki Ltd) on 7 June 2013 under the trading symbol MUNK1. All shares carry one vote each and have equal rights.

Munksjö Oyj's Board of Directors resolved on 24 May 2013, based on the authorisation by the shareholders of Munksjö Oyj on 13 May 2013, and as part of the completion of the combination of Munksjö AB and Ahlstrom's Label and Processing business, to issue in the aggregate 12,306,807 new shares to the shareholders of Munksjö AB against the transfer of all of the shares in Munksjö AB to the company. The Board of Directors also resolved, based on the same authorisation, to issue in the aggregate 14,865,357 new shares to Ahlstrom Corporation, Munksjö Luxembourg Holding S.à r.l. (EQT), Munksjö AB, Varma Mutual Pension Insurance Company and Ilmarinen Mutual Pension Insurance Company.

Further in May 2013, a total of 11,597,326 new shares in Munksjö Oyj, and in December 2013 a total of 12,291,991 new shares were issued as demerger consideration to Ahlstrom's shareholders in connection to the execution of the two phase of the combination. Following the registration of the new shares issued in connection with the demergers and the other share issues as described above, the share capital of Munksjö Oyj amounts to EUR 15,000,000 and the total number of shares as of 2 December 2013 to 51,061,581. From the listing date 7 June 2013 to 2 December 2013 the share capital amounted to 38,769,590. No changes in the share capital have occurred since the listing in June. Munksjö does not hold any own shares.

In 2013, the price of Munksjö share decreased by 9.2%, while the index Nasdaq OMX Helsinki (OMXHPI) rose by 22.2% and the OMX Helsinki Mid Cap (OMXHMCP) rose by 17.3%.

For the reported trading period consisting of 142 trading days, the volume of trades on the Helsinki Stock Exchange was 2,540,515 shares, equivalent to a turnover of EUR 12,160,016. Munksjö's share is also traded on alternative exchanges, such as BATS Chi-X, however the trading volume on these alternative exchanges in 2013 was marginal.

The daily average trading volume during 2013 was 17,891 shares and the weighted average share price was EUR 4.84. The highest share price was EUR 6.10 and the lowest EUR 4.65. On the last trading day of the reported trading period, 30 December 2013, the share price was EUR 5.40 (30 September 2013: 4.86) and the corresponding market capitalisation was EUR 276 million (30 September 2013: EUR 188 million).

Demerger consideration in connection with the combination

Upon execution of the demerger of LP Europe, the shareholders of Ahlstrom Corporation received as demerger consideration 0.250 and in connection with the execution of the demerger of Coated Specialties 0.265 new shares in Munksjö Oyj for each share owned in Ahlstrom Corporation. If the number of shares that a shareholder received as demerger consideration is a fraction, it is rounded down to the nearest integer. Sharing payments are paid not on the basis of own shares held by Ahlstrom Abp.

Large shareholders and flaggings

During the reporting period Munksjö received announcements about four major changes with regards to the largest shareholders.

On 21 November 2013 Munksjö received an announcement according to which Vimpu Intressenter Ab's holding in Munksjö has exceeded the threshold of 5 per cent on 20 November 2013.

On 2 December 2013 Munksjö received three announcements. According to the first announcement, the holding of EQT has fallen below the threshold of 25 per cent after the registration of the new shares issued

as demerger consideration to Ahlstrom Corporation's shareholders in connection with the Coated Specialty demerger. According to the second announcement, the direct holding of Ahlstrom Corporation has fallen below the threshold of 20 per cent due to the same registration as above. As earlier communicated, no demerger consideration was paid on the basis of own shares held by Ahlstrom Corporation in the Coated Specialties demerger. According to the third announcement the direct holding of Ilmarinen Mutual Pension Insurance Company has increased in connection with the registration of the new shares issued as demerger consideration in the Coated Specialties demerger, but has fallen below the threshold of 5 per cent.

After the reporting period Munksjö has been informed of four major changes with regards to the largest shareholders. The information can be found under the heading 'Events after the end of the reporting period'.

Munksjö had approximately 12,150 shareholders in the end of 2013. Munksjö Oyj's largest shareholder is Munksjö Luxembourg Holding S.à r.l., the parent company of which is EQT's fund EQT III. In the end of 2013 EQT had 24.4 per cent of all shares and voting rights. Information regarding the largest shareholders of Munksjö is regularly updated on the Investor website at www.munksjo.com.

▲ Board of Directors and Board Committees

On 13 May 2013 the shareholders of Munksjö Oyj unanimously resolved that the Board should have six members. The following were elected as members of the board; Peter Seligson (chairman), Fredrik Cappelen Sebastian Bondestam, Elisabet Salander Björklund, Hannele Jakosuo-Jansson and Jarkko Murtoaro. The Board commenced their duty 28 May and in June 2013 Fredrik Cappelen was elected as the Deputy Chairman of the Board.

More information about the Board can be found at www.munksjo.com.

Board Committees

The Board of Directors of Munksjö Oyj has elected an Audit Committee and a Remuneration Committee to assist the Board in its operations.

The primary task of the Audit Committee is to assist the Board in fulfilling its supervisory responsibilities and prepare certain accounting and auditing matters to be handled by the Board. In June 2013, the Board of Directors decided that the Audit Committee consists of the following three members: Elisabet Salander Björklund (chairman), Jarkko Murtoaro and Sebastian Bondestam.

The Remuneration Committee's principal task is to assist the Board in the efficient preparation and handling of the matters pertaining to the appointment and dismissal of the CEO and other executives and their remuneration. In June 2013, the Board of Directors decided that the Remuneration Committee consists of the following three members: Peter Seligson (chairman), Fredrik Cappelen and Hannele Jakosuo-Jansson.

▲ Nomination Board

On 13 May 2013 the shareholders of Munksjö Oyj unanimously resolved to establish a Nomination Board for an indefinite period to prepare proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the members of the Board committees and the Nomination Board. The Nomination Board comprises representatives of the three largest shareholders of the company and, in addition, of the Chairman of the Board and a person nominated by the company's Board of Directors as expert members.

The right to nominate the shareholder representatives lies with those three shareholders whose share of all the voting rights in the company is on 31 May preceding the next Annual General Meeting the largest on the basis of the shareholders' register of Munksjö held by Euroclear Finland. Holdings by a group of shareholders, who have agreed to nominate a joint representative to the Nomination Board, will be summed up when calculating the share of all the voting rights, provided that the shareholders in question present a joint written request to that effect together with a copy of such an agreement to the Chairman of the Board no later than on 30 May preceding the Annual General Meeting. Munksjö has been informed that such an agreement has been made by the following five shareholders; Antti Ahlström Perilliset Oy, Johan Gullichsen, Monica Koivulehto, Andreas Ahlström and Carl Ahlström.

The Nomination Board has been appointed by the following three shareholders: Munksjö Luxembourg Holding S.à r.l. (EQT), Ilmarinen Mutual Pension Insurance Company and the group of five shareholders together, as described above. These shareholders have appointed the following three persons as their representatives in the Nomination Board: Caspar Callerström (EQT), Timo Ritakallio (Ilmarinen Mutual Pension Insurance Company) and Thomas Ahlström (Antti Ahlström Perilliset Oy and others). Ahlstrom Corporation renounced its right to appoint a representative to the Nomination Board due to which the nomination right transferred to the next largest shareholder.

The Chairman of the Board Peter Seligson will act as one expert member of the Nomination Board in addition to which the Board has elected Fredrik Cappelen as a second expert member of the Nomination Board. The Nomination Board has among its members elected Caspar Callerström as Chairman.

The Nomination Board decided at the meeting 20 January 2014 about the proposals to the Annual General Meeting 2014. More information can be found under the heading 'Events after the reporting period'.

▲ The Board of Director's proposal to pay dividend

There are no distributable retained earnings in the balance sheet of Munksjö Oyj as per 31 December, 2013 and the Board of Directors proposes that no dividend will be paid for the fiscal year 2013.

The Board of Directors proposes that the Annual General Meeting would decide to pay funds from the reserve for invested non-restricted equity as return of equity based on the balance of 31 December 2013 adopted by the Annual General Meeting, the amount of return being EUR 0.1 per share. The return of equity shall be paid to a shareholder who on the record date of the payment 7 April 2014 is registered in the shareholder register of the Company held by Euroclear Finland Ltd. The Board further proposes that the return of equity shall be paid to the shareholders on 14 April 2014.

▲ Annual General Meeting 2014

The Annual General Meeting of Munksjö Oyj will be held on Wednesday, 2 April 2014 at the Finlandia Hall in Helsinki, Finland. The notice to convene the Annual General Meeting will be given later on by the Board of Directors.

▲ Other issues

Munksjö operates in several countries and from time-to-time disputes arise in the course of day-to-day operations. Munksjö is involved in a number of legal actions, claims and other proceedings. The final outcome of these matters cannot be predicted and taking into account all available information to date the outcome is not expected to have a significant impact on the financial position of the company.

▲ Events after the end of the reporting period

Change in Ahlstrom Corporation's holding in Munksjö Oyj

Munksjö Oyj has on 9 January 2014 received an announcement according to which the direct holding of Ahlstrom Corporation in Munksjö has decreased and fallen below the threshold of 15 per cent. According to the announcement, the direct holding of Ahlstrom Corporation has decreased to 6,767,220 shares, corresponding to 13.25 per cent of Munksjö's shares and voting rights.

Announcement regarding an arrangement which, if completed, will result in a change of the holding of Ahlström Capital Oy

Munksjö received an announcement 10 January 2014 from Ahlström Capital Oy, according to which Ahlström Capital Oy's holdings in Munksjö in connection with the demerger of Antti Ahlström Perilliset Oy exceed the threshold of 5 per cent. The expected registration date of the demerger is 28 March 2014. After the completion of the demerger, the direct and indirect holding of Ahlström Capital Oy would correspond to 5.69 per cent of Munksjö's shares and voting rights.

Announcement regarding an arrangement which, if completed, will result in a change of the holding of Ahlström Corporation and Antti Ahlström Perilliset Oy

Munksjö Oyj has on 31 January 2014 received two announcements regarding agreement that can result in a change of holdings in Munksjö.

According to Ahlstrom Corporation, in the case that the Annual General Meeting of Ahlstrom Corporation would decide upon a dividend in accordance with the proposal of the Board of Directors and the share compensation agreed upon in the price risk sharing agreement between Ahlstrom and EQT that Ahlstrom gave notice of on 9 January 2014, would not materialise, the holding would decrease and fall below the threshold of 10 per cent and the holding would be 4,972,197 shares, corresponding to 9.74 per cent of Munksjö's shares and voting rights.

According to Antti Ahlström Perilliset Oy, the company's holding in Munksjö, if the Annual General Meeting of Ahlstrom Corporation would decide upon a dividend in accordance with the proposal, could increase and exceed the threshold of 5 per cent and the direct holding would be 2,587,320 shares, corresponding to 5.07 per cent of Munksjö's shares and voting rights.

The Nomination Board following proposals to the Annual General Meeting 2014

The Nomination Board has at its meeting 20 January 2014 submitted the following proposals to the Board of Directors;

Proposal on the composition of the Board of Directors

The number of Board members shall increase by one and shall be confirmed at seven (7). Current members of the Board of Directors; Peter Seligson, Fredrik Cappelen, Sebastian Bondestam, Elisabet Salander Björklund and Hannele Jakosuo-Jansson shall be re-elected. Caspar Callerström and Alexander Ehrnrooth shall be elected as new members of the Board of Directors. Jarkko Murtoaro, current member of the Board, has informed the Nomination Board that he is not available for re-election.

Caspar Callerström (born 1973), Swedish citizen, M.Sc. (Econ.), joined EQT Partners in 1996 and is currently Partner in the company. Between October 2007 and December 2013, Mr. Callerström was Head of EQT Equity in Stockholm. Mr. Callerström has held and currently holds several positions of trust. He currently serves as a member of the Board of Sanitec Corporation and Scandic AB. Mr. Callerström is independent of the company and dependent on its significant shareholders.

Alexander Ehrnrooth (born 1974), Finnish citizen, M.Sc. (Econ) and MBA, is currently CEO of Virala Oy AB and Vimpu Intressenter AB. Mr. Ehrnrooth has held and currently holds several positions of trust. He currently serves as the Vice Chairman of the Board of Fiskars Corporation, member of the Board of Wärtsilä Corporation and Chairman of the Board of Belgrano Investments Oy. Mr. Ehrnrooth is independent of the company and its significant shareholders.

The CV's of the current members of the Board of Directors are available on the corporate website at www.munksjo.com.

Proposal on the remuneration of the members of the Board of Directors, the Board committees and the Nomination Board

The annual remuneration paid to the Board of Directors shall remain unchanged. The Chairman shall receive EUR 70,000 a year and the ordinary members EUR 35,000 each. The annual remuneration paid to the Board committees shall remain unchanged. The Chairman of the Audit Committee shall annually receive EUR 9,000 and the ordinary members EUR 6,000 each. The Chairman of the Remuneration Committee shall annually receive EUR 6,000 and the ordinary members EUR 3,000 each.

The chairman and the members of the Nomination Board will not receive any compensation.

Stockholm, 13 February 2013

Board of Directors

▲ For further information, please contact

Jan Åström, President and CEO, tel. +46 10 250 1001

Kim Henriksson, CFO, tel. +46 10 250 1015

▲ Future financial reports

In 2014, Munksjö will publish interim reports as follows:

January-March	Thursday, 8 May
January-June	Wednesday, 23 July
January-September	Wednesday, 29 October

All financial reports are available in English, Finnish and Swedish and they will also be available on the Group's website at www.munksjo.com after the publication. As previously communicated, Munksjö will as of 1 January 2014 observe a 21 day silent period preceding the announcement of financial results.

Munksjö – Materials for innovative product design

The Munksjö Group is an international specialty paper company with a unique product offering for a large number of industrial applications and consumer-driven products. Founded in 1862, Munksjö is among the leading producers in the world of high-value added papers within attractive market segments such as Decor paper, Release Liners, Electrotechnical paper, Abrasive backings and Interleaving paper for steel. Given Munksjö's global presence and way of integrating with its customers' operations, the company forms a global service organisation with approximately 3,000 employees. Production facilities are located in France, Sweden, Germany, Italy, Spain, Brazil and China. Munksjö Oyj is listed on NASDAQ OMX Helsinki. Read more at www.munksjo.com.

▲ Unaudited interim financial statements

CONDENSED STATEMENT OF COMPREHENSIVE INCOME				
MEUR	Oct–Dec		Full year	
	2013	2012*	2013	2012*
Net sales	255.7	159.1	863.3	607.1
Other operating income	2.6	0.5	6.9	2.7
Total operating income	258.3	159.6	870.2	609.8
Operating costs				
Changes in inventories	-2.8	-17.5	2.2	-7.8
Materials and supplies	-127.9	-69.8	-447.7	-311.3
Other external costs	-77.6	-36.4	-255.5	-142.4
Personnel costs	-50.3	-29.3	-163.6	-115.5
Depreciation and amortisation	-13.4	-7.0	-39.3	-25.4
Total operating costs	-272.0	-160.0	-903.9	-602.4
Share of profit in equity accounted investments	-0.3	0,1	0,3	0,0
Operating result	-14.0	-0.3	-33.4	7.4
Net financial items	-7.6	-3.8	-22.9	-16.3
Profit before tax	-21.6	-4.1	-56.3	-8.9
Taxes	-4.6	-0.5	-1.1	-1.6
Net profit	-26.2	-4.6	-57.4	-10.5
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations for the period	-1.5	-0.8	-1.0	3.5
Change in cash flow hedge reserve	-3.2	-0.6	-2.8	4.0
Cash flow hedge transferred to this year's result	0.8	0.5	1.0	3.1
Items that will not be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans	1.8	-3.8	1.8	-3.8
Tax attributable to other comprehensive income	0.3	1.3	0.2	-0.7
Comprehensive income	-28.0	-8,0	-58,2	-4.4
Net result attributable to:				
Parent company's shareholders	-26.3	-4.7	-57.7	-11.0
Non-controlling interests	0.1	0.1	0.3	0.5
Comprehensive income attributable to:				
Parent company's shareholders	-28.1	-8.1	-58.5	-4.9
Non-controlling interests	0.1	0.1	0.3	0.5
<i>Average number of outstanding shares</i>	42,911,457	12,306,807	29,228,454	12,306,807
Earnings per share, EUR	-0.6	-0.4	-2.0	-0.9
<i>There were no dilutive effects</i>				

* The comparative figures have been restated due to the change in presentation currency from Swedish krona to Euro.

CONDENSED STATEMENT OF FINANCIAL POSITION		
MEUR	31 December	
	2013	2012*
ASSETS		
Non-current assets		
Tangible assets	447.5	236.4
Goodwill	226.6	155.8
Other intangible assets	56.4	10.7
Equity accounted investments	14.5	2.2
Other non-current assets	4.1	2.0
Deferred tax assets	53.3	27.8
Total non-current assets	802.4	434.9
Current assets		
Inventory	146.6	90.5
Accounts receivable	128.7	80.6
Other current assets	27.1	11.5
Current tax assets	0.4	4.4
Cash and cash equivalents	83.1	57.1
Total current assets	385.9	244.1
TOTAL ASSETS	1,188.3	679.0
EQUITY AND LIABILITIES		
Equity	423.8	199.5
Non-current liabilities		
Non-current borrowings	271.9	259.6
Other non-current liabilities	0.1	1.9
Pension obligations	45.9	35.7
Deferred tax liabilities	83.3	27.6
Provisions	36.1	10.2
Total non-current liabilities	437.3	335.0
Current liabilities		
Current borrowings	45.0	14.8
Accounts payable	167.4	69.6
Liabilities to equity accounted investments	8.4	10.1
Accrued expenses and deferred income	88.6	42.0
Current tax liabilities	8.3	1.3
Other current liabilities and provisions	9.5	6.7
Total current liabilities	327.2	144.5
Total liabilities	764.5	479.5
TOTAL EQUITY AND LIABILITIES	1,188.3	679.0

* The comparative figures have been restated due to the change in presentation currency from Swedish krona to Euro.

CONDENSED STATEMENT OF CHANGES IN EQUITY								
MEUR	Share Capital	Reserve for invested unrestricted equity	Other reserves	Cumulative translation adjustment	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2012 MSEK*	74	-	4,162	-151	-2 291	1 794	31	1 825
Balance at 1 Jan 2012 MEUR*	7.7	-	394.9	4.6	-206.5	200.7	3.5	204.2
Result for the period					-11.0	-11.0	0.5	-10.5
Other comprehensive income			5.3	3.5	-2.7	6.1		6.1
Total comprehensive income	0.0	0.0	5.3	3.5	-13.7	-4.9	0.5	-4.4
Dividends						0.0	-0.3	-0.3
Balance at 31 December 2012	7.7	0.0	400.2	8.1	-220.2	195.8	3.7	199.5
Result for the period					-57.7	-57.7	0.3	-57.4
Other comprehensive income			-1.4	-1.0	1.6	-0.8		-0.8
Total comprehensive income	0.0	0.0	-1.4	-1.0	-56.1	-58.5	0.3	-58.2
Dividends to Munksjö AB shareholders			-11.5			-11.5	-0.4	-11.9
Share issue for combination	7.3	165.4				172.7		172.7
Directed share issue		128.5				128.5		128.5
Share exchange and listing costs		-6.8				-6.8		-6.8
Balance at 31 December 2013	15.0	287.1	387.3	7.1	-276.3	420.2	3.6	423.8

* The comparative figures have been restated due to the change in presentation currency from Swedish krona to Euro.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS				
MEUR	Oct–Dec		Full year	
	2013	2012*	2013	2012*
Cash generated from operations	36.4	33.9	71.5	71.0
Income taxes paid	-3.0	-0.7	-6.4	-4.4
Interest paid and received	-5.1	-2.8	-12.3	-11.5
Cash flow from operating activities	28.3	30.4	52.8	55.1
Purchase of intangible assets	-0.2	-0.8	-1.6	-0.8
Purchase of tangible assets	-8.0	-4.6	-21.0	-14.0
Cash flow from investing activities	-8.2	-5.4	-22.6	-14.8
Dividends paid by Munksjö AB	-	-	-11.9	-0.3
Proceeds from share issue	-	-	128.5	-
Cost of share issue	-0.4	-	-6.6	-
Proceeds from Munksjö Oyj borrowings	-	-	315.0	-
Costs of new borrowings	-	-	-9.6	-
Repayment of acquired entities' borrowings to Ahlstrom	-	-	-154.3	-
Repayment of Munksjö Oyj borrowings	-10.0	-	-10.0	-
Repayment of Munksjö AB borrowings	-	-0.7	-264.3	-1.3
Working capital compensation from Ahlstrom	9.5	-	9.5	-
Cash flow from financing activities	-0.9	-0.7	-3.7	-1.6
CASH FLOW FOR THE PERIOD	19.2	24.3	26.5	38.7
Cash and cash equivalents at the beginning of the period	64.3	32.0	57.1	18.0
Currency effects on cash and cash equivalents	-0.4	0.8	-0.5	0.4
Cash and cash equivalents at the end of the period	83.1	57.1	83.1	57.1

* The comparative figures have been restated due to the change in presentation currency from Swedish krona to Euro.

▲ Notes to the interim financial statements

Accounting principles

This unaudited consolidated quarterly interim report has been prepared in accordance with “IAS 34 Interim Financial Reporting”, as adopted by the EU. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences. The accounting principles applied remain unchanged compared with the 2012 Annual Report of Munksjö AB except that the presentation currency has changed from SEK to EUR and the following standards or amendments have been adopted as of 1 January 2013.

As explained in the business combination note, Munksjö AB has been identified as the acquirer for accounting purposes. Accordingly, in Munksjö Oyj’s consolidated financial statements, the share exchange between Munksjö Oyj and the shareholders of Munksjö AB is accounted for as a reorganisation of Munksjö AB and Munksjö AB’s net assets are recorded at predecessor carrying amounts with the historical comparatives of Munksjö AB presented for all periods. As Munksjö Oyj is the new parent and listed company the presentation currency has been changed from Swedish krona to Euro. The choice of presentation currency represents an accounting policy and any change should be applied retrospectively in accordance with IAS 8. The exchange differences on translation of foreign operations recognised in other comprehensive income and the statement of changes in equity in this interim report have been prepared as if the EUR had always been the presentation currency.

IAS 19, ‘Employee benefits’ was amended in June 2011 and is effective for annual periods beginning on or after 1 January 2013. The amendment abolished the use of the corridor method. All actuarial gains and losses must be reported in Other Comprehensive Income “OCI” as they occur; all past service costs are to be recognised immediately; and interest cost and expected return on plan assets has been replaced by a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. The amendment had an immaterial impact on the Group as the existing defined benefit pension Group accounting policy did not use the corridor method and actuarial gains and losses were recognised in OCI. The majority of defined benefit plans are unfunded therefore the impact of calculating expected return on plan assets at the same interest rate applied to discounting the liability was immaterial.

IFRS 13, ‘Fair Value Measurement’ replaces the fair value measurement guidance in the individual standards with a single source of fair value measurement and disclosure requirement guidance. The adoption of the standard had no impact on the reported information of the group.

Amendment to ‘IAS 1 Presentation of Financial Information’ changed the grouping of items in other comprehensive income so that items that may be reclassified to profit and loss at a future point in time are presented separately from items that will never be reclassified.

Segment reporting

Munksjö’s business is organised in four business areas: Decor, Release Liners, Industrial Applications and Graphics and Packaging. As a result of the business combination described in the Business Combinations note the previously reported business segments have been restated to reflect the new management structure. Decor and Industrial Applications remain unchanged, however Specialty pulp which for Munksjö AB was reported separately is now reported as part of Release Liners. The principal markets in which they operate are described below.

Business Area Decor

The products of Decor business area include Decor Paper and Pharmaceutical Leaflet Paper. Decor Paper is used in furniture, kitchen laminate, flooring and interior/exterior architecture. Pharmaceutical leaflet papers are thin, light-weight papers used by the pharmaceutical and cosmetics industries.

Business Area Release Liners

The products of Release Liners business area include Release Papers, Coated Specialties and Pulp. Release Papers are used as a carrier of different pressure sensitive adhesives labels and materials, which are mainly used in areas of, inter alia, retail and pricing labelling, for office labelling, and a broad range of self-adhesive tapes and materials for graphic or industrial applications. The business area incorporates Specialty pulp which previously was reported as a separate segment and also includes the Brazilian operation, Coated Specialties, which will serve the South American market with self-adhesive products and flexible packaging.

Business Area Industrial Applications

The products of Industrial Applications include specialty papers for industrial use. Examples of products include Abrasive Backings for the production of coated abrasive products to be used to sand or polish materials in many industrial sectors such as automotive, furniture, wood, metal and building/construction industries, Electrotechnical Paper for insulation of transformers, bushings and cables, Spantex® balancing foils for veneer to be used in wood-based panels, Thin Paper for protection in the stainless steel, aluminium and glass industries and Fine Art Paper used for, inter alia, watercolour painting and digital printing.

Business Area Graphics and Packaging

The products of Graphics and Packaging include Flexible Packaging Paper, Metallizing Paper and Graphics & Industrial Paper. Flexible Packaging Paper is used in manufacturing of packaging, mainly in the food industry. Metallizing Paper is mainly used in labels for, inter alia, beverages, primarily beer and other alcoholic drinks and in tobacco package inner liner. Graphics & Industrial Papers refer mainly to uncoated papers for repositionable notes, thermal base paper, interleaving paper, envelope windows and other graphic papers.

SEGMENT INFORMATION 2013						
Jan–Dec 2013						
MEUR	Decor	Release Liners	Industrial Applications	Graphics & Packaging	Others and eliminations	Total
Net sales, external	367.4	241.4	151.7	102.4	0.4	863.3
Net sales, internal	0.8	7.7	6.3		-14.8	0.0
Net sales	368.2	249.1	158.0	102.4	-14.4	863.3
Operating result	14.5	-2.5	7.3	-12.6	-40.1	-33.4
Operating margin, %	3.9%	-1.0%	4.6%	-12.3%		-3.9%
Net financial items						-22.9
Taxes						-1.1
Net result						-57.4
Other information						
Capital expenditure	4.5	7.5	5.7	1.9	3.0	22.6
Depreciation	11.8	15.3	7.5	3.6	1.1	39.3
Employees, FTE	888	465	556	262	45	2,216

SEGMENT INFORMATION 2012						
Jan–Dec 2012						
MEUR	Decor	Release Liners	Industrial Applications	Graphics & Packaging	Others and eliminations	Total
Net sales, external	367.6	93.5	146.0	-	0.0	607.1
Net sales, internal	0.8	4.7	2.2		-7.7	0.0
Net sales	368.4	98.2	148.2	-	-7.7	607.1
Operating result	19.1	-1.8	4.2	-	-14.1	7.4
Operating margin, %	5.2%	-1.9%	2.9%			1.2%
Net financial items						-16.3
Taxes						-1.6
Net result						-10.5
Other information						
Capital Expenditure	4.7	3.3	5.9		0.9	14.8
Depreciation	10.7	6.7	7.5		0.5	25.4
Employees, FTE	911	169	568		31	1,679

SEGMENT FINANCIAL INFORMATION BY QUARTER

	Oct-Dec 2013	Jul-Sep 2013	Apr-Jun 2013	Jan-Mar 2013	Oct-Dec 2012	Jul-Sep 2012	Apr-Jun 2012	Jan-Mar 2012
Net sales, MEUR								
Decor	89.9	86.8	95.5	96.0	99.7	90.2	91.3	87.3
Release Liners	87.3	85.3	53.1	23.4	24.4	23.8	24.9	25.1
Industrial Applications	42.3	35.6	42.1	38.0	37.0	33.5	40.6	37.1
Graphics and Packaging	40.4	41.2	20.8	-	-	-	-	-
Other and eliminations	-4.2	-3.8	-3.5	-2.9	-2.0	-1.2	-2.7	-1.9
Group	255.7	245.1	208.0	154.5	159.1	146.3	154.1	147.6
EBITDA (adj), MEUR								
Decor	8.7	6.0	9.3	9.7	8.7	7.0	6.3	8.4
Release Liners	5.9	6.0	4.0	-0.2	-1.4	2.1	3.3	0.8
Industrial Applications	5.7	1.7	5.0	3.7	1.5	1.4	4.9	4.3
Graphics and Packaging	-0.5	-1.3	0.3	-	-	-	-	-
Other and eliminations	-3.8	-1.4	-2.3	-1.5	0.0	-0.4	-3.1	-1.5
Group	16.0	11.0	16.5	11.5	8.8	10.1	11.3	12.0
EBITDA, MEUR								
Decor	2.1	5.5	9.4	9.3	8.3	7.0	6.1	8.4
Release Liners	4.2	5.8	3.0	-0.2	-1.4	2.1	3.3	0.8
Industrial Applications	4.9	1.7	4.5	3.7	1.3	1.2	4.9	4.3
Graphics and Packaging	-6.0	-2.2	-0.8	-	-	-	-	-
Other and eliminations	-5.8	-1.7	-27.3	-4.2	-1.6	-4.8	-5.2	-1.8
Group	-0.6	9.1	-11.1	8.5	6.6	5.5	9.1	11.6
Operating result (adj), MEUR								
Decor	4.6	3.5	6.8	7.0	5.6	4.5	3.7	5.9
Release Liners	0.3	1.0	1.1	-2.0	-3.1	0.5	1.6	-0.8
Industrial Applications	3.9	-0.2	3.1	1.8	-0.4	-0.5	3.1	2.5
Graphics and Packaging	-2.1	-2.7	-0.3	-	-	-	-	-
Other and eliminations	-4.1	-1.8	-2.4	-1.8	-0.1	-0.6	-3.3	-1.6
Group	2.6	-0.2	8.3	5.0	1.9	3.8	5.2	6.0
Operating result, MEUR								
Decor	-2.0	3.0	6.8	6.7	5.2	4.5	3.5	5.9
Release Liners	-1.4	0.8	0.1	-2.0	-3.1	0.5	1.6	-0.8
Industrial Applications	3.1	-0.2	2.6	1.8	-0.7	-0.7	3.1	2.5
Graphics and Packaging	-7.6	-3.6	-1.4	-	-	-	-	-
Other and eliminations	-6.1	-2.1	-27.4	-4.5	-1.8	-5.0	-5.3	-1.9
Group	-14.0	-2.1	-19.3	2.0	-0.3	-0.8	2.9	5.6
Delivered volume, metric tonnes								
Decor	42,800	41,500	45,900	44,600	45,500	41,200	40,900	38,900
Release Liners	100,100	101,900	67,000	44,500	46,800	46,200	43,500	48,100
Industrial Applications	20,900	18,500	21,800	20,300	18,500	17,700	20,500	19,400
Graphics and Packaging	32,700	33,600	17,400	-	-	-	-	-
Other and eliminations	-4,100	-3,000	-3,900	-3,100	-2,000	-2,000	-2,500	-1,900
Group	192,400	192,500	148,200	106,300	108,800	103,100	102,400	104,500

Related party transactions

In addition to the existing purchases of wood from the group's associated company in Sweden, Sydved AB and interest on the shareholder loan which was repaid during the quarter there are additional related party transactions as a result of the combination.

In compliance with the combination agreement, Munksjö and Ahlstrom have entered into the following agreements:

- *Transitional Services Agreement* to provide services to each other on a transitional basis. Services include R&D services, finance & accounting, sales administration and IT.
- *Joint Procurement Agreement* For a period of twelve months after the combination of the LP Europe business, Ahlstrom will provide transitional sourcing services to the LP Europe entities now in Munksjö. Munksjö and Ahlstrom have also entered into a Joint Procurement Agreement to cover certain defined material and service categories.

In addition to the above Munksjö and Ahlstrom have established a joint venture company to own and manage certain assets of the Turin production facility which will be shared by Ahlstrom (filtration) and Munksjö's (Release Liners).

PLEGDED ASSETS AND CONTINGENT LIABILITIES		
MEUR	31 December	
	2013	2012
Property mortgages for other commitments	62.5	93.3
Escrow bank accounts	1.2	0.6
Chattel mortgages	51.6	192.8
Total group pledged assets	115.3	286.7
Guarantees and other contingent liabilities	1.3	1.4

CONSOLIDATED KEY RATIOS				
	Oct–Dec		Full year	
	2013	2012	2013	2012
<i>Margins (adjusted)</i>				
EBITDA margin, %	6.3%	5.6%	6.4%	7.0%
Operating margin, %	1.0%	1.2%	1.8%	2.8%
<i>Return (12 months continuous)</i>				
Return on operating capital, % (adjusted)	2.8%	3.9%	2.8%	3.9%
Return on shareholders' equity, %	-10.8%	-5.1%	-10.8%	-5.1%
<i>Capital structure at period's end</i>				
Operating capital, MEUR	695.5	413.0	695.5	413.0
Shareholders' equity, MEUR	423.8	199.5	423.8	199.5
Interest-bearing net debt, MEUR	230.4	217.3	230.4	217.3
Debt/equity ratio, %	54.4%	108.9%	54.4%	108.9%
Equity/assets ratio, %	35.7%	29.4%	35.7%	29.4%
<i>Per share (before and after dilution)</i>				
Earnings per share, EUR	-0.6	-0.4	-2.0	-0.9
Shareholders' equity per share, EUR	8.3	16.2	8.3	16.2
Average number of shares	42,911,457	12,306,807	29,228,454	12,306,807
Capital expenditure, MEUR	8.2	5.4	22.6	14.8
Employees, FTE	2,641	1,669	2,216	1,679

CURRENCY RATES	Closing rate		Average rate	
SEK	8.86	8.62	8.65	8.71
USD	1.38	1.32	1.33	1.28
BRL	3.26	2.70	3.06	2.51

Business Combination

On 28 August 2012 Munksjö Oyj (Munksjö), Ahlstrom Corporation, Munksjö AB and Munksjö Luxembourg Holding S.à r.l. (EQT) entered into a business combination agreement for the purpose of combining the business operations of Ahlstrom Corporation's Label and Processing business in Europe (LP Europe), Ahlstrom Corporation's Label and Processing business in Brazil (Coated Specialties) and Munksjö AB into Munksjö (Combination or Combination Agreement).

The combination was completed in two phases. The first phase of the combination, in which LP Europe was combined with Munksjö AB, was registered on 27 May 2013 through the following transactions as set out below:

- EQT as a majority owner of Munksjö AB, together with certain minority shareholders of Munksjö AB, contributed all their respective Munksjö AB shares to Munksjö in exchange for newly issued shares of Munksjö (Munksjö AB Acquisition).
- Ahlstrom has contributed all the assets and liabilities that belong to LP Europe to Munksjö through a partial demerger, whereby Ahlstrom's shareholders have received newly issued shares of Munksjö as contribution. The execution of the LP Europe Demerger has been registered with the Finnish Trade Register on 27 May 2013.
- Ahlstrom, EQT III Limited through Munksjö Luxembourg Holding S.à r.l., Munksjö AB and certain institutional investors have made an equity investment in Munksjö in the amount of EUR 128,5 million in a directed share issue of Munksjö.
- Munksjö's shares have been listed on the official list of the Helsinki Stock Exchange on 7 June 2013.

The completion of the combination agreement was subject to the receipt of the approval from the European Commission's competition authority. Ahlstrom Corporation and Munksjö AB provided certain commitments in order to enable the European Commission to declare the Combination compatible with the common market and EEA Agreement. The main commitment was that Ahlstrom's pre-impregnated decor and abrasive business in Osnabrück, Germany be sold and that the mill be separated to such an extent that Ahlstrom's remaining business in Osnabrück and the operations to be sold can operate independently of each other. The total estimated costs to complete the separation are expected to be EUR 13.5 million shall be borne by Munksjö and have been recorded in the 2013 income statement. The intangible assets and some consignment inventories of the Silco business at Osnabrück have been transferred to Munksjö for a consideration of EUR 1.0 million.

In the second phase, which was completed on 2 December, Coated Specialties was combined into Munksjö through the execution of the Coated Specialties demerger, in which Ahlstrom contributed all the assets and liabilities that belong to Coated Specialties to Munksjö through a partial demerger, whereby Ahlstrom's shareholders received 12,291,991 newly issued shares of Munksjö as consideration.

Legally through the Munksjö AB acquisition, Munksjö acquired Munksjö AB by issuing new shares for the shares of Munksjö AB through a share exchange. After this share exchange, Munksjö acquired LP Europe by means of the LP Europe Demerger. Munksjö AB was identified as the acquirer for accounting purposes (IFRS acquiring criteria). Accordingly, in Munksjö's consolidated financial statements, the share exchange between Munksjö and the shareholders of Munksjö AB is accounted for as a reorganisation of Munksjö AB and Munksjö AB's net assets are recorded at predecessor carrying amounts with the historical comparatives of Munksjö AB presented for all periods. Accordingly, LP Europe, as the other party to the Combination is accounted for using the acquisition method with Munksjö AB as the acquirer for accounting purposes.

Munksjö Oyj as the receiving entity in the demerger issued 11,597,326 new shares to Ahlstrom's shareholders as demerger consideration. As there was no quoted market price for the shares at the time of the completion of the combination, the fair value was derived through a valuation mechanism agreed by the parties to the combination for their respective businesses. The arm's length valuation of the combining businesses was determined based on their relative EBITDA contribution as well as EBITDA multiples of relevant peers as adjusted for net debt and pension liabilities. The fair value of the LP Europe business amounted to EUR 106.

The following table summarizes the consideration transferred for LP Europe, the provisional fair value of assets acquired and liabilities assumed at the acquisition date. Acquisition related costs of EUR 7.5 have been charged to other external costs in the table consolidated income statement for the period ended 31 December 2012 and EUR 26.4 million for the period ended 31 December 2013. This includes the EUR 13.5 million costs related to Osnabrück commitments described above.

Total consideration transferred	106.0
Provisionally recognised amounts of identifiable assets acquired and liabilities assumed	
Tangible assets	183.1
Other intangible assets	26.7
Equity accounted investments	12.0
Deferred tax assets	10.8
Inventories	53.9
Accounts receivable	54.2
Other current assets	5.5
Cash and cash equivalents	9.1
Non-current borrowings	-2.5
Pensions obligations	-11.7
Deferred tax liabilities	-42.1
Current borrowings	-155.0
Accounts payable	-85.3
Accrued expenses and deferred income	-12.4
Total identifiable net assets	46.3
<hr/>	
Goodwill	59.7
<hr/>	

The fair value of trade and other receivables is EUR 65.5 million and includes trade receivables with a fair value of EUR 56.7 million. The gross contractual amount for trade receivables due is EUR 57.5 million of which EUR 0.8 million is expected to be uncollectible.

On 2 December 2013 Coated Specialties was combined into Munksjö through the execution of the Coated Specialties demerger, in which Ahlstrom contributed all the assets and liabilities that belong to Coated Specialties to Munksjö through a partial demerger, whereby Ahlstrom's shareholders received 12,291,991 newly issued shares of Munksjö as consideration. The fair value of the consideration amounted to EUR 66.7 million based on Munksjö's share price of EUR 5.43 which corresponds to the quoted closing price of Munksjö's share price as of 29 November 2013 on the Helsinki Stock Exchange. The following table summarizes the preliminary consideration transferred for Coated Specialties, the provisional fair value of assets acquired and liabilities assumed as at 2 December 2013.

Preliminary consideration transferred	66.7
Recognised amounts of identifiable assets acquired and liabilities assumed	
Tangible assets	48.4
Other intangible assets	21.3
Inventories	6.6
Accounts receivable	16.1
Other current assets	6.9
Net deferred tax liabilities	-14.8
Provisions	-5.5
Accounts payable	-13.7
Accrued expenses and deferred income	-3.9
Other current liabilities and provisions	-6.0
Total identifiable net assets	55.4
<hr/>	
Goodwill	11.3
<hr/>	

The total goodwill resulting from phase I and phase II of the business combination amounts to EUR 71.0 million and represents the acquired workforce and synergies expected to be realised from combining the operations of Munksjö L.P Europe and Coated Specialties, mainly relating to procurement, production efficiency, economies of scale and improved overall performance and efficiency within the organisation. As part of the synergy plan, Munksjö and Ahlstrom will establish joint sourcing activities. The goodwill is not expected to be deductible for tax purposes.

The revenue and operating result included in the consolidated income statement from 27 May 2013 to 31 December 2013 contributed by LP Europe was EUR 257.0 million and EUR -15.3 million respectively. The revenue and operating result included in the consolidated income statement from 2 December to 31 December 2013 contributed by Coated Specialties was EUR 5.9 million and EUR 0.1 million respectively.

Had LP Europe and Coated Specialties been consolidated from 1 January 2013, the consolidated income statement for the year ended 31 December 2013 would show pro forma revenue of EUR 1,120.3 million and pro forma operating result of EUR -11.3 million.

Pro forma information

The following tables present pro forma financial information to illustrate the financial impact of the combination as described above in the business combination section. This information is presented for illustrative purposes only. The pro forma statement of comprehensive income for the years-ended 31 December 2012 and 2013, have been compiled assuming that the Combination had been completed on 1 January 2012.

As explained in the business combination section, Munksjö AB has been identified as the acquirer for accounting purposes. Accordingly, LP Europe and Coated Specialties, as the other parties to the Combination are accounted for using the acquisition method. LP Europe's results are consolidated from 27 May 2013 and Coated Specialties' results are consolidated from 2 December 2013.

The most significant pro forma adjustments to the IFRS reported financial statements are as follows:

- Inclusion of the comprehensive income of LP Europe and Coated Specialties for 12 month period ended 31 December 2012, inclusion of LP Europe's comprehensive income from 1 January 2013 to 27 May 2013 and Coated Specialties from 1 January to 30 November 2013.
- Reallocation of all Combination related transaction costs incurred during 2012 and 2013 as if they had been incurred on 1 January 2012.
- The depreciation and amortisation costs have been adjusted to reflect the higher charge expected as a result of the purchase price allocation.
- The step up in inventory value as a result of the purchase price allocation and the resulting negative impact on earnings has been reallocated to the first quarter of 2012.
- The finance expense for the twelve month period ended 31 December 2012 and 2013 has been adjusted to reflect the estimated finance cost associated with the refinancing of Munksjö which occurred during Q2 2013 and described in the finance section of this report.
- The income tax in the statements of comprehensive income has been adjusted to reflect the pro forma adjustments above.

The pro forma financial information does not reflect the anticipated annual synergy benefits of approximately EUR 20 to 25 million, related costs to achieve these synergies of approximately EUR 10 to 15 million or stand alone annual cost savings of approximately EUR 10 to 15 million with the exception of those related to the LP Europe business and achieved since 27 May, when the first phase of the transaction was completed and those related to Coated Specialties and achieved since 2 December

PRO FORMA KEY FIGURES		
For 12 month period ended and as at 31 December 2013	Pro forma II	Reported
<i>Margins (adjusted)</i>	5.7%	6.4%
EBITDA margin, %	0.7%	1.8%
Operating margin, %		
<i>Capital structure at period's end</i>	695.5	695.5
Operating capital, MEUR	423.8	423.8
Shareholders' equity, MEUR	230.4	230.4
Interest-bearing net debt, MEUR	54.4%	54.4%
Debt/equity ratio, %	35.7%	35.7%

CONSOLIDATED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME FOR YEAR 31 December 2013			
MEUR	Munksjö	Pro forma adjustments	Pro forma
Net sales	863.3	257.0	1 120.3
Other operating income	6.9	1.8	8.7
Total operating income	870.2	258.8	1 129.0
Operating costs			
Changes in inventories	2.2	4.8	7.0
Materials and supplies	-447.7	-140.7	-588.4
Other external costs	-255.5	-56.2	-311.7
Personnel costs	-163.6	-30.3	-193.9
Depreciation and amortisation	-39.3	-14.3	-53.6
Total operating costs	-903.9	-236.7	-1,140.6
Share of profit in equity accounted investments	0.3	0.0	0.3
Operating result	-33.4	22.1	-11.3
Net financial items	-22.9	-3.1	-26.0
Result before tax	-56.3	19.0	-37.3
Taxes	-1.1	0.5	-0.6
Net result	-57.4	19.5	-37.9
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations for the period	-1.0	-	-1.0
Change in cash flow hedge reserve	-2.8	-	-2.8
Cash flow hedge transferred to this year's result	1.0	-	1.0
Items that will not be reclassified to profit or loss			
Actuarial gains and losses on defined benefit plans	1.8	-	1.8
Tax attributable to other comprehensive income	0.2	-	0.2
Comprehensive income	-58.2	19.5	-38.7
Net result attributable to:			
Parent company's shareholders	-57.7	19.5	-38.2
Non-controlling interests	0.3	-	0.3
Comprehensive income attributable to:			
Parent company's shareholders	-58.5	19.5	-39.0
Non-controlling interests	0.3	-	0.3

CONSOLIDATED PRO FORMA STATEMENT OF COMPREHENSIVE INCOME FOR YEAR 31 DECEMBER 2012			
MEUR	Munksjö	Pro forma adjustments	Pro forma
Net sales	607.1	547.5	1,154.6
Other operating income	2.7	4.9	7.6
Total operating income	609.8	552.4	1,162.2
Operating costs			
Changes in inventories	-7.8	5.7	-2.1
Materials and supplies	-311.3	-299.6	-610.9
Other external costs	-142.4	-184.4	-326.8
Personnel costs	-115.5	-67.1	-182.6
Depreciation and amortisation	-25.4	-26.1	-51.5
Total operating costs	-602.4	-571.5	-1,173.9
Share of profit in equity accounted investments	0.0	0.0	0.0
Operating result	7.4	-19.1	-11.7
Net financial items	-16.3	-9.4	-25.7
Result before tax	-8.9	-28.5	-37.4
Taxes	-1.6	0.5	-1.1
Net result	-10.5	-28.0	-38.5
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations for the period	3.5	-11.5	-8.0
Change in cash flow hedge reserve	4.0	-	4.0
Cash flow hedge transferred to this year's result	3.1	-	3.1
Items that will not be reclassified to profit or loss			
Actuarial gains and losses on defined benefit plans	-3.8	-	-3.8
Tax attributable to other comprehensive income	-0.7	-	-0.7
Comprehensive income	-4.4	-39.5	-43.9
Net result attributable to:			
Parent company's shareholders	-11.0	-28.0	-39.0
Non-controlling interests	0.5	-	0.5
Comprehensive income attributable to:			
Parent company's shareholders	-4.9	-39.5	-44.4
Non-controlling interests	0.5	-	0.5

PRO FORMA SEGMENT INFORMATION						
MEUR	Oct–Dec 2013	Jul–Sep 2013	Apr–Jun 2013	Jan–Mar 2013	Oct–Dec 2012	Jul–Sep 2012
Pro forma Net sales						
Decor	89.9	86.8	95.5	96.0	99.6	90.2
Release Liners	96.8	105.3	118.6	112.1	110.4	115.3
Industrial Applications	42.3	35.6	42.1	38.0	37.0	33.5
Graphics and Packaging	40.4	41.2	47.0	47.3	43.4	43.1
Eliminations and other	-4.2	-3.8	-3.6	-3.0	-1.9	-1.1
Group	265.2	265.1	299.6	290.4	288.5	281.0
Pro forma EBITDA, total						
Decor	2.1	5.5	9.4	9.3	8.3	7.0
Release Liners	4.8	6.5	4.5	5.4	11.0	5.8
Industrial Applications	4.9	1.7	4.5	3.6	1.3	1.2
Graphics and Packaging	-6.0	-2.2	-0.6	1.8	2.2	-0.6
Eliminations and other	-4.8	-1.7	-4.5	-1.9	-1.7	-4.8
Group	1.0	9.8	13.3	18.2	21.1	8.6
Non-recurring items by segment						
Decor	6.6	0.5	-	0.3	0.3	-
Release Liners	1.9	0.6	0.2			-
Industrial Applications	0.8	0.0	0.5		0.2	0.2
Graphics and Packaging	5.5	0.9	-	-	-	-
Eliminations and other	1.0	0.3	2.3	0.4	1.7	4.4
Group	15.8	2.3	3.0	0.7	2.2	4.6
Pro forma EBITDA excluding non-recurring items						
Decor	8.7	6.0	9.4	9.6	8.6	7.0
Release Liners	6.7	7.1	4.7	5.4	11.0	5.8
Industrial Applications	5.7	1.7	5.0	3.6	1.5	1.4
Graphics and Packaging	-0.5	-1.3	-0.6	1.8	2.2	-0.6
Elimination and other	-3.8	-1.4	-2.2	-1.5	0.0	-0.4
Group	16.8	12.1	16.3	18.9	23.3	13.2
Delivered volume, metric tonnes						
Decor	42,800	41,500	45,900	44,600	45,500	41,200
Release Liners	116,575	127,692	126,600	126,663	126,243	128,293
Industrial Applications	20,900	18,500	21,800	20,300	18,500	17,700
Graphics and Packaging	32,700	33,600	40,700	38,602	34,196	33,894
Eliminations	-4,100	-3,000	-3,900	-3,100	-2,000	-2,000
Group	208,875	218,292	231,100	227,065	222,439	219,087

Calculation of key figures**EBITDA**

Operating result before depreciation and amortisation.

EBITDA margin EBITDA as a percentage of Net sales.

Operating margin

Operating result after depreciation and amortisation as a percentage of Net sales.

Return on shareholders' equity

Result of the year as a percentage of average shareholders' equity.

Operating capital

Balance sheet total less interest-bearing assets, tax assets and non interest-bearing operating liabilities, including pension provisions.

Return on operating capital

Operating result as a percentage of operating capital.

Net Interest-bearing liability

Interest-bearing assets (including cash and equivalents) less interest-bearing liabilities.

Debt/equity ratio

Interest-bearing net debt divided by shareholders' equity including non-controlling interests

Equity/assets ratio

Shareholders' equity including non-controlling interests as a percentage of total assets.

Earnings per share

Result for the period divided by the average number of shares outstanding.

Equity per share

Shareholders' equity divided by the number of shares outstanding at the end of the period.

FTE

Number of hours worked divided by normal annual working hours.

Interest bearing liabilities and assets

Liabilities and assets which have a contractual obligation/right to pay/receive interest to/from a financial institution.

Non-recurring items

Income or expense arising from activities or events outside of normal activities and of a non-recurring nature.