Munksjö Oyj
Interim report
January-September 2014

Helsinki, 29 October 2014
Jan Åström, President and CEO

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1 Synergy benefits and integration

2 Key financials for Q3/2014 and January-September 2014

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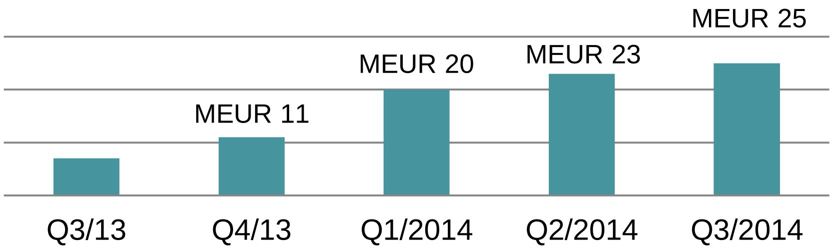
Update on synergies

Annual synergy savings of MEUR 20-25

MEUR	Annual synergy run rate at the end of the reporting period	Realised synergies in result	Non-recurring costs	Cash flow effect of non-recurring costs
Q2-Q4/2013	11.0	5.0	11.0	-4.0
Q1/2014	20.0	5.0	0.5	-1.5
Q2/2014	23.0	5.5	-	-1.0
Q3/2014	25.0	6.0	-	-1.0



Approximately MEUR 10-15 of annual stand-alone net cost savings

- Annual level is MEUR 11

Update on synergies (contd.)

Synergies achieved primarily within procurement and improved efficiency

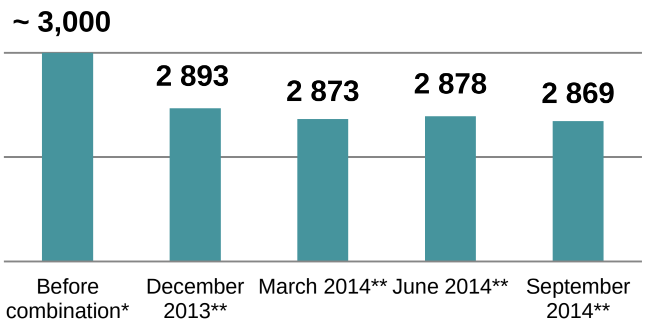
Procurement

- Further impact during Q1-Q3/2014, as already negotiated terms were implemented

Organisational efficiency

- Optimisation of sales organisation continues
- In Q3/2014 synergies were achieved primarily within Graphics and Packaging
- Full effect of personnel reductions within Graphics and Packaging expected during Q4/2014

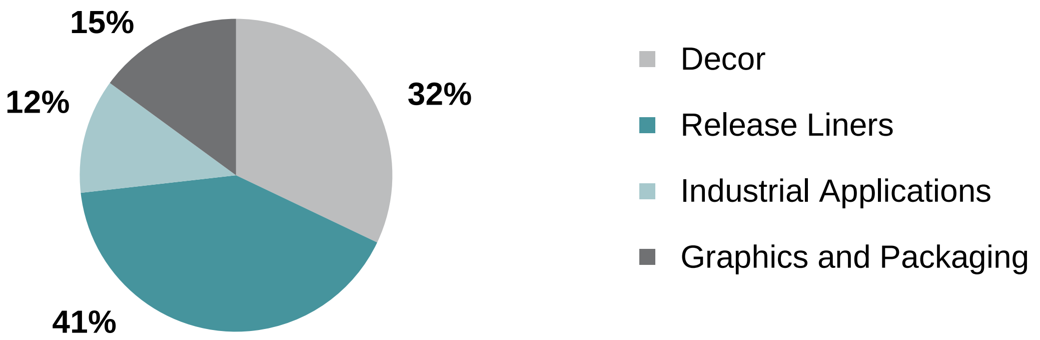
Personnel development



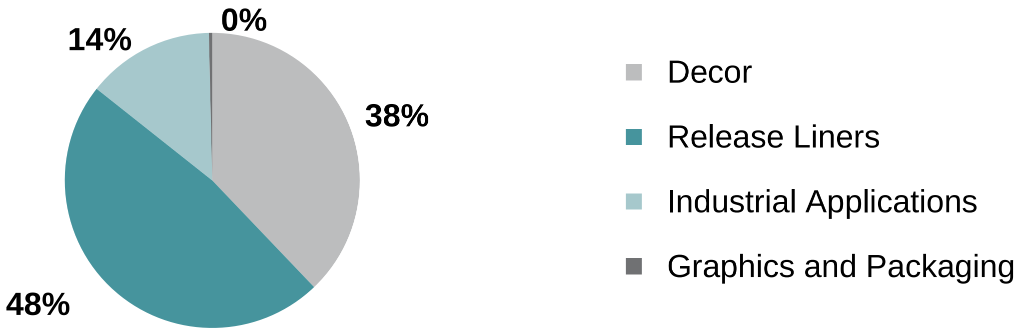
* Munksjö AB and ALP ** Headcount

Business Area overview

Share of net sales for Q3/2014*



Share of EBITDA (adj.**) for Q3/2014*



* Excluding segment Others and internal eliminations ** Adjusted for non-recurring items

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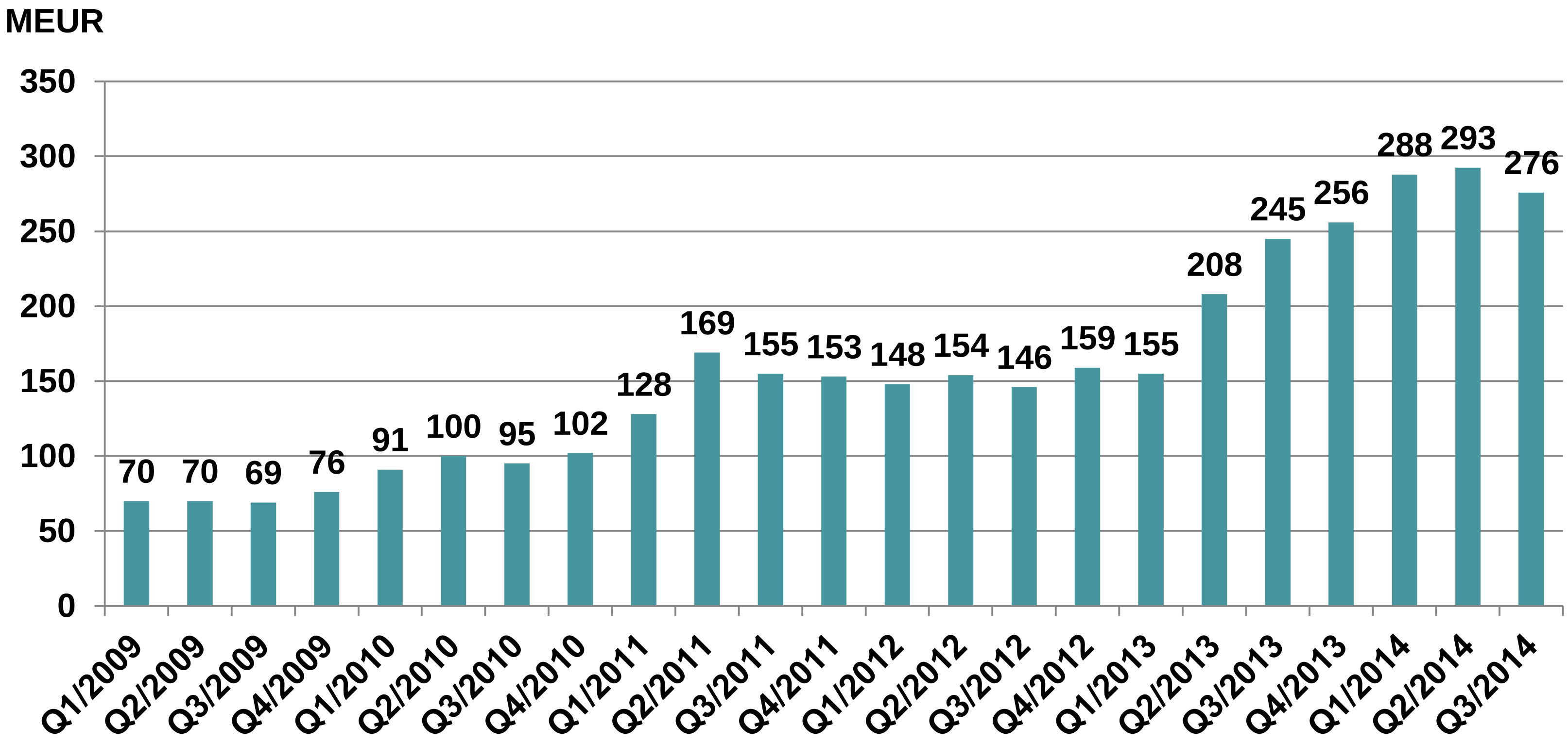
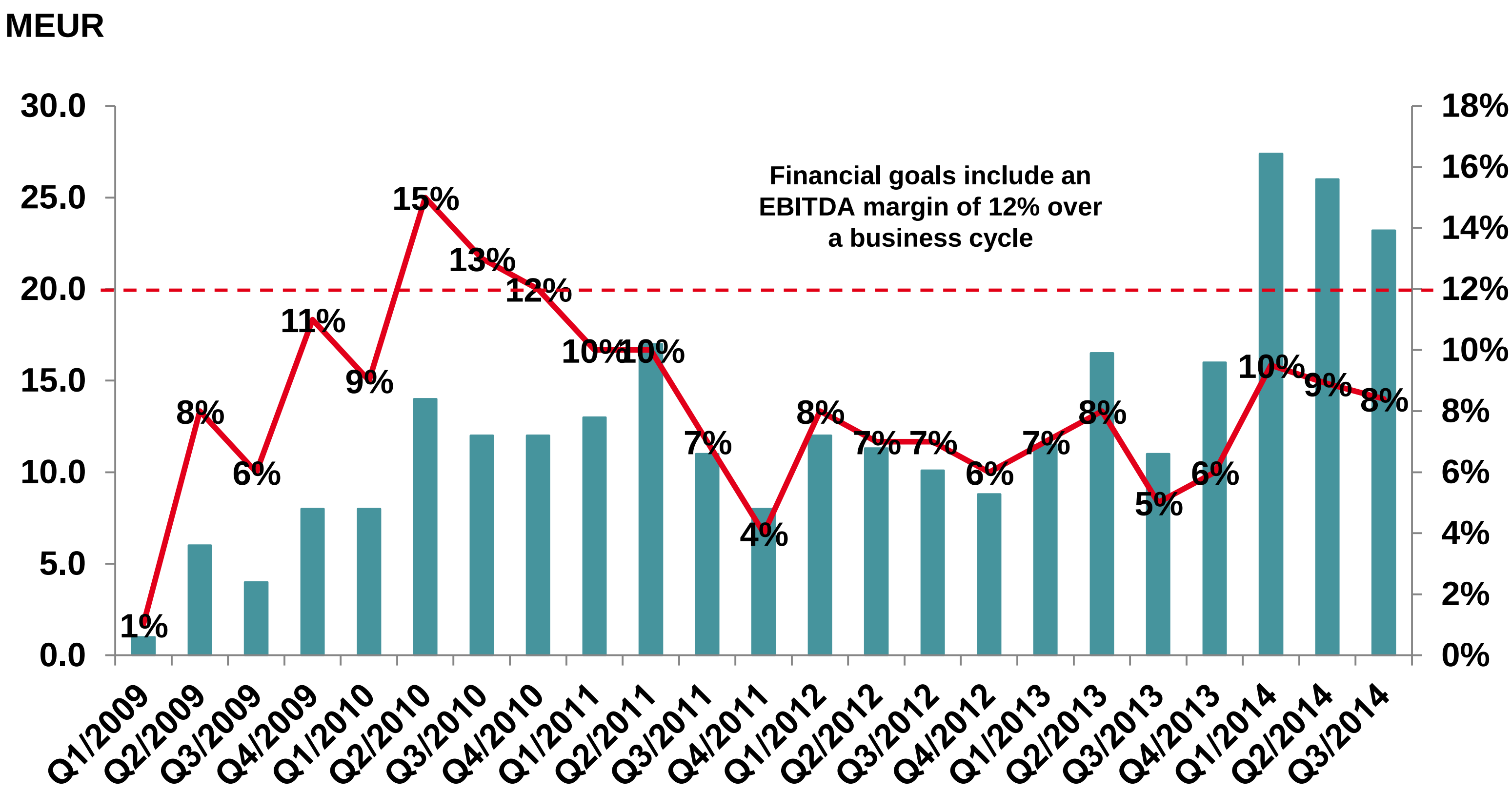
Net sales development 2009-2014



EBITDA (adj.*) and margin development 2009-2014



* Adjusted for non-recurring items

Key figures

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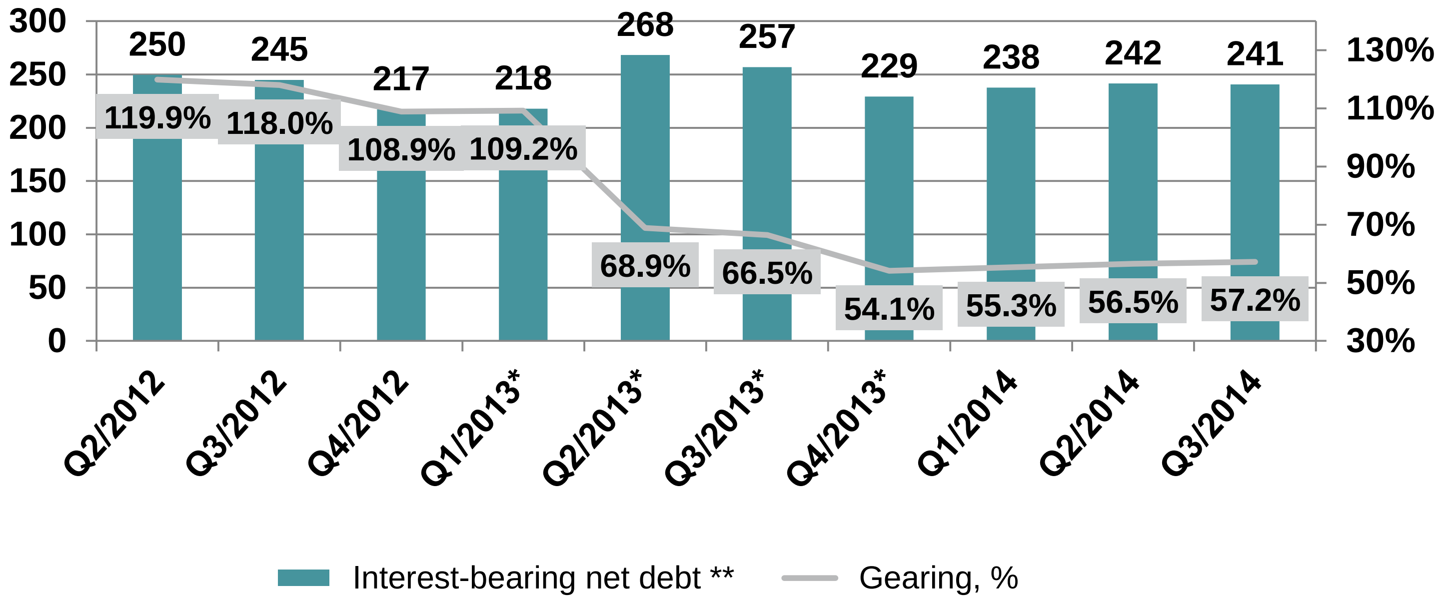
REPORTED[1], MEUR	Q3/2014		Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Net sales	**275.9**	↑	245.1	**856.3**	607.6	863.3
EBITDA (adj.*)	**23.2**	↑	11.0	**76.6**	39.0	55.0
EBITDA margin, (adj.*)	**8.4%**	↑	4.5%	**8.9%**	6.4%	6.4%
EBITDA	**22.9**	↑	9.1	**74.7**	6.5	5.9
Operating result (adj.*)	**9.5**	↑	-0.2	**36.6**	13.1	15.7
Operating result	**9.2**	↑	-2.1	**34.7**	-19.4	-33.4
Net result	**-3.4**	↑	-7.3	**5.0**	-31.2	-57.4
EPS (EUR)	**-0.07**	↑	-0.19	**0.09**	-1.28	-1.97
PRO FORMA[2], MEUR	**Q3/2014**		Q3/2013	**Q1-Q3/2014**	Q1-Q3/2013	FY 2013
Net sales	**275.9**	↑	265.1	**856.3**	855.1	1,120.3
EBITDA** (adj.*)	**23.2**	↑	12.1	**76.6**	47.3	64.1
EBITDA** margin, (adj.*)	**8.4%**	↑	4.6%	**8.9%**	5.5%	5.7%

* Adjusted for non-recurring items ** Includes stand-alone cost savings and synergies obtained after 27 May 2013
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. As the combination was completed during 2013, the pro forma information is only consolidated until the fourth quarter 2013. From the first quarter 2014 the reported figure is used.

Net debt development

MEUR



* Restated to reflect the adoption of IFRS 11 as explained in the notes to the interim report

** Comparative figures have been restated due to the change in presentation currency from Swedish krona to euro

New financing agreement to reduce financing costs and extend maturity

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- The new facility increases operating flexibility and reduces the cost of financing
- The interest payable under the facilities agreement depends on the ratio of consolidated senior net debt to consolidated EBITDA. At leverage levels and financial ratios at the time of the signing, the annual saving amounted to 150 basis points on the drawn amounts, corresponding to approximately MEUR 5 of reduced financial expenses on an annual basis.
- The financing is provided by Nordea, Danske Bank and SEB and replaced the previous MEUR 365 financing agreement signed in May 2013
- The refinancing was implemented in September 2014
- In connection with the repayment of the previous financing in the third quarter of 2014, Munksjö expensed a previously capitalised financing cost of MEUR 7.1. The expensed financing cost had no cash flow impact.
- The new financing will have a positive cash flow effect from the fourth quarter of 2014 onwards

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Business Area Decor

REPORTED, MEUR	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Deliveries, tonnes	**43,300**	41,500	**136,000**	132,000	174,800
Net sales	**89.4**	86.8	**283.3**	278.3	368.2
EBITDA (adj.*)	**10.3**	6.0	**34.9**	25.0	33.7
EBITDA margin, (adj.*)	**11.5%**	6.9%	**12.3%**	9.0%	9.2%

* Adjusted for non-recurring items
The business combination has not impacted the business area and therefore no pro forma information is presented

Q3:

- Delivery volume increase of 4 per cent
- Net sales increased as a result of the volume development despite a lower average price due to a less favourable geographic mix
- Positive result development due to improved productivity and lower raw material costs

Business Area Release Liners

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REPORTED[1], MEUR	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Deliveries, tonnes	**131,500**	101,900	**383,500**	213,400	313,500
Net sales	**114.7**	85.3	**333.1**	161.8	249.1
EBITDA (adj.*)	**13.0**	6.0	**30.9**	9.8	15.7
EBITDA margin, (adj.*)	**11.3%**	7.0%	**9.3%**	6.1%	6.3%

PRO FORMA[2], MEUR	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Deliveries, tonnes	**131,500**	127,700	**383,500**	380,900	497,500
Net sales	**114.7**	105.3	**333.1**	336.0	432.8
EBITDA** (adj.*)	**13.0**	7.1	**30.9**	17.2	23.9
EBITDA** margin, (adj.*)	**11.3%**	6.7%	**9.3%**	5.1%	5.5%

* Adjusted for non-recurring items ** Includes stand-alone cost savings and synergies obtained after 27 May 2013
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. As the combination was completed during 2013, the pro forma information is only consolidated until the fourth quarter 2013. From the first quarter 2014 the reported figure is used.

Q3:

- Delivery volume increased in all three businesses
- Reported net sales increased compared to pro forma net sales a result of the increased volume and a higher average price
- Positive result development primarily due to favourable price difference between short and long fibre pulp, impact of business combination on the cost base and continued efforts to cut costs.

Business Area Industrial Applications

REPORTED, MEUR	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Deliveries, tonnes	**18,900**	18,500	**63,300**	60,600	81,500
Net sales	**33.0**	35.6	**118.3**	115.7	158.0
EBITDA (adj.*)	**3.8**	1.7	**17.1**	10.4	16.1
EBITDA margin, (adj.*)	**11.5%**	4.8%	**14.5%**	9.0%	10.2%

* Adjusted for non-recurring items
The business combination has not impacted the Business Area and therefore no pro forma information is presented

Q3:

- Delivery volume 2 per cent higher
- Average price was affected by changes in the product mix
- Positive result development primarily due to improved capacity utilisation and lower raw material costs

Business Area Graphics and Packaging

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REPORTED[1)], MEUR	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Deliveries, tonnes	**32,600**	33,600	**104,900**	51,000	83,700
Net sales	**41.8**	41.2	**132.1**	62.0	102.4
EBITDA (adj.*)	**-0.1**	-1.3	**3.3**	-1.0	-1.5
EBITDA margin, (adj.*)	**-0.2%**	-3.2%	**2.5%**	-1.6%	-1.5%

PRO FORMA[2)], MEUR	Q3/2014	Q3/2013	Q1-Q3/2014	Q1-Q3/2013	FY 2013
Deliveries, tonnes	**32,600**	33,600	**104,900**	112,900	145,600
Net sales	**41.8**	41.2	**132.1**	135.5	175.9
EBITDA** (adj.*)	**-0.1**	-1.3	**3.3**	-0.1	-0.6
EBITDA** margin, (adj.*)	**-0.2%**	-3.2%	**2.5%**	-0.1%	-0.3%

* Adjusted for non-recurring items ** Includes stand-alone cost savings and synergies obtained after 27 May 2013
1) Includes LP Europe from 27 May 2013 2) Includes LP Europe from 1 January 2012, Coated Specialties does not affect this business area. As the combination was completed during 2013, the pro forma information is only consolidated until the fourth quarter 2013. From the first quarter 2014 the reported figure is used.

Q3:

- Delivery volume decreased due to the changes in the product mix
- Net sales increased compared to the pro forma net sales as a result of a higher average price
- Higher average price due to price increases announced in Q2/13 and continued product mix adjustments
- Full result effect of personnel reductions expected in Q4/14

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Outlook

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The market situation and demand for Munksjö's products are expected to remain stable during the fourth quarter of 2014 following a third quarter with seasonally lower volumes. Prices in local currencies are expected to remain at the same level as in the third quarter. Cash flow is expected to continue to improve during the fourth quarter.

At the end of September, the annual synergy benefits run rate derived from the business combination reached EUR 25 million. Further initiatives have been planned and taken to achieve the 12 per cent EBITDA margin over a business cycle established as the goal for financial performance.

Seasonal shutdowns in December are expected to be carried out to the same extent as in 2013.

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Warmly welcome to Munksjö’s

CAPITAL MARKETS DAY 2014

to be held in Stockholm

on 20 November 2014

at Fotografiska

Please visit www.munksjo.com/cmd for

further information and to register for the event

Q&A

- Munksjö’s Financial Statements Bulletin 2014 will be published on Thursday, 12 February 2015

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