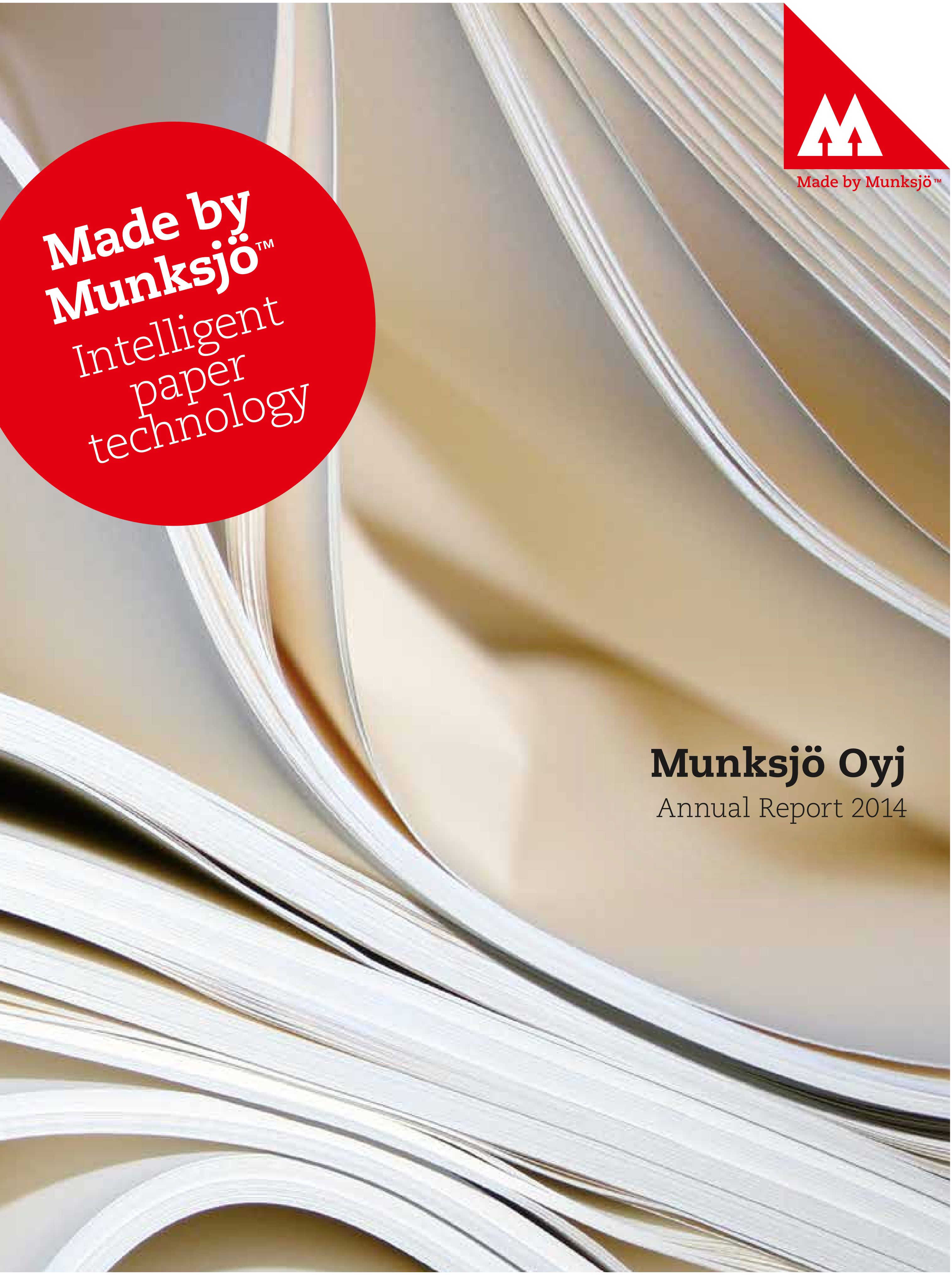


Munksjö Oyj

Annual Report 2014

Made by Munksjö – Intelligent paper technology

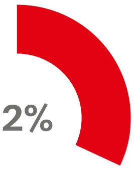
Munksjö is a world-leading manufacturer of advanced paper products developed with intelligent paper technology. Munksjö offers and develops customer-specific innovative design and functionality in areas ranging from flooring, kitchens and furnishings to release papers, consumer-friendly packaging and energy transmission. The transition to a sustainable society is a natural driving force for Munksjö's growth as the products can replace non-renewable materials.

Given Munksjö's global presence and way of integrating with the customers, the company forms a worldwide service organisation with approximately 2,900 employees and 15 facilities located in France, Sweden, Germany, Italy, Spain, Brazil and China. Munksjö's share is listed on Nasdaq in Helsinki and Stockholm.

Our business areas

High quality demands

Decor paper is mainly used for surfacing of products such as floors, kitchens and furniture, among other things to imitate wood and stone patterns. Munksjö has an excellent reputation for quality and is a leading supplier to customers in 50 countries worldwide. The Group has been manufacturing decor paper since 1948.

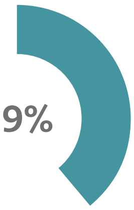


32%

Share of net sales

A high value-added range

Release papers are used as carriers of for example self-adhesive labels. The high value-added range covering all market applications is supplied to customers in more than 40 countries worldwide. Self-adhesive labelling was invented in the 1930s for price labels, and areas of usage have since then grown impressively.

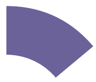


39%

Share of net sales

High-tech products

Products within this business area range from artist paper to electrotechnical paper and abrasive backings. Several products have advanced usage areas that must constantly evolve to meet new demands from customers and consumers. Munksjö started to manufacture electrotechnical paper for insulation of cables already in 1909.



14%

Share of net sales

Flexible solutions

Munksjö offers one of the widest paper ranges for flexible packaging and metallized labels for customers in for example the beverage and food industry worldwide. Collaboration with customers is essential to innovate and meet customers and end-users expectations and requirements.

15%

Share of net sales

The year in brief

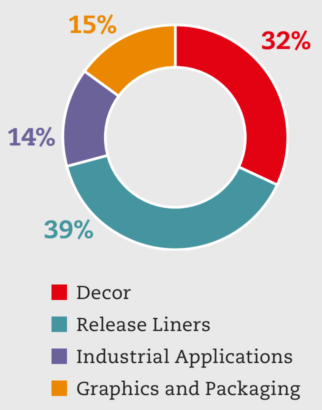
- Net sales increased to EUR 1,137.3 (863.3) million, primarily as a result of the business combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing.
- Adjusted EBITDA increased to EUR 105.0 (55.0) million, primarily due to synergy benefits, volume growth and lower cost base. The adjusted EBITDA margin was 9.2% (6.4%).
- Earnings per share (EPS) were EUR 0.14 (–1.97).
- Interest-bearing net debt at the end of the reporting period was EUR 225.6 (229.3) million, equivalent to a gearing of 54.5% (54.1%).
- The integration process following the business combination was completed in December 2014, one year ahead of plan.

Key figures

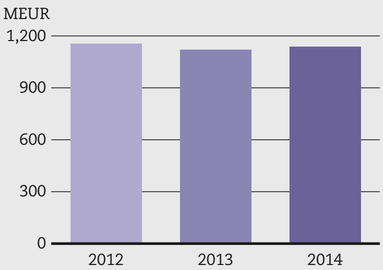
MEUR	2014	2013	2012
Reported1)			
Net sales	1,137.3	863.3	607.1
EBITDA (adj.*)	105.0	55.0	42.3
EBITDA margin, % (adj.*)	9.2	6.4	7.0
Operating result (adj.*)	51.0	15.7	16.9
Operating margin, % (adj.*)	4.5	1.8	2.8
Capital expenditure	35.1	22.6	14.8
Pro forma2)			
Net sales	1,137.3	1,120.3	1,154.6
EBITDA** (adj.*)	105.0	64.1	76.6
EBITDA** margin, % (adj.*)	9.2	5.7	6.6
Delivery volumes, tonnes	899,400	885,300	897,400

* 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 Specialities from 2 December 2013.
2) Includes LP Europe and Coated Specialities 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.

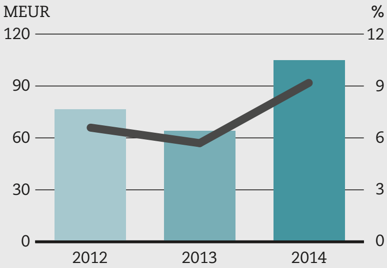
Net sales 2014



Net sales, pro forma2)



EBITDA and margin (adj.*), pro forma2)



Content

Group overview

Munksjö 2014

Business areas

Financial report 2014

Group

Parent company

Vision, strategy and goals

Vision

To be the leading manufacturer of advanced paper products developed with intelligent paper technology enabling a customer-specific, innovative and environmentally friendly product design.

Mission

To enable innovative product design and functionality creating value to our customers and shareholders.

We do this by leveraging our intelligent paper technology and industry expertise, as well as meeting customer needs and specifications. The transition to a sustainable society is a natural driving force for our growth as our products can replace non-renewable materials.

Financial goals

EBITDA margin over a business cycle

12%

Debt/equity ratio

<80%

Dividends of operative cash flow after investments

>1/3

Strategy

- Profitable growth in specialty paper
- A leading supplier in all our markets
- Highest quality in products and services
- Operational efficiency

Employees, organisation, health and safety

Values

Do right

– highest quality in products and services

We believe in mutual trust and accountability to deliver highest quality in everything we do.

Innovate

– continuous improvement of products and performance

By customer-specific innovation we constantly improve our products and performance.

Focus

– creating added value

We add value to our customers and shareholders by creating a sustainable and profitable business.

Our strategy

	Profitable growth in specialty paper	A leading supplier in all our markets	Highest quality in products and services	Operational efficiency
Strategic rationale	We shall grow through organic and strategic initiatives, and focus on specialty paper markets with underlying growth (driven by a growing middle class, urbanisation, resource scarcity, upgrades of power grids and the transition to a sustainable society).	We want to be a leading supplier in all our markets, driving customer-specific innovation to stay top of mind for our customers.	We offer superior quality and service, unique know-how, and reliable supply, to meet our customers' needs.	We continuously improve and streamline our operations to ensure cost efficiency in our production system, supporting functions, and ways of working.
Examples of achievements in 2014	▸ Solid organic growth ▸ Completion of integration of the business combination with Ahlstrom's business area Label & Processing	▸ Maintained leading positions in all our markets ▸ Successful new product launches ▸ Acti-V® patent granted	▸ Global study to ensure we meet our customers' needs and act to remain their leading supplier ▸ Appointed Supplier of the Year, by Avery Dennison	▸ Full realisation of synergies from the business combination, e.g. via centralised procurement ▸ New optimised sales network ▸ Continuous improvements, e.g. within energy efficiency
Focus areas 2015–2020	▸ Driving organic growth plans for existing businesses ▸ Continuous monitoring of strategic growth opportunities	▸ Maintain or improve our positions in our core products, segments and markets ▸ Reinforcing joint innovation efforts focused on customer needs	▸ Further develop our quality leadership ▸ Continuously improve our customer experience ▸ Expand the service concept	▸ Optimization of production footprint ▸ Continued streamlining of costs, e.g. through best practices and centralised procurement ▸ Improved group-wide business support, e.g. IT

Employees, organisation, health and safety

We drive our improvements through engaged employees, entrepreneurial leaders, a lean and efficient organisation with accountability in focus – and with a health and safety mindset in all we do.

Positive profitability trend for 2014

"We have completed the integration and exceeded the synergy benefits we promised.

Munksjö's operations and our attractive product portfolio are continuously developing in order to meet the demand of customers for advanced paper products. As a world-leading speciality paper company, Munksjö now continues to take steps towards realising the strategy of profitable growth. We have completed the integration between Munksjö and Ahlstrom's business area Label and Processing, and have exceeded the synergy benefits we promised. We are now focusing on further developing our role as a quality-leading supplier of high-tech speciality paper by continuing to invest in quality and customer value while we optimise our production and further develop the innovation processes.

During 2014 Munksjö refocused from integration and transformation to bringing the integration to conclusion, increasing the cash flow and improving profitability. Through our high technical competence within production and product development, we have consolidated our market-leading position in all markets in which we are active and we have delivered in accordance with our strategy of organic growth. Munksjö offers advanced paper products and applications within niche segments which are less competitive than traditional paper qualities, as these markets require specific competence. Accordingly Munksjö does not primarily compete with price, but our strongest competitive means is an attractive product portfolio, unique technical competence and a high service level.

Promised synergies have been achieved

The integration between Munksjö and Ahlstrom's business area Label and Processing has entailed significant synergies. The annual synergy benefits run rate derived from the business combination amounted to EUR 26 million at the end of 2014, exceeding the target range of EUR 20–25 million. The synergy benefits are related to procurement, improved organisational efficiency, economies of scale and production efficiency. In addition, we have also generated annual stand-alone cost savings of EUR 11 million as a result of the separation from Ahlstrom's group functions.

Stronger collaboration for successful product development

Our business is led by a continuous development of new products and applications in close collaboration with our customers. We are continuing to invest in and develop our advanced and high-tech speciality paper within well-defined product segments so that our products and applications fulfill the high demands of industrial customers on function and quality. During 2014 we continued to develop products and applications which generate customer benefits through their innovative design and construction and during the year we had several successful product launches.

We are a global company with roughly 75 per cent of sales in Europe and our relationship with customers in the region is long term and has been strengthened further during the year. Even though our sales are concentrated to Europe, where we have the majority of our production facilities and sales offices, our sales organisation is global as the Group is also represented in the US, Asia and South America.

The close relationship with our customers creates prerequisites for good understanding of customers and their requirements for high service quality and efficient delivery. Our aim is to offer superior quality of both products and services, and create a strong position among our customers through our expert knowledge of speciality paper and our reliable and efficient supplier chain. We offer customised solutions as well as a customer-oriented and innovative full-scale product offering.

Continued good demand for Munksjö's products

The year was characterised by good demand for our products. The market for our speciality paper is affected by the general economic situation and, thus, GDP growth and consumer market indicators are good signs of the demand trend. On average our markets grow more than GDP and as we specialise in growth niches with limited volumes, our operations are

less sensitive to economic trends than the traditional forestry and paper industries. In addition to GDP, urbanisation and a growing middle class as well as greater mobility and globalisation comprise important megatrends which impact the demand for our products.

Munksjö sees it as an important competitive factor to satisfy the market's greater interest in sustainable products. We want to generate added value for our customers by taking comprehensive responsibility for the entire production chain, from a resource-conserving forestry and supplier responsibility to a safe work environment and environmentally-certified products.

Continuous improvements have resulted in a positive profitability trend

During 2014 we continued to work with improving the cost base and managing profitable growth within all business areas. There is scope for better profitability, especially within Graphics and Packaging, where the focus during the year was to significantly improve the results, which we have also done. We have focused heavily on optimisation of processes and products, as well as improving the product mix towards more value-added and profitable product segments.

Within Release Liners, which is our largest business area, we have continued our strategic focus on product quality and on upgrading the production. Our aim is that the business area should continue to grow faster than the European market for release paper. The strengths of Release Liners continue to comprise a unique and broad product portfolio, combined with an advanced service offering.

Within Munksjö's second largest business area Decor, all product segments were profitable and demand was good. By further increasing the operational efficiency, we assess that we can further improve profitability. The volume trend and good capacity utilisation contributed to the business area Industrial Applications continuing to improve profitability and for the full year 2014 the business area's EBITDA margin increased to 15.2 per cent. The profitability improvement during 2014 reflects our aim to utilise our strength within advanced services as well as an improved product mix.

Profitable growth in focus will increase shareholders' value

We can now add another year which in several ways is moving in the right and planned direction for Munksjö. Therefore it was natural to already in 2014 take the step towards further promoting the sale of shares through a secondary listing on Nasdaq Stockholm on 8 December 2014.

Our financial target of an EBITDA margin of 12 per cent over a business cycle stands firm and we are convinced that we can attain this target with support of our market-leading position and organic growth. We also aim to continuously reduce the cost base and lead continued efficiency improvements within the production, in order to attain the target at the end of 2016. Our objective is to grow within existing areas of operation, improve our product mix, expand geographically and expand the operations to similar product segments. We also aim to enlarge our service offering.

Our efficient organisation, attractive product portfolio and close customer relationship generates a stable base for long-term success. Combined with our innovation capacity and specific expertise within paper technology as well as market leadership within our core businesses, the prerequisites for delivering in accordance with our financial targets and thereby generating sustainable value for our shareholders are good.

Jan Åström
President and CEO

Successful integration – achieved synergies

At the end of 2014 work on the integration of Munksjö AB and Ahlstrom's business area Label and Processing was completed one year ahead of schedule. The result was higher synergy benefits and lower non-recurring costs than estimated. All work flows within the integration project have been completed and the few processes which are still ongoing will be included in the operating activities in the future.

The annual synergy benefits run rate was EUR 26 million, exceeding the target of EUR 20–25 million, and the stand-alone cost savings were EUR 11 million.

The most important factors for success of the integration have been the leading industrial and business logic in the business combination as well as clear management, planning, division of roles and involvement in the implementation, all the way from the preparation phase to completion.

Towards global leadership in speciality paper

Munksjö Oyj was established in 2013 through the business combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing. Munksjö's growth strategy combined with Ahlstrom's ambition to separate the speciality paper operations motivated a business combination. In terms of size the new company was almost twice the size of each party severally. In 2013 Munksjö Oyj was listed on Nasdaq Helsinki and in 2014 a secondary listing was launched on Nasdaq Stockholm.

The development and history of Munksjö's and Ahlstrom's paper operations have several common denominators which contribute to a stable basis for the new company.

The operations of both companies were established in the 19th century. Munksjö AB started paper production in Jönköping in 1862. Over the years Munksjö assumed a strong position in the market. In 1851 Ahlstrom in Finland was established. The focus of the operations was shipping but from the 1880s the sawmill and paper mill operations developed, the history of which is now linked to Munksjö.

"The business combination strengthens the customer offering, increases competitiveness and efficiency and entails further growth opportunities.

Jan Åström, President and CEO

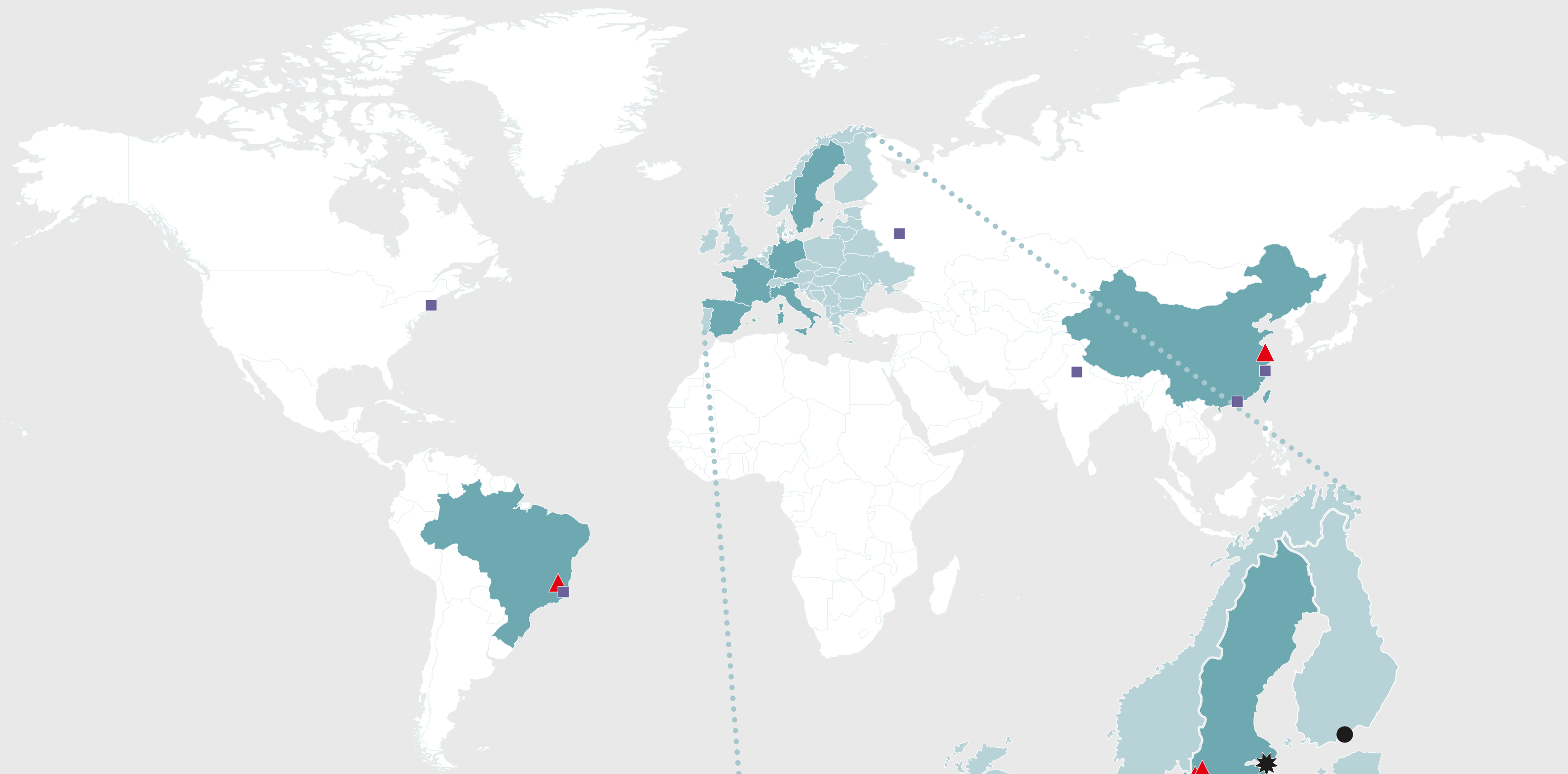
Development towards speciality paper

Already in 1909 Munksjö started to manufacture the first speciality paper for insulation of electric cables. Munksjö is still a leader within this segment. Munksjö took the biggest step towards more advanced paper products in the 1990s when the company acquired decor paper businesses. Within the paper operations of Ahlstrom a deliberate and gradual development towards speciality paper took place from the 1980s onwards.

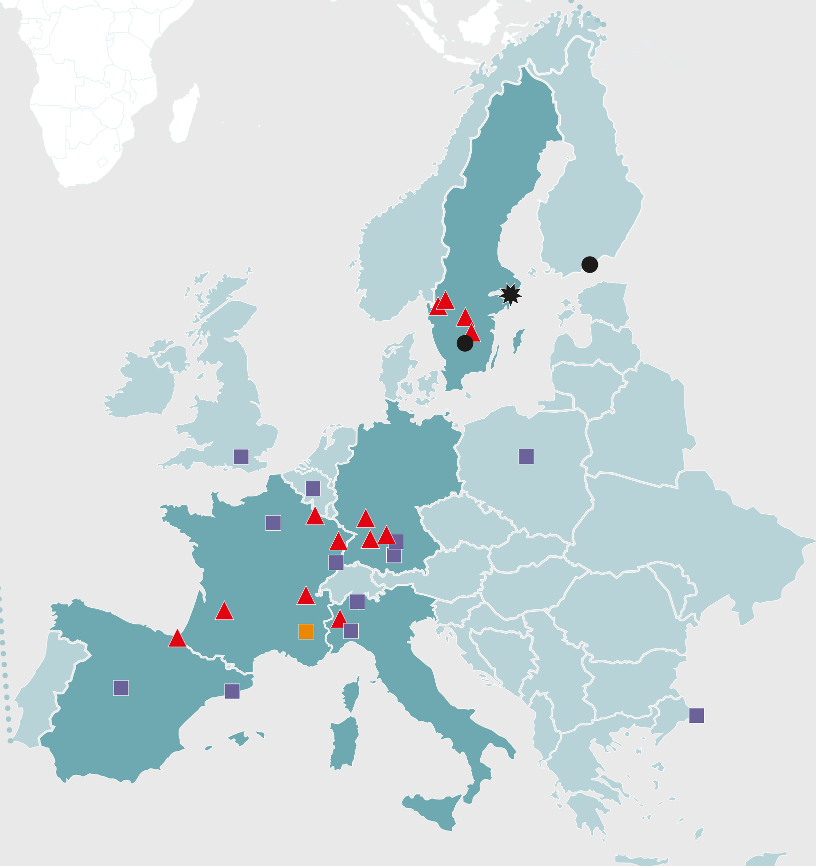
International presence

Munksjö's international path started in the 1990s when paper mills were acquired in Germany, Spain and the US. Following ownership changes in 2005, several disposals were made with the aim of focusing the operations and the following year operations started in China. In 2011 Munksjö strengthened its position through acquisition of the mills in Arches in France, and Dettingen in Germany. The range, sales and market shares increased and Munksjö became a significant manufacturer of abrasive backings. The acquisition also included the research and development centre in Apprieu, France.

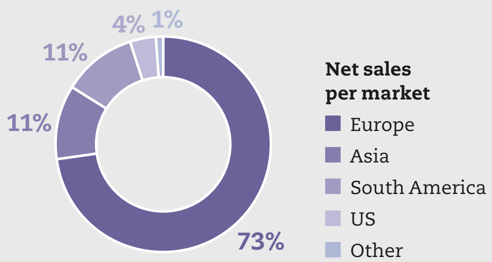
Ahlstrom's international expansion for the paper operations started already in the 1960s through the acquisition of a paper mill in Turin, Italy. During the 1990s the three mills La Gère, Rottersac and Stenay in France were acquired. In 2007 parts of Jacarei in Brazil were acquired and the remaining part the following year.

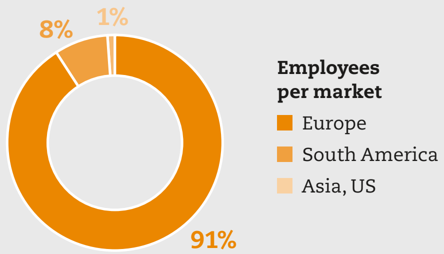


Global reach with local presence



Munksjö has approximately 2,900 employees worldwide. Operations are conducted in Europe, US, Asia and South America. The sales organisation is global, but most of the production facilities are located in Europe. The head office is located in Stockholm, Sweden. The company's registered office is in Helsinki, Finland, where one of two group offices is located. The second one is located in Jönköping, Sweden.





Head office
Group office
Production facilities
Sales offices
Research centre

Decor

Decor produces innovative, high-tech, paper-based surfacing for wood-based materials and is one of the leading suppliers on the market. The largest customer groups are found within the furniture and interior decoration industries with the speciality paper being mainly used for kitchen interiors, furniture and laminate flooring. Decor's expertise in product development and innovation has resulted in a complete decor paper product range and an excellent reputation for quality.

Facts

Decor paper was developed in the 1930s and got its big break in the 1950s. The Group has been manufacturing decor paper since 1948. Munksjö produces around 25% of all the decor paper in the world market (except China) and sells to more than 350 customers in 50 countries. The colour range is more than 15,000 different shades, of which at least 400 are white.

Advanced technology creates added value

Strategy and financial development
Decor's strategy involves continuing to invest in developing existing products and new high-tech solutions in order to meet the market's need for innovation and cost-effectiveness. Decor's strategy also includes pursuing profitable growth by growing within profitable product segments and geographical markets. The strategy for profitable growth also involves the continuous streamlining and optimisation of production systems and increased productivity.

Decor reported net sales of MEUR 374.7 (368.2) for 2014. The improved adjusted EBITDA margin of 12.3% (9.2%) was mainly driven by improved productivity and lower raw material costs.

Decor paper for high and low pressure laminates
For environments that require durable surfaces, Munksjö provides speciality paper with a high level of colour consistency and technical features that make quick and cost-effective impregnation possible. In order to be able to supply products in line with the customers' high demands on quality, the quality of the raw material, in particular for pulp and titanium dioxide, is crucial. All incoming raw materials are tested and qualified for use. The majority of the segment's sales of high and low pressure laminates occur in Europe, where the demand, from a global perspective, is also the greatest.

Decor paper for low pressure laminates (LPL) is adapted for an end-user market whose economic development determines the demand for kitchen cupboards, furniture and also laminate flooring. Decor paper for low pressure laminates is impregnated with resins and laminated through heat and pressure directly onto surfaces.

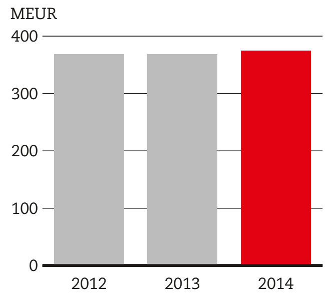
High pressure laminates (HPL) consist of layers of phenolic impregnated paper that are laminated and pressed together under intense pressure and heat. This pre-prepared laminate will then be glued on panels in a separate process. High pressure laminates are used for the most demanding decorative surfaces that require superior durability and mechanical properties, for example table tops.

The demand for decor paper for high and low pressure laminates is not only driven by economic growth, but also by population growth and urbanisation. Sustainability, the environmental perspective, functionality and design are central issues for many of today's end users when it comes to choosing surface material for flooring, furniture and kitchen interiors.

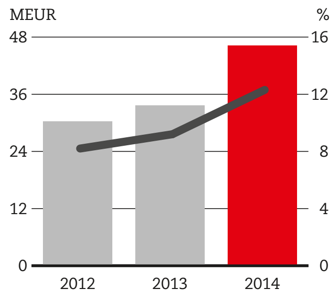
Today Munksjö is recognised as the decor paper expert in the production of high quality solid colour

32%
Share of net sales 2014

Net sales



EBITDA and margin (adj.*)



Key figures

MEUR	2014	2013	2012
Reported			
Net sales	374.7	368.2	368.4
EBITDA (adj.*)	46.2	33.7	30.3
EBITDA margin, % (adj.*)	12.3	9.2	8.2
Operating result (adj.*)	37.1	21.9	19.6
Operating margin, % (adj.*)	9.9	5.9	5.3
Delivery volumes, tonnes	180,300	174,800	166,500
Employees, FTE	877	888	911

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

papers but also for its unique design competence in colour trends, which is requested by the HPL and LPL manufacturers to anticipate the basic consumption reflex and standards to come concerning colours. Munksjö has worked for many years with a French design studio creating new solid colour collections on a yearly basis.

Print-base paper

One of Decor's strengths is the combination of quality and customisation it can offer customers. By capitalising on its knowledge of the material and to meet the customers' demands on high quality and technical features, Munksjö constantly works on developments to improve printability of the print-base papers with a very smooth finish. Munksjö uses high quality pulp as a base for the print-base paper, which offers a high level of dimensional stability. Through sophisticated colour control in processes a high colour consistency is guaranteed. The print-based paper is mainly used for laminate flooring and the furniture segment.

In this paper segment a considerable portion of the product improvement but also the sales development is carried out in close cooperation with customers. This constant and close dialogue has resulted in developing print base papers with lower grammage thanks to the improved surface quality and homogeneity of particle boards and MDF boards.

Pre-impregnated decor paper

The segment for pre-impregnated paper is a good example how Munksjö has used its unique material know-how and technical innovation capability in the best possible way. Pre-impregnated paper is a speciality paper that has been impregnated already in the manufacturing phase with different types of resin depending on the area of use. The printed speciality paper is then glued on a wood fibre board in the lamination phase. Pre-impregnated decor paper has a different durability compared to high pressure laminates and is therefore mainly used as surfacing on bedroom and living room furniture and ceiling panels. Munksjö has more than 20 years' experience in production of pre-impregnated foil base papers and was the first decor paper producer to offer high quality pre-impregnated foil base papers without formaldehyde containing resins, giving high internal bond, excellent printability and glue ability.

Thin print papers

Thin print papers address different target groups and are used for applications that require a large amount of information to be printed on the smallest space possible. The paper is mainly used for packaging inserts and outserts in the pharmaceutical and cosmetic industries, but they are also used for the printing of publications, such as bibles, catalogues and law books. Important product features are high opacity, excellent printability and foldability as well as resistance. For the manufacturing process, the production capacity for Decor's main business can be utilised, why this product segment is part of the business area.

Product development

Modern metallic effect with paper

By using silver metallic particles in the development of the new decor paper Stardust, Munksjö can offer a new solution that gives the product surface a metallic rendering in line with current trends.

When producing laminate for kitchen furniture and floors, decor paper is primarily known for imitating wood structure. However, there is a growing demand in the laminate industry to be able to give products a metallic and three-dimensional rendering.

Munksjö's solution was to develop a new type of decor paper that is applied on top of the surface of high or low pressure laminate. Stardust is an almost translucent decor paper containing a metallic pigment directly incorporated in the paper pulp in such a way that, when used as surface finishing, it provides a deep metallic effect, which in turn also brings a modern 3D effect.

A significant bonus for the customers, from an efficiency and cost-effectiveness perspective, is that the Stardust paper can be used in their existing color range and only by adding the Stardust finish, they get the attractive metallic aspect.

“

Listening to and understanding the needs of our customers, then being able to incorporate that into our product development process helps us to drive the development of decor paper, and ultimately our business, forward.

Norbert Mix, Business Area Manager Sales and Marketing Decor

Product overview Decor

Decor paper for high and low pressure laminate

Print base paper

Backer paper

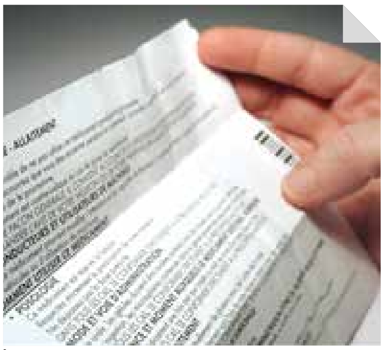
Pre-impregnated paper

Applications

- Laminate flooring
- Store fittings
- Kitchen and bathroom fittings
- Worktops
- Furniture
- Doors and wall panels
- Interiors for mobile homes and caravans
- Profiles
- Facade boarding for industrial premises and apartment blocks
- Balconies, pillars and plinths
- Urban furniture and playground equipment

Customer groups

- Laminate flooring manufacturers
- Laminators
- Impregnators
- Lacquering companies
- Furniture manufacturers, kitchen and bathroom interiors
- Door manufacturers
- Panel producers



Thin print paper/ Pharmaceutical leaflets

Applications

- Patient information and cosmetic leaflets
- High pagination book publishing, such as law books and bibles

Customer groups

- Pharmaceutical and cosmetic industries
- Publishing and printing houses

Release Liners

The portfolio of high quality, sustainable and innovative products has established Release Liners as a speciality paper market leader within the segments of release papers and coated specialities. Building on the complete product offering, the business area focuses on the customer's total cost in order to deliver as competitive a solution as possible. Quality, innovation and cost-effectiveness are key watchwords in the product development and manufacturing process.

Facts

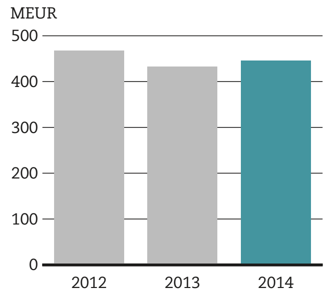
Release papers are used as carriers of pressure sensitive adhesive (PSA) labels. PSA labelling was invented in the 1930s initially for price labels, and areas of usage have since then grown impressively. The broad range covering all market applications, includes papers from 50 to 140 g/m^2 and is supplied to customers in more than 40 countries worldwide.

Product and service quality in focus

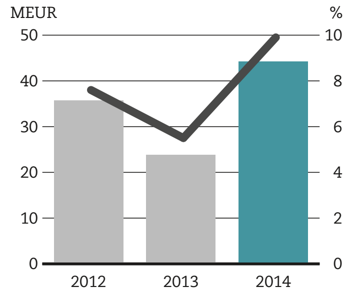
39%

Share of net sales 2014

Net sales, pro forma[2]



EBITDA and margin (adj.*), pro forma[2]



Strategy and financial development

The majority of Release Liners' business concentrates on Europe where Munksjö leverages on leadership in innovation and quality in order to increase customer value. Investment in the further development of the patented Acti-V® release paper technology, as well as new product solutions for customers operating in niche industrial release liner areas, continues. Release Liners is focusing on increasing profitability through the improvement of its business mix, the continued differentiation of its product portfolio and the further increase of operational efficiency.

The market for coated speciality paper and release paper is driven by the general economic situation and, thus, GDP growth and consumer market indicators give relevant signs of the demand trend. In a somewhat mature European labelling market, the demand for self-adhesive labels shows moderate growth rates, which, however, are higher for functional, security and VIP (variable information printing) labels.

Release Liners reported net sales of MEUR 446.0 (432.8[2]) for 2014. The adjusted EBITDA margin amounted to 9.9% (5.5%[2]). After the demerger of Ahlstrom Abp's release paper activities into Munksjö's Release Liners, the business area's continued focus on cost-effectiveness has contributed to improved profitability.

Release paper

Release paper is a central component in self-adhesive labels and materials, and in self-adhesive graphics. The market is driven by greater logistical complexity where the need for the identification and tracking of goods is increasing the requirements for product marking and labelling. Other underlying driving forces are the substitution of other decoration technologies with self-adhesive labelling of consumer products, as well as the growing use of release liners in industrial processes or as carriers of adhesive materials and components. The business unit, whose activities are concentrated on Europe, primarily serves manufacturers of self-adhesive laminates, and commercial

Key figures

MEUR	2014	2013	2012
Reported[1]			
Net sales	446.0	249.1	98.2
EBITDA (adj.*)	44.3	15.7	4.8
EBITDA margin, % (adj.*)	9.9	6.3	4.9
Operating result (adj.*)	16.1	0.4	–1.8
Operating margin, % (adj.*)	3.6	0.2	–1.9
Delivery volumes, tonnes	512,200	313,500	184,600
Employees, FTE	845	465	169
Pro forma[2]			
Net sales	446.0	432.8	467.2
EBITDA** (adj.*)	44.3	23.9	35.7
EBITDA** margin, % (adj.*)	9.9	5.5	7.6
Delivery volumes, tonnes	512,200	497,500	520,900

* 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.

siliconisers that supply silicone coated carriers for technical applications ranging from aeronautical to electronic or medical industries.

Munksjö's release paper portfolio includes high performance supercalendered papers, primarily used as carriers for self-adhesive labels, and clay coated release papers used as carriers for self-adhesive graphics and home and office labels. The company's speciality paper know-how and focus on innovation allowed the development of Acti-V®, a patented supercalendered paper, which reinforces Munksjö's market leading position in release papers. The market's increased focus on sustainability positions paper-based release liners as a more renewable substrate compared to liners based on plastic films.

Coated speciality paper

Munksjö serves the large Brazilian market via its local production of one-sided coated speciality paper. The eucalyptus based cellulose pulp is produced on the same site by an external supplier. The coated specialty paper products are supplied to industrial converters in the segments of flexible packaging, as well as self-adhesive laminates. End-use applications include packaging or labelling for food products, household products, as well as tobacco packaging. Additionally to coated speciality paper, the unit also manufactures uncoated writing and printing paper.

Customer focus

Global industry leader names Munksjö best supplier

Avery Dennison Materials Group awarded Munksjö as Supplier of the Year for 2013 at the company's first supplier ceremony held in Cleveland, Ohio, in March 2014.

Avery Dennison manufactures and distributes labeling and packaging materials in over 50 countries and employs more than 26,000 people.

The ceremony was part of a symposium where professionals from approximately 110 companies came together to discuss the pressure-sensitive industry and learn about Avery Dennison's innovation and business strategy.

Munksjö was recognized as Supplier of the Year for their exceptional effort across all categories of performance. "This is an acknowledgement that their organization delivered to a very high standard in product and service quality as well as in innovation," said John Klein, global vice president, procurement. "Their strategic perspective on Avery Dennison's business and their willingness to explore new avenues to deliver competitive advantage is a model for others to follow."

"*Munksjö delivered to a very high standard in product and service quality as well as in innovation.*

John Klein, Global Vice President Procurement, Avery Dennison

Speciality pulp

Within the area of speciality pulp, Munksjö manufactures environmentally-friendly bleached (Elementary Chlorine Free) and unbleached (Unbleached Kraft) long-fibred pulp in the efficient Aspa Bruk facility in Sweden. Bleached pulp meets high standards for brightness, purity and strength and is used in specialty products like switches, sanitary products, fine paper, coated paper, cardboard and hygiene products. Unbleached pulp is used mainly for electrotechnical papers, filters, hygiene and cardboard products.

Product overview Release Liners

Supercalendered release papers

Applications

- Self-adhesive labelling
- Double sided adhesive tapes
- Industrial applications

Customer groups

- Self-adhesive laminate manufacturers
- Industrial siliconisers

Clay coated release papers

Applications

- Self-adhesive graphics
- Promotional stickers
- Office labels
- Industrial applications

Customer groups

- Self-adhesive laminate manufacturers
- Industrial siliconisers

Coated and uncoated specialty papers

Applications

- Serves the South American market of self-adhesive laminates, labels and flexible packaging

Customer groups

- Self-adhesive laminate manufacturers
- Flexible packaging converters

Bleached specialty pulp

Applications

- Transparent paper and special niche products with high demands on brightness, purity and strength
- Hygiene products
- Cardboard
- Fine paper, writing and printing paper (coated and uncoated)

Customer groups

- Specialty paper manufacturers
- Manufacturers of construction materials and sanitary products
- Manufacturers of hygiene products
- Paper and cardboard manufacturers

Unbleached specialty pulp

Applications

- Specially manufactured pulp for electrotechnical paper and board
- Filter paper
- Hygiene paper
- Cardboard
- Grease proof paper and packaging

Customer groups

- Global players in power supply
- Specialty paper manufacturers
- Filter paper manufacturers
- Manufacturers of hygiene products
- Cardboard manufacturers
- Packaging manufaturers

Business area

Industrial Applications

Industrial Applications offers a wide range of customised speciality paper solutions with a high quality. During production of abrasive backings, electrotechnical paper, Spantex™, thin paper and fine art paper, the business area's collected high knowledge of technically advanced production processes and its flexible production devices have created the base for a leading market position. Among the customers, who all receive a high service level, there are representatives from several industries such as the power transmission industry, furniture and furnishing industry as well as the automotive industry.

Facts

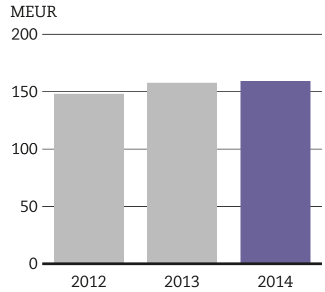
Many of the products in this business area have a very long history of innovative development. The unique artist paper, Arches®, was produced already in 1492 and electrotechnical paper has contributed to Munksjö's success for over 100 years. Advanced abrasive backings are an application that must constantly evolve to meet new demands from customers and end consumers, as well as new applications.

High technical competence in niche markets

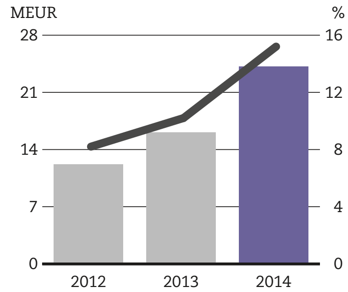
14%

Share of net sales 2014

Net sales



EBITDA and margin (adj.*)



Strategy and financial development

With focus on a high innovation pace and speciality paper expertise, the strategy is to continue developing the business mix and product portfolio as well as manage profitable growth within all product segments. The underlying markets automotive, construction and power transmission industries are growing, as well as the demand for abrasive backings and electrotechnical paper in growth countries such as China, and for Spantex™ in Eastern Europe. As the business area's product range is fragmented, product development takes place per segment. By utilising the strength in the service offer, optimising capacity utilisation in production and having a continued focus on cost efficiency and continuous product development, the objective is to further increase profitability.

The business area reported net sales of EUR 159.2 million (158.0) for 2014. The adjusted EBITDA margin increased to 15.2% (10.2%), primarily due to improved capacity utilisation and lower raw material costs.

Abrasive backings

Munksjö's high quality abrasive backings cater for the market for wood and metal treatment, where the tough properties of abrasive backings and the complete product portfolio create prerequisites for Munksjö's market-leading position within paper-based abrasive material. The product portfolio includes abrasive backings for dry and wet grinding, with applications primarily for industrial purposes. Even though abrasive backings constitute a small share of the total abrasive material market, there is an environmental benefit in paper-based solutions, which is appreciated by customers.

The underlying growth is primarily led by the automotive industry, but also by new construction and residential renovations, which are dependent on growth of GDP. Munksjö's complete product range combined with a high service level and technical support are the main reasons for successes within this product segment.

Electrotechnical paper

One of Munksjö's most tested and competitive applications is electrotechnical paper for electrical insulation. Electrotechnical paper caters for the market for power transmission in transformers and, among other things, insulation of submarine cables.

The power transmission market continues to grow and is led by that the out-of-date electricity supply networks in mature markets need to be upgraded and replaced, but also by that electric-

Key figures

MEUR	2014	2013	2012
Reported			
Net sales	159.2	158.0	148.2
EBITDA (adj.*)	24.2	16.1	12.2
EBITDA margin, % (adj.*)	15.2	10.2	8.2
Operating result (adj.*)	16.7	8.6	4.7
Operating margin, % (adj.*)	10.5	5.4	3.2
Delivery volumes, tonnes	84,000	81,500	76,100
Average number of employees, FTE	556	556	568

* Adjusted for non-recurring items

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

ity distribution networks in many growth countries need to be expanded.

Electrotechnical paper, which is based on round timber from spruce and pine, is a better option than rubber and plastic from an environmental perspective, while the insulation capacity, strength and flexibility of paper creates a sustainable and cost efficient solution for the customer. The business area delivers insulation paper for the largest transmission and distribution companies in the world.

Munksjö's technical competence and the ability to manufacture extremely clean pulp at its own mill in Billingsfors, Sweden, has created the prerequisites for Munksjö's strong position within the area.

Spantex™

The product portfolio comprises different foil applications which are laminated on furniture surfaces and exteriors of furniture in order to protect the material from moisture and preserve the stability. Spantex foil applications are also used for sealing of wood-based areas before surface treatment and as foil for untreated and treated edging.

The largest share of the Spantex production is integrated, which means that Munksjö has control of the entire value chain, from pulp to paper manufacturing and further to converting, such as print and brush treatment. The growth of Spantex is primarily led by furniture, floor and kitchen manufacturing, where customers are furniture manufacturers and their subcontractors. High production and delivery flexibility as well as the ability to live up to the unique product requirements of customers has given Spantex its unique position within this segment.

Thin paper

The business area's thin paper is primarily used within the aluminium, steel and glass industries to separate different layers of material, with the aim of protecting and reducing the friction between surfaces. Other applications are grease proof paper for the food industry, masking paper for calico printing as well as carbon paper. The clean and technically advanced production of light-weight thin paper is the main competitive advantage. The purity of thin paper combined with the low weight are central customer requirements, as an interleaving paper with impurities can damage the end product.

Roughly 50 per cent of the sales can be attributed to Europe where greater demand for, amongst other, kitchen equipment in stainless steel has driven the demand. In Asia the demand is primarily led by the vehicle industry.

Fine art paper

Munksjö also has a product portfolio of fine art paper. The paper is manufactured on special machines (wire mould machines), which results in a quality similar to traditional handmade paper. The paper's resistance and structure are important properties for the customer's choice of this type of speciality paper. Customers comprise professional artists, art students and amateur artists as well as manufacturers of exclusive books, printed matter and brochures, who have confidence in Munksjö's long-standing experience and speciality paper expertise. The uses of fine art paper include sketching, drawing, watercolour painting as well as traditional and digital production. Munksjö has a market-leading position within this segment. The most famous of the brands which are marketed is Arches®, which is manufactured in Arches in France.

Product development

Successful development of electrotechnical paper

Under the authority of Siemens, Munksjö has developed a speciality paper together with Asta for insulation of winding wire for transformer cable.

After serving as a well-established and reliable supplier of regular kraft paper and thermally upgraded paper to Siemens, Munksjö approached Siemens to offer a high density crepe electrotechnical paper for use during power transmission.

Asta, which is the most important supplier of Continuously Transposed Cable (CTC) of Siemens, a type of winding wire which is used for large-scale transformers, was in charge of testing the function and properties of Munksjö's 80HDC paper (High Density Crepe).

The test was conducted and owing to a close and good collaboration, the product could be adjusted and developed both in accordance with the requirements and in a shorter duration than expected. Munksjö's 80HDC paper is now one of the few qualities which is approved by Siemens as an insulation paper for CTC.

> *“Munksjö has always been a close and reliable supplier of Asta and this approval process has been very successful, for the benefit of all three parties.*
>
> Thomas Trimmel, Global Business Development Manager at Asta

Product overview Industrial Applications

Abrasive backings

Applications

- Abrasive backings for industrial use
- Abrasive backings for consumers

Customer groups

- Manufacturers of abrasive materials

Electrotechnical paper

Applications

- Insulation of high-voltage cables (such as submarine cables)
- Insulation of transformers
- Bushings

Customer groups

- Local and global players in power transmission

Spantex™

Applications

- Balance foils for veneered furniture
- Balance foils for laminate and veneer flooring
- Balance foils for kitchen worktops
- Edge-banding foils, with or without lacquering

Customer groups

- Manufacturers of furniture, floors and worktops

Thin paper

Applications

- Interleaving paper for steel, aluminium and glass industries
- Masking paper for textile industries
- Anticorrosive paper
- Kraft paper for packaging

Customer groups

- Primarily manufacturers of high quality stainless steel, glass and aluminium
- Pattern manufacturers (textiles)
- Packaging converters

Fine art paper

Applications

- Watercolour paper
- Lithographic paper
- Catalogue and brochures
- Envelopes and correspondence cards/gift certificates
- Packaging

Customer groups

- Artists
- Manufacturers of books and brochures
- Companies with exclusive packaging

Graphics and Packaging

Graphics and Packaging develops flexible packaging paper for food and non-food products where the demands on the paper's quality are high. Graphics and Packaging also offers base paper solutions that are used for metallized labels, metallized packaging and niche self-adhesive labels. In addition to these, Graphics and Packaging produces specialty paper for graphics and industrial applications.

Facts

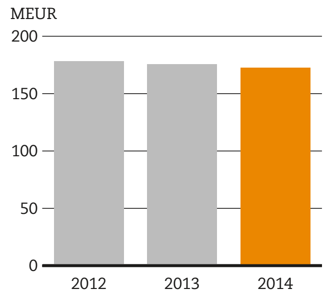
Munksjö produces and offers one of the widest paper ranges for flexible packaging and metallized labels. Ranging from 26 to 200 g/m², it delivers a variety of properties and functionalities for the beverage, food and non-food markets' evolving needs. The mills were amongst the pioneers in developing advanced papers for flexible packaging and continue to be so.

High performing and innovative products

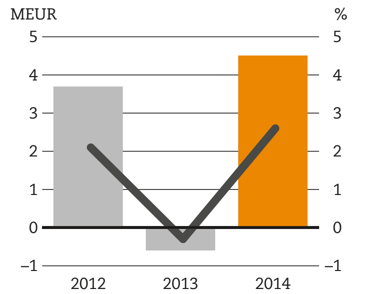
15%

Share of net sales 2014

Net sales, pro forma[2)]



EBITDA and margin (adj.*), pro forma[2)]



Strategy and financial development

Graphics and Packaging's strategy is, above all, to make full use of the competence in speciality paper within growing niche areas, offer cost-effective alternatives to plastic-based material as well as continue the improvement of the product mix with better profitability as a result. Key investments, the development of innovative solutions, specially selected geographical growth initiatives and the optimisation of the product portfolio create sustainable conditions for improved profitability. A clear globalisation trend and a shifting of production to growing regions are visible within the packaging paper market. Graphics and Packaging's production is Europe-based with a focus on high quality applications with special features. The flexible packaging papers business represents substantial market volume globally, while the speciality papers for metallizing, niche facestock, graphics and industrial applications constitute small and expanding speciality markets.

Graphics and Packaging reported net sales of MEUR 172.8 (175.9[2)]) for 2014 and an EBITDA margin of 2.6% (–0.3%[2)]) for 2014.

Flexible packaging paper

Graphics and Packaging's biggest amount of market exposure is for paper packaging for the food and non-food consumer market, mainly in Europe. The customers are, mostly, the converters who, together with Munksjö and the brand owners, develop the packaging concepts for the consumer market.

The market is growing and is driven by increased consumer demands on the quality of the packaging with regard to functionalities and sustainability, while ensuring maximum consumer safety. All this without compromising on shelf appeal, as the target remains for the brand owner to create unique consumer experience.

The flexible packaging product range offers a variety of features and converting abilities to help customers to reduce their total cost of ownership and to meet the most demanding end-user requirements for the beverage, bread and bakery, fresh and dairy, confectionery, pet food and other non-food industries. Munksjö's offer is continuously evolving to comply with health and safety regulations

Key figures

MEUR	2014	2013	2012
Reported[1)]			
Net sales	172.8	102.4	–
EBITDA (adj.*)	4.5	–1.5	–
EBITDA margin, % (adj.*)	2.6	–1.5	–
Operating result (adj.*)	–1.9	–5.1	–
Operating margin, % (adj.*)	–1.1	–5.0	–
Delivery volumes, tonnes	136,100	83,700	–
Employees, FTE	432	262	–
Pro forma[2)]			
Net sales	172.8	175.9	178.4
EBITDA** (adj.*)	4.5	–0.6	3.7
EBITDA** margin, % (adj.*)	2.6	–0.3	2.1
Delivery volumes, tonnes	136,100	145,600	142,300

* 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.

that are getting stricter. One example is Coralpack™ paper range for greasy food like biscuits, fast food and butter that is free[1)] from perfluorooctanoic acid (PFOA).

Munksjö is constantly developing its product range to offer more sustainable paper packaging solutions: lighter paper grades to reduce the overall packaging weight, responsible sourcing, and recyclability, biodegradable or compostable products made from renewable resource compared to fossil-based plastic material or aluminum. Advances in paper innovation, especially on barriers for food shelf life will contribute to move to packaging mainly made from renewable resources.

Munksjö also meets the increased demand for FSC®-certified products within the segment.

Metallizing and facestock base paper

Munksjö's exposure to the market for base paper dedicated to the metallizing process is primarily concentrated on Europe. The customers consist of converters for the metallizing of beverage labels. The market is thereby primarily driven by the demand for beer bottles, spirits and mineral water. Graphics and Packaging's special know-how and excellent reputation for quality have led to its market-leading position especially in the returnable beer bottles market. Munksjö's applications also meet the customers' increased requirements on properties related to weight and cost-effectiveness in order to follow growth in emerging markets using one-way bottles, but also the increased environmental requirements such as FSC®-certified papers.

Graphics and Packaging continuously works to support its customers in their product and business diversification, pushing the use of base papers for metallizing into packaging applications, for instance used for board lamination to replace metallized films.

Munksjö's expertise and capabilities in coated-one side as well as in calendered papers are driving development towards base papers dedicated to the specialty niche facestock market such as base paper for collecting stamps, oil or pharmaceutical facestock labels.

Graphics and industrial paper

Since the market for graphics paper is undergoing a structural transformation, Munksjö's strategy is to focus on developing the business model and updating the product mix to create new and more profitable applications.

Munksjö's product portfolio contains process paper and other coated and uncoated paper qualities, where the in-depth knowledge about speciality paper has been converted into commercial value-adding applications in expanding market niches. An example is the envelope market where Munksjö offers high transparency and fully recyclable glassine for window envelope application for customers aiming at strengthening their sustainable policy.

[1)] PFOA below detection limits of 20 ppb, and no release of PFA or PFOA precursor.

Product development

Paper for more sustainable packaging

Munksjö's expertise supported the development of a metallized paper that can replace PET film as a component in consumer packaging making it more environmentally friendly.

Brand owners from the food and non-food industry need to be constantly innovative in developing packaging in order to offer more sustainable solutions and simultaneously create brand differentiation; and all without compromising on functionalites.

The arrival on the market of a metallized paper laminated to board, offering an alternative to metallized PET film, is supporting this move towards sustainable development. Munksjö's expertise in the production of base paper for metallizing has been a great help to producers of metallized papers in achieving this innovative concept.

Compared to PET film, metallized paper laminated to board offers a better stiffness, enabling the use of lighter board and reducing the weight of the overall packaging. Converters indicate that metallized papers enable the use of any kind of boards, delivering cost reduction opportunities and higher converting flexibility. Compatible with nearly all printing methods, metallized paper solutions ensure a premium metallic finish for premium brand positioning.

"Since the paper is made from renewable resources, this innovative concept is repulpable and compostable.

Roland le Cardiec,
President Graphics and Packaging

Product overview Graphics and Packaging

Flexible packaging paper

Applications

- Crimped cups
- Lids
- Consumer rolls
- Wrappers
- Pouches
- Sachets
- Bags
- Trays

Customer groups

Manufacturers of flexible packaging for various markets:

- Beverages (coffee, tea, soup)
- Bread and bakery
- Confectionery
- Dairy products
- Pet food
- Pharmacy products
- Other non-food markets

Metallizing and facestock base paper

Applications

- Metallized labels (wet glue and pressure sensitive adhesive)
- Metallized flexible packaging and inner liners
- Base papers for specialised facestock applications

Customer groups

Metallizing converters for various markets:

- Beer
- Spirits
- Mineral water
- Tobacco inner-liner
- Labelstock manufacturers

Graphics and industrial paper

Applications

Coated and uncoated papers mainly used for:

- Transparent envelope windows
- Repositionable notes
- Other industrial applications

Customer groups

- Converters
- Printers
- Industrial manufacturers

Paper technology in a more intelligent way

Munksjö's specialised know-how, covering areas such as paper and converting technologies, forms a valuable asset and clearly reflects Munksjö's capabilities in the area of product development and innovation.

In the market for specialty paper, innovation is a significant competitive advantage. Munksjö´s innovation capacity and competence enable the company to develop value-added products and maintain a diversified and attractive product portfolio. The recognised innovation capacity which has resulted in high quality products and services also enables Munksjö to maintain and develop long-term and strong customer relationships. In order to deliver innovations and solutions in accordance with market demand, all innovation projects are done in close cooperation with customers. This way, Munksjö has over time developed a good understanding about the customers, their processes and end markets.

Efficiency important in innovation process

While wood based fibre is the basis for the speciality papers that Munksjö develops and produces, many other materials and processes are parts of the product innovation process. Besides long-fibre or short-fibre pulp, titanium dioxide and fillers, chemicals, latex and pigments add value to the products offered. These categories of materials, in addition to energy, are purchased in a structured manner to guarantee a complete and systematic process for each procurement, contributing to lowest possible total cost of ownership. The process involves procurement as well as material and production and process expertise, through the involvement of the different business areas. The joint purchasing and procurement activities is an efficient mean for Munksjö to evaluate not only the quality of the material, but also the suppliers' manufacturing processes. As the number of production facilities have increased, and by that the purchased volumes, Munksjö´s purchasing power has increased significantly over the last few years and made the company an even more attractive business partner.

Smooth purchase processes, logistics, packaging, maintenance and investments are also critical to enable the development of products in a cost effective way, combined with high quality and service. Thus, the optimal combination of processes and raw materials, add value and enable Munksjö to deliver according to high quality demands. Operational efficiency, global delivery solutions including deliver reliability, as well as technical service capabilities, are also important ingredients in the innovation process.

Since 2014, Munksjö has a patent on Acti-V® release paper and its manufacturing method.

Shared knowledge

Knowledge combined with a well-equipped development centre add another important dimension to Munksjö's ability to deliver according to customers' high demands. At the research centre in Apprieu in France, innovation related activities such as product development, material analysis, raw material research as well as patent management are part of the daily business. At the centre, the product development is carried out on the behalf of the business areas, but the centre also develops, evaluates and produces prototypes for new speciality paper grades. Development projects are initiated and implemented in collaboration with customers, but also within the framework of Munksjö's own product development and can involve activities such as analysing structures and components in the new speciality paper grades.

Munksjö generates sustainable value for its customers

Munksjö generates added value for its customers by clearly showing how the Group takes comprehensive responsibility for the production chain, prioritises competence development and upholds high business ethics.

Sustainable customer offers

The sustainability work is a long-term commitment where Munksjö step by step imposes increasingly clearer and more ambitious targets. Munksjö develops attractive and sustainable customer offers through continuous improvements and innovations, and in this way contributes to making the operations of customers more sustainable.

For Munksjö sustainable customer offers entail long term development work in order to minimise the environmental impact of the operations throughout the production chain. This takes place by gradually moving towards renewable and recyclable raw materials, protecting sustainable forestry and ensuring resource efficient production.

As Munksjö's operations are energy intensive, initiatives during the year have focused on improving energy efficiency, but also on reducing emissions to air and water. COD and CO_2 emissions decreased during the year by 6 and 3 per cent, respectively, per ton produced paper.

Sustainable customer offers also entail safe and cost efficient products of a high quality. For example, during the year Munksjö's new safety solutions for food packaging and ongoing phasing-out of formaldehyde in the products were highlighted.

Responsible business

Munksjö's sustainability policy and code of conduct are the basis of the Group's quality and development work. Here you can find a description of how Munksjö wants to conduct business – how the products are developed, produced and sold – in a responsible manner. This is the foundation for creating trustful customer relationships. The work has had positive results. The customer survey which was conducted in 2013–2014 shows that Munksjö has a satisfied customer base, with a customer satisfaction index of 76 of 100.

Munksjö's strengths according to customers

- Personal contact and service
- Product quality
- Reliable supplier chain

Source: Munksjö Global Customer Research 2013–2014.

"Producing world-leading products in a global market requires commitment and competence. The key for innovation is among our employees. That is also how we aim to contribute to a sustainable society, by taking comprehensive responsibility for how our products are produced and continuously working towards reducing the environmental impact. Munksjö's long term focus on competence development is an important part in order to create sustainable value for our customers.

Jan Åström, *President and CEO*

Munksjö takes environmental responsibility in all stages

Munksjö conducts long term environmental management in order to reduce its impact throughout the product life cycle. The work covers greater use of sustainable raw materials, resource efficient production and minimising the environmental impact of end products.

Sustainable raw materials

Munksjö strives to primarily use renewable and recyclable raw materials. The company offers pulp produced by FSC® or PEFC™ certified wood and paper from certified pulp.

Together with Sydved, the timber supply company partly-owned by the Group and its partners, Munksjö participates in the work to increase the amount of certified timber and thereby contributes to sustainable forestry.

Sydved stands for environmentally-adapted and long term sustainable forestry. The company protects both biological diversity as well as ethical and social values in the forest. For all harvesting Sydved recommends its own standard Generell Naturvård ('General Nature Preservation') where the level is higher than the requirements of the Forestry Act. The company imposes high targets, both in terms of timber production and the environment, and is certified in accordance with ISO 14001:2004, FSC® (FSC-C015573) and PEFC™.

Sustainable production

The company's production processes are the subject of extensive regulations within the environmental area. The environmental legislation in each country imposes specific terms and conditions for, for example, production volumes, emission and noise levels as well as waste and chemical handling.

All production facilities are also certified in accordance with the environmental management standards ISO 14001:2004/ISO 14001:2009.

Paper and pulp manufacturing necessitates large amounts of energy and water. For a long time the Group has taken measures to reduce the need for externally provided energy, for example, utilising wastewater heat, incinerating waste products and using back-pressure turbines for electricity generation.

Measures to reduce energy use

During 2014 a turbine was installed at the production facility in Tolosa in Spain. The turbine allows production of green electricity by using it for the facility's incoming water.

During the year a new tool started to be used at Arches in France in order to heat water using heat from the gas combustion which takes place at the facility.

During the year Aspa Bruk in Sweden invested in the first full-scale facility for green liquor filtration in the world and replaced pine oil with pine oil pitch as fuel in the lime kiln.

Reduced emissions in the production process

Munksjö strives to continuously reduce emissions to water and air. During 2014 measures were taken at the production facility in Billingsfors in Sweden to reduce COD emissions to a nearby lake.

Improvements have also been made in the production facilities in Rottersac and in La Gère in France, in order to reduce the amount of waste sludge and to improve the quality of air and waste water. In La Gère the work took place in close collaboration with the local community.

More efficient waste handling

The Group and individual mills work continuously to reduce the amount of waste by efficient recycling and sorting of material as well as through energy recovery.

Cellulose Fibre Insulation (CFI) of recycled silicon-coated paper.

Sustainable products

During 2014 collaboration was initiated with an external party which has developed a patented technology for converting silicon-coated paper to Cellulose Fibre Insulation (CFI) which is used for heat and sound insulation. Munksjö promotes this recycling option as a part of its Full Circle programme, read more on www.full-circle.eu. By registering for the Full Circle programme, users of silicon-coated paper get paid for the transport of their used paper to the recycling facility.

One of the benefits of CFI being received from silicon-coated paper is the superior level of fibre elasticity. Compared to traditional CFI, manufactured from old magazines, it also has other properties which significantly facilitate the application of insulation.

For more information on certifications, please see www.munksjo.com/sustainability

By including sustainability in the innovation activities, products which are more resource and cost efficient, and which have a less environmental impact have been developed within the Group.

Packaging for high food safety

Work on food safety continued during 2014 and applies to all food packaging.

For example, Munksjö offers a range of grease proof paper for food (Coralpack™ NG) which is free[1)] from traces of perfluorooctanoic acid (PFOA). This combined with audits by a third party ensures safety for the customer.

The target for the business area Graphics and Packaging is to be certified in accordance with ISO 22000:2005 in 2015.

Reduced prevalence of formaldehyde

During 2014 the production facility in Arches in France has continued to work on reducing the prevalence of formaldehyde in the products.

[1)] PFOA below detection limits of 20 ppb, and which does not release PFA or PFOA precursors.

Over recent years adjustments have also been made to the content of Adsorbable organic halogen (AOX) in the resins which are used in the production for fulfilling the local requirements for water quality.

Membership in Two Sides

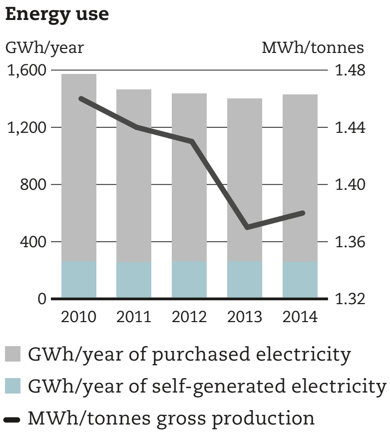
During 2014 Munksjö became a member of the initiative Two Sides, which has more than 250 members worldwide. The initiative aims to encourage responsible usage of paper while correcting the misconceptions which exist for the environmental impact of paper in relation to other means of communication. Through its membership Munksjö supports the intentions and objectives of the initiative.

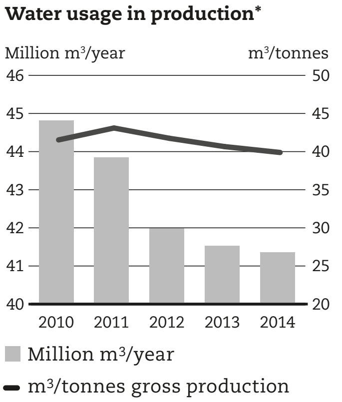
TWO SIDES

www.twosides.info

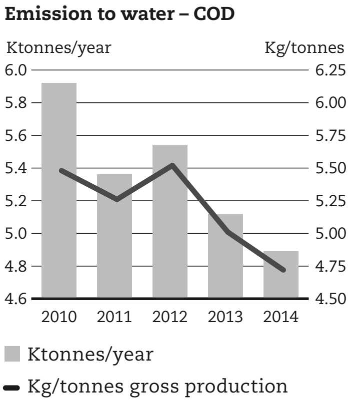
Purification of water takes place in several stages in order to maintain neutrality in nearby lakes and rivers.

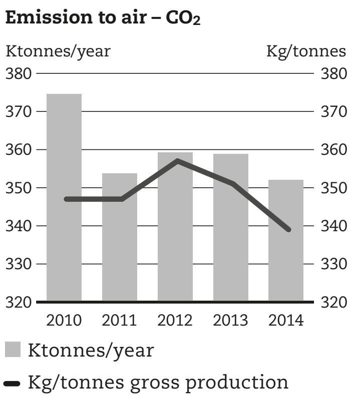
The production facility Aspa Bruk.

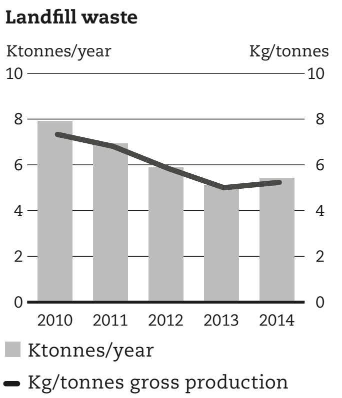




* Refers to intake water, which after use is purified and returned to the watercourse.







As Munksjö's operations are energy intensive, initiatives during the year have focused on improving energy efficiency and also on reducing emissions to water and air. COD and CO_2 emissions decreased during the year by 6 and 3 per cent respectively per ton produced paper.

Ambassadors for the company's core values

Munksjö has developed and delivered products of world-leading quality for over 150 years. Results are attained by offering safe and stimulating workplaces which are based on the Group's core values and which focus on health and safety, competence development and diversity.

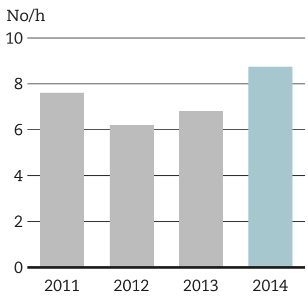
Health and safety
8 of 12 production facilities are currently certified in accordance with the international occupational health and safety standard OHSAS 18001:2007. Certification processes are ongoing at other production facilities.

Munksjö's occupational health and safety policy describes the Group's main targets together with concrete measures to attain the targets.

During 2013 an extensive analysis was conducted of the company's production facilities, which resulted in a new programme for health and safety. Implementation work on the programme started during 2014. An important part of the action plan is knowledge sharing and the spread of good examples within the organisation, for example, through regular network meetings with everyone who works with health and safety in the Group and through shared safety audits of the workplaces.

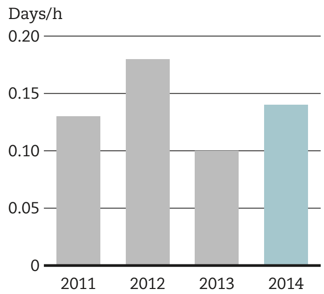
Behaviour Based Safety (BBS) is an important part of the company's safety work and Munksjö's target is that all employees should be trained within BBS. During the year basic training was conducted at the production facilities Jönköping and Aspa

Accident frequency[1)]



The accident frequency increased to 8.8 in 2014, partly because the total number of working hours has declined since 2012.

Accident's degree of severity[2)]



1) (Number of accidents resulting in at least one day of absence from work / Total hours worked in the company during the actual period) * 1,000,000

2) (Number of days of absenteeism due to accidents / Total hours worked in the company during the actual period) * 1,000

Safety first

Munksjö's targets

- No accidents resulting in lost work time.
- All production facilities should be certified in accordance with OHSAS 18001:2007.
- Incorporate health and safety as an important part of the business and operation of the facilities. All employees should be trained within Behaviour Based Safety and should comply with the Group's policy and other rules for health and safety at the workplace.
- As a minimum, comply with local laws, regulations, and recommendations from authorities, and if they are insufficient, to act according to Munksjö's practice.

Bruk in Sweden. The training shows good results.

Competence development

Right knowledge and competence among employees is important to retain the position as a world-leading manufacturer of advanced paper products.

Munksjö has developed internal training programmes. One example is the programmes M+ for managers and prospective managers. Four training modules are conducted during a calendar year comprising of leadership, communication, project management, problem-solving, career coaching and strategy. An important element of the training is networking with other participants and exposure to the rest of the organisation and company management. After the programme has ended, each participant gets a mentor and the opportunity to be one of the trainers who will work with future programmes. Participants of the programmes are important ambassadors of the company's core values and developers of the corporate culture.

After the business combination with Ahlstrom's business area Label and Processing, Munksjö has worked to develop a group-wide training policy. Harmonisation of the Group's training opportunities and how follow-up should take place will be concluded in 2015.

Share of women and men, %

	Total	Board	Key Management
Men	85	71	80
Women	15	29	20

Age distribution, %

	Total	Board	Key Management
–29	9	0	0
30–49	54	43	40
50–	37	57	60

Diversity

A non-discriminatory corporate culture based on responsibility and competence contributes to Munksjö's positive development. Women and men of different ages and with different origin, background and experiences should be given the same opportunity for development within the company.

Employees

At the end of the year, Munksjö had 2,905 (2,893) employees, corresponding to 2,765 (2,216) full-time employees. The average age of Munksjö's employees is 45 years with an average term of employment of 18 years. Staff turnover for the Group as a whole is low and amounted to approximately 2 per cent. Absence due to illness was 4.7 per cent in 2014.

Laurent Roche receiving the award from Rune Årnäs

Safety Award 2014

In 2014 the first network meeting for all Health and safety managers in the Group was conducted. In connection with the meeting, the first Munksjö Safety Award was awarded to the production facility La Gère in France.

Training in Brazil

The production facility in Jacarei in Brazil has been highlighted during the year for its preventative safety work. In 2013 and 2014, the operations did not have any accidents resulting in lost work time.

“

We are particularly proud of the comprehensive commitment for the sustainability issue which we as a Group take. That Munksjö’s mills have environmental certification as well as health and safety certification shows how important these issues are for us. The certifications provide us with a good base for the work we envisage ahead of us.

Rune Årnes, *Vice President Corporate Projects and Health & Safety*

Rune Årnäs, Wagno Carvalho, Siegfried Sailer and Francis Judong at HSE meeting in Dettingen, Germany.

For Munksjö’s GRI index, please see www.munksjo.com/sustainability

Munksjö for investors

The objective of Munksjö's financial communication and investor relations is to provide relevant, open and prompt information on Munksjö as an investment.

Shares and shareholders

Share information

The trading in Munksjö Oyj's share commenced on the Mid Cap segment of Nasdaq Helsinki on 7 June 2013 and on the Mid Cap segment of Nasdaq Stockholm on 8 December 2014. Munksjö Oyj has one share series and all shares carry one vote each and have equal rights. The trading code of the share is MUNK1 on Nasdaq Helsinki and MUNK1S on Nasdaq Stockholm. The share is traded in euros in Helsinki and in Swedish krona in Stockholm. The ISIN-code is the same on both exchanges, FI4000048418.

At the end of 2014 the total number of shares was 51,061,581 and the share capital entered in the trade register was EUR 15,000,000. There were no changes to the number of shares or the share capital in 2014.

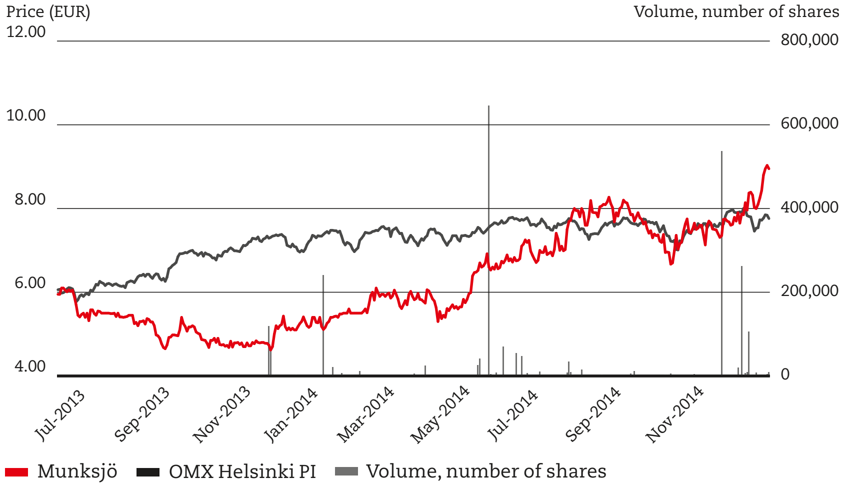
Munksjö did not hold any own shares in 2014.

Share development in 2014

In 2014, the price of the Munksjö share increased by 66% on Nasdaq Helsinki, while the index Nasdaq OMX Helsinki (OMXHPI) rose by 6% and the OMX Helsinki Mid Cap (OMXHMCPI) by 2%. During 2014, that consisted of 250 trading days, the trading volume was 24,551,000 (2,540,515) shares, equivalent to a turnover of EUR 167,525,209 (12,160,016). The daily average trading volume was 98,204 (17,891) shares and the volume-weighted average share price was EUR 6.92 (4.89). The highest share price was EUR 9.03 (6.10) and the lowest EUR 5.11 (4.62). On the last trading day, 30 December 2014, the share price was EUR 8.95 (5.40) and the corresponding market capitalisation was EUR 457.0 million (275.7).

In 2014, the price of the Munksjö share increased by 12% on the share's 14 trading days on Nasdaq Stockholm. The trading volume was 1,229,597 shares, equivalent to a turnover of SEK 95,620,490. The daily average trading volume was 87,828 shares and the volume-weighted average share price was SEK 77.77. The highest share price was SEK 86.25 and the lowest SEK 76.25. On the last trading day, 30 December 2014, the share price was SEK 85.50.

Share price development and turnover, Nasdaq Helsingfors (7 June 2013–30 December 2014)



Munksjö's share is also traded on alternative exchanges, such as BATS Chi-X, however the trading volume on these alternative exchanges was marginal.

Board authorisations

Information on the Board's authorisation to repurchase and distribute the company's own shares is available in the Board of Director's report.

Shareholders

At the end of 2014, Munksjö had 11,258 shareholders registered in Euroclear Finland Ab and 311 shareholders registered in Euroclear Sweden AB. The largest shareholders were Viknum AB with a holding of 11.40% of total shares and share capital, the Ahlström Capital Group with a holding of 11.05% and Ahlstrom Abp with a holding of 9.40%.

Munksjö on the capital markets

Munksjö publishes annually three interim reports, one Financial Statements Bulletin and one Annual Report as well as stock exchange and press releases. Stock exchange releases provide information on news that could affect the share price while press releases provide information on business-related news or other news of general interest to stakeholders of the company.

In 2014 the IR team, consisting of Munksjö's CEO, CFO, Senior Vice President HR and Communications and IR Manager, continued the active dialogue with capital market representatives initiated in 2013.

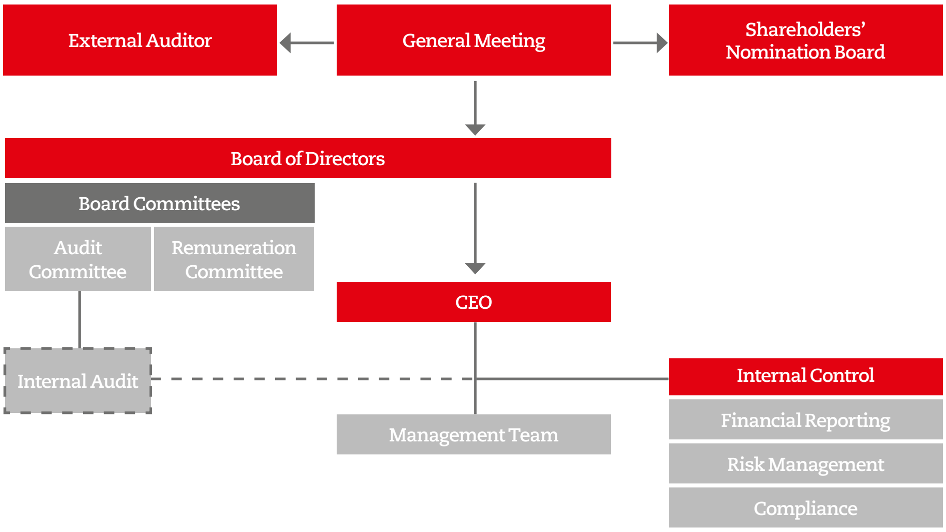
A capital markets day for analysts and investors was held in Stockholm on November 20, 2014.

More information

Further information on Munksjö as an investment, share price developments and shareholders is available on the investor website at www.munksjo.com/investors. See also pages 58 and 100 in this report.

Corporate governance 2014

Corporate governance structure



Munksjö Oyj ("Munksjö" or the "Company") is a Finnish public limited liability company, the shares of which are listed on Nasdaq Helsinki and, since 8 December 2014, on Nasdaq Stockholm. In its corporate governance, Munksjö complies with applicable laws and regulations, including without limitation, the Finnish Limited Liability Companies Act (624/2006, as amended), the Finnish Securities Markets Act (746/2012), the rules of Nasdaq Helsinki as well as the Company's Articles of Association. In addition, Munksjö complies with the Finnish Corporate Governance Code issued by the Securities Market Association in 2010 ("Finnish Code"). The Finnish Code is available at www.cgfinland.fi. The Company does not deviate from any of the recommendations of the Finnish Code. The Company also complies with the Swedish Corporate Governance Code ("Swedish Code"), which entered into force on 1 February 2010, with the exceptions listed in Appendix 1 of this Corporate Governance Statement. The deviations are due to the differences between the Swedish and Finnish legislation, governance code rules and practices and the fact that the Company follows the rules and practices in Finland. The Swedish Code is available on the Internet website www.corporategovernanceboard.se.

Munksjö's Corporate Governance Principles have been approved by the Board of Directors of Munksjö.

This statement has been prepared in accordance with Chapter 7, Section 7 of the Securities Markets Act and Recommendation 54 of the Finnish Code. The statement has been reviewed by the Company's Audit Committee and checked by the Company's auditor. This statement is presented as a separate report from the Board of Director's Report.

Corporate Governance Structure

Munksjö's governance is based on a clear division of duties between the General Meeting, the Board of Directors and the CEO.

General Meeting

The General Meeting is Munksjö's highest decision-making body and normally convenes once a year. Its tasks and procedures are defined in the Finnish Limited Liability Companies' Act and the Company's Articles of Association. Certain important matters, such as amending the Articles of Association, adoption of the Financial Statements, approval of the dividend, election of the members of the Board of Directors and the auditors fall within the sole jurisdiction of the General Meeting.

The General Meeting is convened by the Board of Directors. The Annual General Meeting shall be held within six (6) months of the end of the financial year. An Extraordinary General Meeting shall be held whenever the Board of Directors deems necessary, the auditor of the company or shareholders with at least 10 per cent of the shares so demand in writing in order to deal with a given matter, or if this is otherwise required by law.

The General Meeting handles the matters presented on the agenda by the Board of Directors. According to the Finnish Companies Act a shareholder may also request that his/her proposal be handled at the next General Meeting. Such a request shall be made in writing to the Company's Board of Directors at the latest on the date specified by the Company on its website. The request is always deemed to be on time, if the Board of Directors has been notified of the request no later than four (4) weeks before the delivery of the notice of the General Meeting.

According to the Company's Articles of Association notices of the General Meetings are published on the company's website no earlier than three (3) months and no later than three (3) weeks prior to the General Meeting. The notice shall in any event be published no later than nine (9) days before the record date of the General Meeting. In addition, the Board of Directors may decide to publish the notice in full or in part in an alternative manner as it deems appropriate. The notice shall contain information on the matters to be handled at the General Meeting and other information required under the Companies Act and the Finnish Code.

The notice of the General Meeting, documents to be submitted to the General Meeting (e.g. financial statements, report by the Board of Directors, auditor's report) and the resolution proposals to the General Meeting are made available on the company's website at least three (3) weeks before the General Meeting.

The minutes of the General Meeting are published on the Company's website within two (2) weeks after the General Meeting. In addition, the decisions of the General Meeting are also published by means of a stock exchange release immediately after the General Meeting. The documents related to the General Meeting are available on the company's website at least for a period of three (3) months after the General Meeting.

Shareholders may attend a General Meeting either in person or by proxy. Notification regarding attending a meeting must be made by the date mentioned in the notice to the General Meeting. Only shareholders, who are registered in Munksjö's shareholders' register maintained by Euroclear Finland Ltd on the record date (i.e. eight [8] working days before the General Meeting) are entitled to attend a General Meeting. Holders of nominee registered shares may be registered temporarily in said shareholders' register and therefore, they are advised to request from their custodian banks necessary instructions regarding such temporary registration and the issuing of proxy documents. A proxy representative shall produce a dated proxy document or otherwise in a reliable manner demonstrate his/her right to represent the shareholder.

The Board of Directors may decide that the shareholders may participate in the General Meeting by post or telecommunications or by other technical means.

Munksjö has one series of shares. Each share has one vote in all matters dealt with by a General Meeting. A shareholder shall have the right to vote at the General Meeting, if he/she has registered to participate in the meeting by the date specified in the notice to the General Meeting, which date shall not be earlier than ten (10) days before the meeting. A shareholder may at the General Meeting vote with different shares in a different manner and a shareholder may also vote with only part of his/her shares. The Articles of Association of Munksjö include no redemption clauses or voting limitations.

Most resolutions by the General Meeting require a simple majority of the votes cast at the meeting. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. However, there are several matters, which according to the Companies Act require a two-third (2/3) majority of the votes cast and of the shares represented at the meeting.

The Annual General Meeting was held on 2 April 2014 with 131 shareholders of the company represented in the meeting.

Shareholders' Nomination Board

Based on the proposal by the Board of Directors, the Annual General Meeting on 13 March 2013 resolved to establish a Shareholders' 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 Board committees and the Nomination Board.

According to the charter of the Nomination Board, it shall comprise 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 the company held by Euroclear Finland Ltd and the register of shareholders held by Euroclear Sweden AB. However, holdings by a shareholder who, under the Finnish Securities Market Act, has the obligation to disclose its shareholdings (flagging obligation) that are divided into several funds or registers, will be summed up when calculating the share of all the voting rights, provided that such shareholder presents a written request to that effect to the chairman of the company's Board of Directors no later than on 30 May preceding the next Annual General Meeting.

Further, 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 company's Board of Directors no later than on 30 May preceding the Annual General Meeting. Should a shareholder not wish to use its nomination right, the right transfers to the next largest shareholder who would otherwise not have a nomination right.

The shareholders have appointed the following three (3) members as their representatives in the Nomination Board: Thomas Ahlström, chairman (appointed by Ahlstrom Capital Oy and others), Alexander Ehrnrooth (appointed by Vimpu Intressenter Ab and Belgrano Investments Oy) and Christian

Sinding (appointed by EQT). The Chairman of the board Peter Seligson and Caspar Callerström will act as expert members of the Nomination Board. All members of the Nomination Board are independent of the company and are non-executive. Since its appointment in June 2014, the Nomination Board has held three (3) meetings.

In those meetings the Nomination Board discussed the performance of the board members inter alia based on the self-assessment made by the Board of Directors and assessed the competencies required in the Board of Directors in Munksjö. In addition, the Nomination Board reviewed the compensation level of the members of the Board of Directors based on bench marking with other companies in Munksjö's peer group.

As a consequence of EQT's exit as a shareholder in Munksjö Oyj, in accordance with the charter of the Nomination Board, Christian Sinding resigned from the Nomination Board on 11 December. On the same date the Nomination Board in accordance with the discretion provided to it in its charter decided not to complement the composition of the Nomination Board as a consequence of Mr. Sinding's resignation. The Nomination Board also decided on 13 January, 2015 to make a technical change to its charter according to which when determining the three largest shareholders in the company those shares registered in Euroclear Sweden will also be taken into account.

On 13 January 2015 the Nomination Board proposed to the Annual General Meeting to be held on 15 April 2015 that the number of board members would be decreased to six (6) and that of the current members of the Board of Directors, Peter Seligson, Sebastian Bondestam, Fredrik Cappelen, Alexander Ehrnrooth, Hannele Jakosuo-Jansson and Elisabet Salander Björklund, would be re-elected.

The Board of Directors

The Board's role is to manage the company's business in the best possible way and in its work protect the interests of the company and its shareholders. In accordance with the Articles of Association of Munksjö, the Board of Directors shall consist of a minimum of four (4) and a maximum of eight (8) members elected by the General Meeting. The members of the Board of Directors shall be appointed for one year at a time. The Shareholders' Nomination Board prepares a proposal on the composition of the Board to the Annual General Meeting for its decision.

Munksjö's Board members shall be professionally competent and as a group have sufficient knowledge of and competence, inter alia, in the company's field of business and markets. The majority of the directors shall be independent of the company. In addition, at least two of the directors shall be independent of significant shareholders of the company.

The Board has general authority to decide on and act in any matters not reserved by law or under the provisions of the Articles of Association to any other governing body of the company. The Board of Directors is responsible for the management of the company and its business operations. Additionally, the Board is responsible for the appropriate arrangement of the bookkeeping and financial administration.

The operating principles and main duties of the Board of Directors have been defined in the Procedural Rules for the Board of Directors and include, among other things, to:

- establish business objectives and strategy,
- appoint, continuously evaluate and, if required, remove the CEO from office,
- ensure that there are effective systems in place for monitoring and controlling the Group's operations and financial position compared to its stated objectives,
- ensure that there is satisfactory control of the company's compliance with laws and other regulations applicable to the company's operations,
- ensure that guidelines to govern the company's and the Group's ethical conduct are adopted, and
- ensure that the company's external disclosure of information is marked by openness and is correct, timely, relevant and reliable, by way of, among other things, adopting a communication policy.

The Board of Directors makes a self-assessment of its performance, practices and procedures annually.

The Annual General Meeting held on 2 April 2014, confirmed the number of board members to be seven (7). Sebastian Bondestam, Caspar Callerström, Fredrik Cappelen (vice chairman), Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Elisabet Salander Björklund and Peter Seligson (chairman) were elected board members. Information on the board members and the shareholdings are set forth at the end of this statement and at pages 40–41.

At the date of the Annual General Meeting, all board members were independent of the company in addition to which Sebastian Bondestam, Fredrik Cappelen, Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Elisabet Salander

Board of Directors' and Committees' attendance 2014

Member	Board member since	Board	Audit Committee	Remuneration Committee
Peter Seligson	2012	8/9		4/4
Fredrik Cappelen	2013	9/9		3/4
Sebastian Bondestam	2013	9/9	7/7	
Hannele Jakosuo-Jansson	2013	9/9		4/4
Elisabet Salander Björklund	2013	8/9	7/7	
Caspar Callerström	2014	7/8		
Alexander Ehrnrooth	2014	8/8	6/6	
Jarkko Murtoaro	Resigned 2014	1/1	1/1	

[1] Due to changes in ownership structure in December 2014, Peter Seligson and Alexander Ehrnrooth are only independent of the company. Peter Seligson is not independent of the company's significant shareholder AC Invest Five B.V., a subsidiary of Ahlström Capital Oy, and Alexander Ehrnrooth is not independent of the company's significant shareholder Viknum AB, a subsidiary of Virala Oy Ab. Caspar Callerström is independent of both the company and its significant shareholders.

Björklund and Peter Seligson were independent of the significant shareholders of the company.

In 2014, the Board convened nine (9) times, including one (1) meeting held as telephone meetings. The attendance of the individual board members is set forth in the table above.

Board Committees

The Board annually appoints an Audit Committee and Remuneration Committee and may also appoint other permanent committees if considered necessary at its organization meeting following the Annual General Meeting. The composition, duties and working procedures of the committees shall be defined by the Board in the charters confirmed for the committees. The committees regularly report on their work to the Board.

Audit Committee

The Audit Committee consists of at least three (3) members, all of which shall be Board members who are independent of the company and shall have the qualifications necessary to perform the responsibilities of the committee. At least one member shall be independent of the significant shareholders and at least one member shall have expertise specifically in accounting, bookkeeping or auditing. All members of the committee shall be versed in financial matters.

According to its charter, the Audit Committee assists the Board in fulfilling its supervisory responsibilities and also prepares certain accounting and auditing matters to be handled by the Board. In addition, the Audit Committee makes recommendations for the election and removal of the external auditors and for their compensation and approves the external auditors' audit plan based on the auditors' proposal. Among its other duties, the Audit Committee reviews and monitors the financial reporting process, the efficiency of the system of internal control and risk management, and the audit process.

On 2 April 2014, the board appointed two committees, the Audit Committee and the Remuneration Committee. The members of the Audit Committee are from said date Elisabet Salander Björklund (chair), Sebastian Bondestam and Alexander Ehrnrooth. All members of the Audit Committee are independent of the company and Elisabet Salander Björklund and Sebastian Bondestam are independent of its significant shareholders. All have expertise in accounting, bookkeeping or auditing and are versed in economic and financial issues. The attendance of the individual committee members is set forth in the table above.

Remuneration Committee

The Remuneration Committee consists of at least three (3) members, all of which shall be Board members who are independent of the company. Representatives of the company's senior management may not be members of the committee.

According to its Charter, the Remuneration Committee assists 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.

On 2 April 2014, the board appointed two committees, the Audit Committee and the Remuneration Committee. The members of the Remuneration Committee are from said date Peter Seligson (chairman), Fredrik Cappelen and Hannele Jakosuo-Jansson. All members of the Remuneration Committee are independent of the company and non-executive members. The attendance of the individual committee members is set forth in the table above.

CEO

The CEO of Munksjö is appointed by the Board. The CEO is in charge of the day-to-day management of the company. The duties of the CEO are governed primarily by the Finnish Companies Act. The CEO leads the operational activities and prepares information and decisions to support the Board and presents his findings at Board meetings.

In accordance with the Finnish Companies Act, the CEO has a right to decide himself on certain urgent matters which otherwise would have required a board decision.

Jan Åström is the CEO of the company. Biographical details of the CEO and his shareholdings are set forth at the end of this statement.

Management Team

The Management Team consists of the CEO, functional managers and business area managers. The members of the Management Team are proposed by the CEO and appointed by the Board. The members of the Management Team report to the CEO.

The CEO, CFO and functional leaders meet with the Business Area leaders and other Business Area management monthly to discuss the business areas' performance and financial status. In addition, the Management Team meets to discuss issues concerning group performance, strategy, budget, forecasting, business development and other matters relating to the Group. In accordance with the policies and guidelines established by the Board, group functions are responsible for business development, distribution of financial resources between the Group's operations, capital structure and risk management. Their duties also include matters concerning group-wide research and development, acquisitions and disposals, purchasing coordination, consolidated financial reporting, Human Resources, internal and external communications, IT, legal matters and coordination and monitoring of safety, environmental, occupational health and quality and some major projects.

At the end of 2014, the Management Team consisted of ten members. The composition of the Management Team, biographical details, the areas of responsibility of its members and the members' shareholdings in the company are described at the end of this statement.

Remuneration

The remuneration of the members of the Board of Directors, the Board committees and the Shareholders' Nomination Board is decided by the Annual General Meeting of Munksjö based on a proposal by the Shareholders' Nomination Board.

The Board of Directors decides on the remuneration of the CEO based on a proposal by the Remuneration Committee and on the remuneration of the senior executives based on a proposal by the CEO, which is reviewed by the Remuneration Committee.

In accordance with the Finnish Code the company publishes its Remuneration Statement on the company's website.

Auditor

The main function of the statutory audit is to verify that the financial statements provide true, accurate and sufficient information on the Munksjö Group's performance and financial position for the financial year. The Munksjö Group's financial year is the calendar year.

The auditor's responsibility is to audit the correctness of the Group's accounting in the respective financial year and to provide an auditor's report to the General Meeting. In addition, Finnish law requires that the auditor also monitors the lawfulness of the company's administration. The auditor reports to the Board of Directors at least once a year.

According to the Articles of Association, Munksjö shall have one auditor, which shall be an audit firm authorised by the Central Chamber of Commerce.

The Audit Committee prepares a proposal on the appointment of Munksjö's auditors, which is then presented to the AGM for its decision. The compensation paid to the auditors is decided by the AGM and assessed annually by the Audit Committee.

KPMG Oy Ab (KPMG) was appointed the auditors of the company on 2 April 2014. KPMG has designated Sixten Nyman, APA, as the responsible auditor. The company's subsidiaries are subject to local auditing under local regulations which are conducted by representatives of KPMG's network in each country, except for Munksjö Italia S.p.A., which is audited by PWC.

The fees of the statutory audit in 2014 were EUR 0.4 million in total in the Group. Other fees charged amounted to EUR 0.1 million. The other fees were primarily related to tax advice.

Risk management

Munksjö Group has a Risk Management Policy, which is approved annually by the Board of Directors. The policy sets out the principles for the risk management process as well as the division of the responsibilities and reporting within the Group.

The Board of Directors is responsible for the risk oversight within the Group and CEO is responsible for assessing and reporting the Group's consolidated risk exposure to the Board of Directors.

Munksjö's risk management process consists of risk identification, risk assessment, risk response and risk control. The risks are primarily identified by the units in accordance with the Group Risk Management Principles and Guidelines. The different units are required to update their risk evaluation at least once a year, in connection with the annual budgeting process.

The risk management process is also embedded in the internal controls framework and Munksjö's process level control structure has been created by using a risk-based approach to define the individual control points.

Internal control and risk management systems in relation to financial reporting

The Board of Directors and the CEO have the overall responsibility for the internal controls. The CEO is responsible for ensuring that processes and procedures are available to safeguard the internal controls and quality in financial reporting. The structure and steering documents in the form of policies, guidelines and instructions provide the basis for ensuring the maintenance of quality in the internal controls and financial reporting. The business segments/areas and group functions are responsible for applying these policies and guidelines to achieve efficient and appropriate controls on the basis of their individual circumstances and operational contexts.

The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to assure compliance with applicable laws and regulations.

The internal control framework has been created using a risk based approach and it includes elements from the framework introduced by the Committee of Sponsoring Organizations (COSO). There are five principle components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. As most of the financial procedures are carried out at the unit level, also a large part of the controls is carried out at the unit level.

Detailed financial reports are produced each month, on both a business area and Group level. The company's primary reporting segments are based on the Company's business areas: Decor, Release Liners, Industrial Applications, Graphics and Packaging and Other (HQ and group eliminations/adjustments). An important part of the Group's internal control process are the meetings, which are held within each business area, where the CEO, CFO, functional management and the group controller, together with the operational management of the business area, review the month's outcome in comparison with projections, etc. At these meetings, reviews and analysis are carried out on, among other things, the market situation, order bookings, earnings trend, cash flow and tied-up capital. In addition, improvement measures are initiated, if any.

Financial reporting is carried out in a harmonized manner in all Group companies. Munksjö's accounting principles are based on the International Financial Reporting Standards (IFRS). In addition to IFRS, more specific group policies and guidance are provided in Munksjö accounting manual (Corporate Manual). Munksjö's Finance function is responsible for maintaining the company's accounting policies and reporting systems, and also performs monitoring to ensure that these reporting policies are followed. The Group's business segments are consolidated at the Group Finance function.

The performance of Munksjö is reviewed regularly at different organizational levels. The Group Internal Control function adheres to the Internal Control Charter, approved by the CEO and reviewed by the Audit Committee, which stipulates the mission and scope of work for this function. The Group Internal Control function visits the Company's businesses to perform operational reviews and to monitor compliance with internal control procedures, policies and guidelines according to an agreed plan.

During 2014, the internal control activities have been focused on reviewing the process flow documents and initiating updates thereof to meet the Group's requirements. The Internal Control function has performed such reviews in eight units during 2014.

The new Group reporting system (HFM) taken into use in 2013 is now in full use and has improved the efficiency of reporting and the control environment.

During the year, the administrative functions of the French mills La Gère, Rottersac and Stenay have been developed and personnel has been recruited, which has brought more closeness to the business and strengthened control. As a result, the service relating to accounting purchased from Ahlstrom Corporation has been discontinued for all other units than the Italian legal unit.

Internal Audit

Munksjö does not presently have a separate internal audit function, as the company's organisation and size do not justify a separate internal audit function. The Audit Committee and Munksjö Finance function annually define one or more audit themes over and above the statutory auditing requirements. The findings are reported by the statutory auditors to the Audit Committee and Munksjö management. Munksjö's Audit Committee is currently reviewing how internal control is to be organised in the future.

Compliance

It is the policy of Munksjö to comply throughout the organization with all applicable laws and regulations and to maintain an ethical workplace for its officers and employees as well as an ethical relationship with its customers, suppliers and other business partners. Compliance training was held in eight locations in six countries during 2014.

In its insider administration Munksjö follows the Guidelines for Insiders issued by Nasdaq Helsinki complemented by the company's own Insider Rules approved by the Board. The company maintains its public and company-specific insider registers in the SIRE system of Euroclear Finland Ltd.

In accordance with the law, Munksjö's public insiders include the members of the Board (and their deputies, if any), the CEO and his deputies (if any), the auditor responsible for the audit of the company. In addition, based on a decision made by Munksjö's Board of Directors, the Management Team is also included in the public register. Munksjö's register of company-specific permanent insiders includes individuals who are defined by the company and who have regular access to inside information due to their position in the company.

According to Munksjö's Insider Rules, persons listed as permanent insiders shall always obtain a prior approval for trading in the company's securities from the company's Insider Officer. Said permanent insiders may not in any event trade in the company's securities after the end of each calendar quarter until the day after the publication of the (quarterly) interim report or annual result (Closed Window). The Closed Window shall, however, always include at least the thirty-day period immediately preceding the publication of the (quarterly) interim report or annual result and the date of publication of such report.

A project-specific insider register is also maintained when required by law or regulations. Project specific insiders are prohibited from trading in the Company's securities until the termination of the project.

Board of directors' shareholding (MUNK1) 31 December 2014

Member	Title	Shares	Total
Peter Seligson	Chairman	310,652	522,671
Controlled corporations:			
Baltiska Handel A.B.		199,269	
Ocean Schooners Oy		12,750	
Fredrik Cappelen	Vice chairman	7,138	7,138
Elisabet Salander Björklund	Board member	2,200	2,200
Sebastian Bondestam	Board member	1,591	1,591
Caspar Callerström	Board member	–	–
Alexander Ehrnrooth	Board member	1,000	5,823,074
Controlled corporations:			
Viknum Ab		5,820,000	
Vessilä Oy Ab		2,074	
Hannele Jakosuo-Jansson	Board member	–	–

Management Team's shareholding

Member	Title	Shareholding (MUNK1) 31 December 2014
Jan Åström	President and CEO	12,833
Kim Henriksson	Executive Vice President and CFO	7,177
Åsa Fredriksson	Senior Vice President HR and Communications	3,849
Anna Bergquist	Senior Vice President Strategic Development	5,381
Gustav Adlercreutz	Senior Vice President and General Counsel	4,475
Daniele Borlatto	Executive Vice President and President Release Liners	4,283
Christian Mandl	Business Area Manager Manufacturing Decor	4,300
Norbert Mix	Business Area Manager Sales and Marketing Decor	888
Dan Adrianzon	President Industrial Applications	4,275
Roland Le Cardiec	President Graphics and Packaging	4,406

Appendix

- ▸ Refers to the Finnish Code

Due to differences between the Swedish and Finnish legislation, governance code rules and practices, Munksjö Oyj's Corporate Governance deviates from the Swedish Code in the following aspects:

Rule 1.4

The company's nomination committee1) is to propose a chair for the annual general meeting. The proposal is to be presented in the notice of the meeting.

- ▸ According to Finnish annual general meeting practice, the chairman of the board opens the meeting and proposes the chair, who is normally an attorney-at-law.

Rule 1.5

The shareholders' meeting is to be conducted in Swedish and the material presented is to be available in Swedish. If the ownership structure warrants it, and it is financially feasible, the company is to offer simultaneous interpretation into other relevant languages, as well as translation of all or parts of the meeting documentation.

- ▸ The meeting is conducted in Finnish and partly in Swedish. The meeting materials are available in Finnish, Swedish and English.

Rule 1.7

The minutes of the latest annual general meeting and any subsequent extraordinary shareholders' meetings are to be posted on the company's website. It is not necessary to publish the register of voters from the meeting or any attachments containing such information. The minutes are also to be translated from Swedish into any other language warranted by the ownership structure, providing this is financially feasible.

- ▸ The minutes of the general meeting are in Finnish.

Rule 2.1

The nomination committee is to propose candidates for the post of chair and other members of the board, as well as fees and other remuneration to each member of the board. The nomination committee is also to make proposals on the election and remuneration of the statutory auditor.

- ▸ The nomination board1) makes proposals to the shareholders' meeting, in accordance with its charter. As the chairman of the board, in accordance with the Finnish Companies' Act and Articles of Association of the company, is elected by the board, the nomination board cannot propose the chairman. The audit committee prepares the proposals on the election and remuneration of the statutory auditor in line with the Finnish Code.

Rule 2.6

When the notice of the shareholders' meeting is issued, the nomination committee is to issue a statement on the company's website explaining its proposals regarding the board of directors with regard to the requirements concerning the composition of the board contained in Code rule 4.1. If the outgoing chief executive officer is nominated for the post of chair, reasons for this proposal are also to be fully explained. The following information on candidates nominated for election or re-election to the board is to be posted on the company's website:

- The candidate's age, principal education and work experience,
- any work performed for the company and other significant professional commitments,
- any holdings of shares and other financial instruments in the company and any such holdings owned by the candidate or the candidate's related natural or legal persons,
- whether the nomination committee, in accordance with Code rules 4.4 and 4.5, deems the candidate to be independent of the company and its senior management, as well as of major shareholders in the company. Where circumstances listed respectively in paragraph 2, bullets 1 to 7 of 4.4 and the first sentence in paragraph 2 of 4.5 exist, the nomination committee is to justify its position regarding candidates' independence,
- in the case of re-election, the year that the person was first elected to the board.
- ▸ Under the Finnish Code, the nomination board does not issue a statement explaining the composition of its proposal regarding the board of directors unless it deviates from the Finnish Code. The share ownership of the candidates or related persons and companies are only published once the candidate has been elected board member.

Rule 6.1

The chair of the board is to be elected by the shareholders' meeting.

- ▸ According to the Finnish Companies' Act, the chair of the board is elected by the board if not otherwise stated in the company's Articles of Association or otherwise decided when the board is elected.

Rule 9.1

The board is to establish a remuneration committee, whose main tasks are to

- prepare the board's decisions on issues concerning principles for remuneration, remunerations and other terms of employment for the executive management,
- monitor and evaluate programmes for variable remuneration, both ongoing and those that have ended during the year, for the executive management, and
- monitor and evaluate the application of the guidelines for remuneration that the annual general meeting is legally obliged to establish, as well as the current remuneration structures and levels in the company.
- ▸ According to Finnish law, the remuneration of the CEO and management is the responsibility of the Board of Directors. The guidelines and information on remuneration is presented in this Corporate Governance Statement and on the company's website in the Remuneration Statement.

Rule 9.7

The shareholders' meeting is to decide on all share and share-price related incentive schemes for the executive management.

- ▸ The incentive plans are established by the board of directors. If the plan includes issuing new shares, options or repurchase of shares or disposal of shares, such disposal, issuance or repurchase of shares will be subject to shareholders approval or authorization. Currently the board has an authorization to repurchase shares and dispose of them.

Rule 10.2

As well as the items stipulated by legislation, the following information is to be included in the corporate governance report if it is not presented in the annual report:

- the composition of the company's nomination committee. If any member of the committee has been appointed by a particular owner, the name of this owner is also to be stated,
- the information on each member of the board that is required by Code rule 2.6,
- the division of work among members of the board and how the work of the board was conducted during the most recent financial year, including the number of board meetings held and each member's attendance at board meetings,
- the composition, tasks and decision-making authority of any board committees, and each member's attendance at the respective committee's meetings,
- for the chief executive officer:
  - age, principal education and work experience,
  - significant professional commitments outside the company, and
  - holdings of shares and other financial instruments in the company or similar holdings by related natural or legal persons, as well as shareholdings and part ownership in enterprises with which the company has significant business relations,
- any breaches during the last financial year of the regulation at the exchange where the company's shares are listed for trade or by good practice on the share market in accordance with a decision by respective exchange's disciplinary committee or statement by the Swedish Securities Council.
- ▸ Under the Finnish Code, shareholdings in companies with which the company has significant business do not have to be reported.

Rule 10.3

The company is to have a section of its website devoted to corporate governance matters, where the company's three most recent corporate governance reports are to be posted, together with that part of the audit report which deals with the corporate governance report or the auditor's written statement on the corporate governance report. The corporate governance section of the website is to include the company's current articles of association, along with any other information required by the Code. It is also to include up to date20 information regarding

- members of the board, the chief executive officer and the statutory auditor,
- a description of the company's system of variable remuneration to the board and executive management, and of each outstanding share- and share-price related incentive scheme. No later than two weeks before the annual general meeting, the board is also to report the results of the evaluation required by bullets two and three of Code rule 9.1 on the company's website.
- ▸ According to the Finnish Code, the audit committee or some other competent committee shall review the Corporate Governance Statement. The auditors shall check that the statement has been issued and that the descriptions of the main features of the internal control and risk management systems related to the financial reporting process included in it is consistent with the financial statement. The incentive plans are established by the board of directors. If the plan includes issuing new shares or repurchase of shares or disposal of shares, such disposal, issuance or repurchase of shares will be subject to shareholders approval or authorization. Currently the board has an authorization to repurchase shares and dispose of them.

1) The Swedish Code uses the term nomination committee while in Finland the term nomination board is used for nomination bodies appointed by the shareholders.

Board of Directors

Peter Seligson
Chairman of the Board

Born: 1964
Citizenship: Finnish
Member of the Board since: 2012
Current position: Partner, Seligson & Co Oyj
Chairman of the Board: Aurajoki Oy, Broadius Partners Ltd, Herculia Oy Ab
Board memberships: Ahlstrom Capital Oy
Other positions of trust: Chairman of Skatte- och Företagsekonomiska Stiftelsen; Member, Folkhälsan
Previous positions: Board Member, Ahlstrom Corporation 2001–2014; Managing Director, Alfred Berg Finland 1991–1997; Head of Sales and Trading, Arctos Securities 1987–1991
Education: Lic. oec. (HSG)

Independent of the company, dependent of significant shareholders

Fredrik Cappelen
Vice chairman of the Board

Born: 1957
Citizenship: Swedish
Member of the Board since: 2013
Current position: Partner, Cappelen Invest AB
Chairman of the Board: Byggmax Group AB, Dometic AB, Terveystalo Oy, Dustin AB, Sanitec Oy
Board memberships: Securitas AB
Previous positions: Chairman and Board member, Munksjö AB 2005–2014; Chairman, Granngården 2009–2013; Chairman, Svedbergs AB 2008–2010; President and CEO, Nobia AB 1994–2008; Board member, Cramo Oy 2008–2011; Board member, Carnegie Investment Bank AB 2009–2012
Education: M. Sc. in Business Administration

Independent of the company and significant shareholders

Sebastian Bondestam
Board member

Born: 1962
Citizenship: Finnish
Member of the Board since: 2013
Current position: President, Uponor Infra Ltd
Board memberships: –
Previous positions: Board member, Ahlstrom Corporation 2001–2013; various executive positions, Tetra Pak Group 1991–2006
Education: M. Sc. in Engineering

Independent of the company and significant shareholders

Caspar Callerström
Board member

Born: 1973
Citizenship: Swedish
Member of the Board since: 2014
Current position: Partner, EQT Partners AB
Board memberships: Sanitec Corporation, Scandic AB, Crown Topco Limited
Previous positions: Head of EQT Equity, EQT Partners AB 2007–2013
Education: Studies in Business Administration at the Stockholm School of Economics

Independent of the company and significant shareholders

Alexander Ehrnrooth

Board member

Born: 1974
Citizenship: Finnish
Member of the Board since: 2014
Current position: President and CEO, Virala Oy Ab
Chairman of the Board: Aleba Corporation, Belgrano Idiomas Oy
Vice Chairman of the Board: Fiskars Corporation
Board memberships: –
Previous positions: Board member Wärtsilä Corporation
Education: M. Sc. in Economics, MBA

Independent of the company, dependent of significant shareholders

Hannele Jakosuo-Jansson

Board member

Born: 1966
Citizenship: Finnish
Member of the Board since: 2013
Current position: SVP Human Resources and Safety, Neste Oil Corporation
Board memberships: Tekes, the Finnish Funding Agency for Technology and Innovation 2011–2014
Previous positions: Laboratory and Research Manager at the Technology Center, Neste Oil Corporation 1998–2004; Vice President, Human Resources at Oil Refining, Neste Oil Corporation 2004–2005
Education: M. Sc. in Engineering

Independent of the company and significant shareholders

Elisabet Salander Björklund

Board member

Born: 1958
Citizenship: Swedish
Member of the Board since: 2013
Current position: CEO, Bergvik Skog AB
Board memberships: Mistra, SweTree Technologies AB, Firefly AB, Cellutech AB, Marcus Wallenberg Prize Foundation
Previous positions: EVP, Stora Enso Oyj and member of Stora Enso's Group Executive team 2005–2010; Board member, Claes Ohlson AB 2000–2010
Education: M. Sc. in Forestry

Independent of the company and significant shareholders

Management

Kim Henriksson
Executive Vice President and CFO
Born: 1968
Citizenship: Finnish and Swedish
Previous positions: Senior Vice President and CFO, Munksjö AB 2010–2013; Morgan Stanley in London and Stockholm 1994–2008, most recently as Managing Director within M&A; previously employed at Merita Corporate Finance, Helsinki
Board memberships: –
Education: M. Sc. in Economics

Jan Åström
President and CEO
Born: 1956
Citizenship: Swedish
Previous positions: President and CEO, Munksjö AB 2008–2013; President and CEO, SCA AB 2002–2007; Deputy CEO, SCA AB 2000–2002; CEO, Modo Paper AB 1999–2000
Board memberships: SEKAB AB; Sydved AB; ECO Development; Swedish Forest Industries Federation
Education: M. Sc. in Chemical Engineering

Gustav Adlercreutz
Senior Vice President and General Counsel
Born: 1957
Citizenship: Finnish
Previous positions: Senior Vice President, General Counsel, Ahlstrom Corporation 2001–2013; General Counsel, Ahlstrom Paper Group Oy 1996–2001; various positions within Ahlstrom 1984–1996
Board memberships: Chairman of the Board of Soldino Oy; Vice chairman, The English Tearoom Ab; Board member, Mannerheim Foundation
Education: LL.M.

Åsa Fredriksson
Senior Vice President HR and Communications
Born: 1972
Citizenship: Swedish
Previous positions: Senior Vice President HR and Communications, Munksjö AB 2007–2013; Group Controller, Munksjö Sweden AB; Controller, Munksjö Paper AB; Controller, Swedish Match Industries AB; employed at Munksjö since 1999
Board memberships: –
Education: Bachelor in Economics

Anna Bergquist
Senior Vice President Strategic Development
Born: 1980
Citizenship: Swedish
Previous positions: Senior Vice President Strategic Development, Munksjö AB 2010–2013; Engagement manager at McKinsey 2005–2010
Board memberships: –
Education: M. Sc. in Industrial Economy

Christian Mandl

Business Area Manager Manufacturing Decor

Born: 1949
Citizenship: German
Previous positions: Business Area Manager, Manufacturing Decor, Munksjö AB 2011–2013; Director, Corporate Manufacturing 2006–2011; Mill Manager, Unterkochen and Technical Director, PWA Dekor/Munksjö Decor 1989–2006; Head of Technical Department, Unterkochen 1983–1989; Project Engineer 1974–1983
Board memberships: –
Education: M. Sc. in Mechanics

Daniele Borlatto

Executive Vice President and President Release Liners

Born: 1969
Citizenship: Italian
Previous positions: Executive Vice President, Label and Processing, Ahlstrom Corporation 2011–2013; Senior Vice President, Release & Label Papers; Member of Corporate Executive Team in 2007–2010; employed at Ahlstrom 1990–2013
Board memberships: –
Education: Studies in Business and Administration

Norbert Mix

Business Area Manager Sales and Marketing Decor

Born: 1957
Citizenship: German
Previous positions: Business Area Manager Sales and Marketing Decor, Munksjö AB 2011–2013; President and CEO of Munksjö Inc, USA; Sales and Technical Director, Technocell Decor Canada and USA; Technical Director Munksjö Decor Inc, USA; Head of Technical Customer Support, PWA Dekor, Germany
Board memberships: –
Education: M. Sc. in Finance and Forestry Economics

Dan Adrianzon

President Industrial Applications

Born: 1960
Citizenship: Swedish
Previous positions: Group Chief Controller, Munksjö AB; Interim CEO and CFO, Munksjö Aspabruk AB (business area Specialty Pulp); Interim CFO, Munksjö Arches in France; employed at Munksjö since 1998
Board memberships: –
Education: Bachelor in Business Administration and Economics and Mechanical Engineer from Technical High School

Roland Le Cardiec

President Graphics and Packaging

Born: 1957
Citizenship: French
Previous positions: Vice President Thin Print paper, Fine Art paper and E2P, Munksjö AB 2011–2013; Vice President Thin Print paper, EMEA Projects Manager, China Platform General Manager, ArjoWiggins 2003–2011; various positions at ArjoWiggins 1988–2003; Production Manager, R&D Manager, Le Nickel SLN (Eramet) 1981–1988
Board memberships: –
Education: Ingénieur Civil des Mines (M. Sc. in Engineering)

Risk and risk management

Munksjö is exposed to a number of risks, which may significantly affect the group. In this section, the most important factors that may affect Munksjö's capabilities to reach the goals set for the Group, and the means of dealing with them, are briefly described. Munksjö is actively trying to reduce the effects of these risk factors through preventive measures. When preventive measures are not viable, the risk can be hedged or insured. Many of the risk/factors mentioned below can have both positive and negative effects on Munksjö. The processes of dealing with risks are overseen by the Board of Directors and the Audit Committee, and managed on the operational level by the CEO, key management, and other employees. A further description of the risk management can be found in the section Corporate governance.

OPERATIONAL RISKS

Risk of variations in market prices and volumes for Munksjö's products

Munksjö's products are generally dependent on the economic cycle in terms of both price and volume development. The global economic development (GDP) in the world affects Munksjö's business.

Changes in population and urbanisation affect all business areas, while the economic situation in different industries affects the Group's business areas in different ways. Among other things, Decor is affected by construction activity, Release Liners by the transportation and distribution industries, Industrial Applications by the automotive and steel industries as well as infrastructure investments. Graphics and Packaging is affected by, for example, the food industry.

Interchangeable materials and products that can replace Munksjö's products, as well as new producers who establish themselves within Munksjö's product areas, can also impact both price and volume. Competition from existing suppliers may also affect Munksjö. Weaker margins may entail review of reported goodwill and asset values.

Munksjö works continuously and in an integrated manner with its customers to provide flexible and customised product solutions. In addition, the Group is working on the development of production and process efficiency in order to align the cost structure to offset the negative impact that lower market prices have on operating result.

Risk of damages at the facilities

Munksjö has production facilities located in several countries in Europe and Brazil as well as a smaller facility in China. Production takes place in a chain of processes where possible disruptions or interruptions at any stage can cause production loss, which can result in delivery problems.

Ongoing maintenance and investment in replacements are an essential part of ensuring the operation of the facilities. Munksjö prevents disruptions and interruptions by having well-developed controls and procedures, maintenance plans and personnel training. In addition, there is a long history of systematic ongoing work to improve safety in the production facilities, see the section Sustainability. The facilities are insured by leading insurance companies, which conduct annual inspections and provide suggested improvement measures. The insurance policies also cover any possible reduction in coverage contributions.

Risk of failure of the integration processes

Munksjö's strategy to partially grow through acquisition means that acquisition integration occurs from time to time. It is essential that the company can realise the synergies that are expected to arise as a result of such acquisitions.

As a consequence of the business combination of Munksjö and Ahlstrom's Label and Processing business, there was substantial integration work being carried out in order to realise the expected synergies. The work was carefully followed with detailed plans and activities and the outcome was reported, quarterly in Munksjö's Interim Reports and Financial Statement Bulletin.

Risk of customer dependence and customer credit

Munksjö has approximately 2,000 customers throughout the world. The ten largest customers account for 25–30% of the Group's net sales. Within certain business areas the concentration is higher. If Munksjö cannot meet the demands of its largest customers, and if the customers do not fulfill their payment obligations, this can affect the Group negatively.

Customers are mainly processors of speciality papers such as printers, impregnation companies, label manufacturers, special steel manufacturers, abrasive paper manufacturers and manufacturers of packaging. For all these customer categories, it is important to have long-term relationships in terms of service, quality and development. In order to reduce dependence on a limited number of customers, efforts are being made to expand the customer base.

Customer credit varies depending on market and product. The Group has well-developed principles for customer credit management with weekly follow-up by the Treasury department at the head office.

At the end of 2014, accounts receivable totalled MEUR 114.6. The average credit period was 42 days. A portion of the sales, corresponding to an average of MEUR 68 of accounts receivable, has been credit insured and sold to financiers so that earlier payment can be received. The Group's total credit losses in 2014 totalled MEUR 0.4.

Customers structure and customer credit

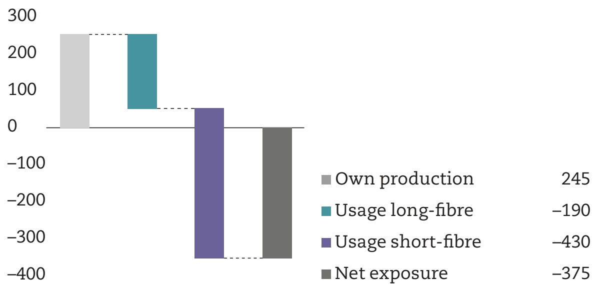
MEUR	2014	2013	2012
Accounts receivable not due	103.1	116.5	73.2
Receivables overdue			
< 30 days	10.1	10.5	5.8
30–90 days	0.8	0.3	0.9
> 90 days	0.6	1.4	0.7
Receivables overdue	11.5	12.2	7.4
Total accounts receivable	**114.6**	**128.7**	**80.6**

Risk of variation in pulp price

Wood pulp accounts for a significant portion of the manufacturing cost of specialty papers, and therefore, price changes affect the Group's result.

The bulk of the used wood pulp in Munksjö's manufacturing is short-fibre pulp, which is mainly purchased from South America. In 2014, a total of 430,000 tonnes of short-fibre pulp and 190,000 tonnes of long-fibre pulp were consumed. Exposure is reduced by 245,000 tonnes of the company's own production of long-fibre pulp. The used wood pulp corresponds with pulp prices at the end of the year with a value of more than MEUR 450. The cost for pulp in 2014 corresponded to 41% of the Group's operational costs.

Production and consumption of pulp



Risk of availability of wood and wood price risk

Supply of fresh wood fibre is essential to the Group's production of wood pulp. The market price of wood may vary over time and affects the Group's result from pulp manufacturing.

Munksjö buys the bulk of the wood and wood chips from Sydved, a joint venture wood procurement company with Stora Enso as well as a smaller part directly from local forest owners. Prices are affected by the demand from the paper and cardboard industries as these are consumers of pulp and the price of wood is affected by the price of pulp and other paper products. The use of sawn timber and wood used for burning, for electricity and heat production, may indirectly affect pulpwood prices. The price of raw wood material during the year was relatively stable. In 2014, 1,161,000 m^3 (1,140,000), corresponding to a value of MEUR 53.3, was purchased. The wood and wood chips represent 5% of the Group's operational costs.

Risk of variation in the price and the supply of other raw materials and services

Other raw materials and services than wood and energy are used in the manufacture of Munksjö's products. The supply may be affected by the suppliers' manufacturing capabilities and competing sectors' needs of a specific product. The market price of wood may vary over time and affect the Group's result.

An important raw material for Munksjö is titanium dioxide, which previously demonstrated major price fluctuations, but in recent years has stabilized after an improved supply situation. Other raw materials include latex and various chemicals, and in addition, machine cloth, packaging material and transport services are purchased whose price movements are also relevant. During the year, prices remained relatively stable.

For purchases, there is a structured method to ensure that the procurement process is complete and systematically designed. Munksjö's procurement organisation, which is coordinated centrally, includes nine different categories in which employees from each business area contribute with expertise to achieve the best result.

Price risk

MEUR	2014
Pulp +5%	–8.4
Energy +5%	–5.2
Titanium dioxide +5%	–5.5

Risk of variation in energy prices

Energy costs represent a significant portion of the production costs. Munksjö mainly consumes electricity, oil and gas. Higher energy prices could result in an increase in the Group's operating costs and impact operating result negatively.

Munksjö has a number of facilities with its own production of energy in order to reduce dependence on external deliveries. The Group produced about 22% of its energy needs in 2014. During 2014 the value of the energy consumed corresponded to MEUR 104, representing 9% of the Group's operational costs. Munksjö also hedges about 50% of the electricity consumption for the Swedish units.

Key employees

In certain cases, Munksjö is dependent on individual key employees. If the company is unable to recruit and retain key employees, this could have an adverse effect on the company.

The company operates in a high-tech industry where qualified and experienced employees within production operations are an important competitive advantage. Munksjö's ability to retain and recruit employees who have relevant qualifications is important for the company's future development. Development programs are conducted to ensure a base for internal recruitment of future leaders and specialists. See also section Sustainability.

Changed remuneration or salary costs

Personnel costs represent a significant cost item. Costs are primarily regulated in collective agreements and salary-related fees and taxes.

Munksjö acts in accordance with the labour market agreements and in recent years, labour costs have increased by about 3% annually. Personnel costs represent 18% of the operational costs. There is a continuous follow-up of the units' processes to ensure a competitive business.

Risk of safety-related accidents or illnesses (Health and Safety)

Munksjö has a large material flow with many advanced manufacturing operations. A deviation from the established processes or inaccurate dealings can lead to dangerous incidents. Any accidents or illnesses can mean delays and quality issues and thus have a negative effect on the performance.

Good and safe working environments are a prerequisite for attracting employees and also to enhance efficiency.

The Group conducts extensive work to continue to strengthen occupational health and safety and to implement continuous improvements. For health and safety applies a zero-tolerance perspective. See description in section Sustainability.

Environmental risk, and the renewal of the production and emission permits

Munksjö's production results in emissions to air and water as well as waste to landfill, and also generates noise.

The Group's activities require permits and are also regulated by environmental legislation. The trend is moving toward more stringent and less flexible environmental regulations. For example, the Industrial Emissions Directive within the EU means common sectorial emission limits, where the limits are set based on what is considered possible to achieve using the best available technology and not taking into account local conditions. This may result in new investments or other actions to meet future requirements. Environmental legislation also requires that the operator who caused the environmental damage has a strict and loyal responsibility to rectify and compensate for the damages and losses suffered. This also applies to properties that the company no longer owns or carries out operations in.

All production facilities have certified management systems for the environment, quality and energy. There are environmental functions within the facilities that monitor and develop the local environmental efforts. In addition, they manage contacts with certifiers and supervisory authorities. Cooperation also takes place between the production facilities in order to use the best knowledge regarding environmental issues.

For more information on the topic see section Sustainability.

Legal risks

Munksjö has operations in many countries, and sometimes disputes can not be avoided in the daily operations.

Munksjö is involved in several legal actions, disputes, claims for damages and other procedures. The result of these cannot be predicted, but with respect to all the information that was available at the end of 2014, the results are not expected to affect the company's financial position to any significant extent.

FINANCIAL RISKS

Risk of changes in currency (transaction exposure)

Changed exchange rates for income and costs may affect Munksjö results or non-current assets' acquisition value positively and negatively. The Group's presentation currency is EUR. The net currency exposure is relatively limited and is mainly related to USD and SEK. The majority of operating expenses are in EUR. The main exceptions are production costs in Sweden and Brazil. Pulp, chemicals and freight are primarily based on USD.

To reduce the effects of currency exposure Munksjö hedges parts of the net flows in USD and SEK for the upcoming 9-month period. Munksjö's operative entities are affected by the rates applicable at any given time in order to achieve a continuous adjustment of the commercial conditions to the existing currency situation. The operating entities are monitored on operating margin excluding the result effects of currency hedging. The Group's financial policy states that 65–85% of the forecasted net flow in the upcoming 9-month period shall be hedged.

At the end of 2014, the notional value of currency contracts not yet recognised in the income statement amounted to MEUR 89.3. The market value of outstanding forward contracts at 31 December 2014 was MEUR –2.9. For more details on the currency exposure, see note 27.

Risk of exchange rate fluctuations in translation of subsidiaries into EUR (translation exposure)

Munksjö is exposed to changes in exchange rates when the financial statements of foreign subsidiaries are translated into EUR.

Munksjö's assets in foreign currencies are primarily SEK and BRL. The equity is affected at the translation of equity of subsidiaries' with other functional currencies. The translation effect during 2014 amounted to MEUR 5.7 and is recognised in other comprehensive income.

The risk of being unable to access / maintain funding and liquidity

Difficulty in raising new loans or significantly increased borrowing costs combined with insufficient liquidity may affect the ability to meet payment obligations. The access to additional financing will depend on several factors, including market conditions, the general availability of credit and Munksjö's credit rating and credit capacity.

To ensure that the Group has access to external financing the financial policy states that the loan portfolio should be allocated to multiple lenders and distributed maturing over time where at least 50% shall have a term in excess of one (1) year. In 2014 there was a refinancing of the Group's term loan facilities and revolving credit facility totalling MEUR 345 with a term of five years. The loan has a lower interest expense than before. Munksjö's interest-bearing net debt at 31 December was MEUR 225.6 (229.3). A consortium of three banks account for the loan.

The risk of price changes in interest rate

The interest rate risk consists of the profit and loss effect caused by an interest rate fluctuation. The speed with which an interest rate trend will impact the profit or loss depends on the fixed interest terms of the loan and investments.

To achieve a cost-efficient financing and avoid excessive impact on profit and loss of a large negative change in interest rates the financial policy states that the loan portfolio shall have an average fixed interest term of 24 months with a tolerance of +/–12 months. To comply with the financial policy interest term, interest rate swaps are used to change the time factor. If the Group's entire loan portfolio was at floating interest rate the result effect of an interest rate change of one (1) percentage point would be MEUR 3.0 based on liabilities of MEUR 295 at year-end. The Group's average interest rate term was approximately 27 months at year-end. At the end of 2014 MEUR 240 was hedged. For more details see note 27.

Risk relating to transactions with financial counterparties

Munksjö is adversely affected if the counterparties in financial transactions cannot fulfill their obligations.

To avoid this risk Munksjö's financial policy states how any excess liquidity may be invested, and that careful monitoring is done. In 2014, there were no losses. Munksjö's maximum credit risk exposure corresponds to the fair values of the financial assets, in accordance with note 23.

The risk that the financial and operational reporting is inaccurate / misleading

A misleading reporting can lead to wrong decisions / actions, which in turn may affect the company's results.

The Group has control functions at unit level as well as at business area and Group level. Reporting is governed by a common regulatory framework in a common system, and continuous cooperation / exchange takes place within the controller organisation concerning working methods, development and necessary controls.

Pro forma information

On 28 August 2012 a business combination agreement for the purpose of combining Munksjö AB and Ahlstrom Corporation's Label and Processing business in Europe and in Brazil into Munksjö Oyj was signed.

The following table presents pro forma financial information to illustrate the financial impact of the combination. This information is presented for illustrative purposes only. The pro forma statement of the comprehensive income for the year 2012 and 2013 has been compiled assuming that the combination had been completed on 1 January 2012.

Information on how the pro forma information is compiled is described in the Financial Statements Bulletin 2013, published on 13 February 2014.

Pro forma segment information

MEUR	Full year 2013	Oct–Dec 2013	Jul–Sep 2013	Apr–Jun 2013	Jan–Mar 2013	Full year 2012	Oct–Dec 2012	Jul–Sep 2012	Apr–Jun 2012	Jan–Mar 2012
Pro forma Net sales										
Decor	368.2	89.9	86.8	95.5	96.0	368.4	99.6	90.2	91.3	87.3
Release Liners	432.8	96.8	105.3	118.6	112.1	467.2	110.4	115.3	123.1	118.4
Industrial Applications	158.0	42.3	35.6	42.1	38.0	148.2	37.0	33.5	40.6	37.1
Graphics and Packaging	175.9	40.4	41.2	47.0	47.3	178.4	43.4	43.1	45.8	46.1
Eliminations and other	–14.6	–4.2	–3.8	–3.6	–3.0	–7.6	–1.9	–1.1	–2.7	–1.9
Group	**1,120.3**	**265.2**	**265.1**	**299.6**	**290.4**	**1,154.6**	**288.5**	**281.0**	**298.1**	**287.0**
Pro forma EBITDA										
Decor	26.3	2.1	5.5	9.4	9.3	29.8	8.3	7.0	6.1	8.4
Release Liners	21.2	4.8	6.5	4.5	5.4	34.2	11.0	5.8	10.2	7.2
Industrial Applications	14.7	4.9	1.7	4.5	3.6	11.7	1.3	1.2	4.9	4.3
Graphics and Packaging	–7.0	–6.0	–2.2	–0.6	1.8	2.6	2.2	–0.6	0.3	0.7
Eliminations and other	–12.9	–4.8	–1.7	–4.5	–1.9	–39.5	–1.7	–4.8	–5.2	–27.8
Group	**42.3**	**1.0**	**9.8**	**13.3**	**18.2**	**39.8**	**21.1**	**8.6**	**16.3**	**–6.2**
Non-recurring items by segment										
Decor	7.4	6.6	0.5	–	0.3	0.5	0.3	–	0.2	–
Release Liners	2.7	1.9	0.6	0.2	–	1.5	–	–	–	1.5
Industrial Applications	1.3	0.8	0.0	0.5	–	0.4	0.2	0.2	–	–
Graphics and Packaging	6.4	5.5	0.9	–	–	1.1	–	–	–	1.1
Eliminations and other	4.0	1.0	0.3	2.3	0.4	34.3	1.7	4.4	1.9	26.3
Group	**21.8**	**15.8**	**2.3**	**3.0**	**0.7**	**36.8**	**2.2**	**4.6**	**2.1**	**27.9**
Pro forma EBITDA excluding non-recurring items										
Decor	33.7	8.7	6.0	9.4	9.6	30.3	8.6	7.0	6.3	8.4
Release Liners	23.9	6.7	7.1	4.7	5.4	35.7	11.0	5.8	10.2	8.7
Industrial Applications	16.0	5.7	1.7	5.0	3.6	12.1	1.5	1.4	4.9	4.3
Graphics and Packaging	–0.6	–0.5	–1.3	–0.6	1.8	3.7	2.2	–0.6	0.3	1.8
Eliminations and other	–8.9	–3.8	–1.4	–2.2	–1.5	–5.2	0.0	–0.4	–3.3	–1.5
Group	**64.1**	**16.8**	**12.1**	**16.3**	**18.9**	**76.6**	**23.3**	**13.2**	**18.4**	**21.7**
Delivered volume, metric tonnes										
Decor	174,800	42,800	41,500	45,900	44,600	166,500	45,500	41,200	40,900	38,900
Release Liners	497,530	116,575	127,692	126,600	126,663	520,882	126,243	128,293	133,223	133,123
Industrial Applications	81,500	20,900	18,500	21,800	20,300	76,100	18,500	17,700	20,500	19,400
Graphics and Packaging	145,602	32,700	33,600	40,700	38,602	142,289	34,196	33,894	37,457	36,742
Eliminations and other	–14,100	–4,100	–3,000	–3,900	–3,100	–8,400	–2,000	–2,000	–2,500	–1,900
Group	**885,332**	**208,875**	**218,292**	**231,100**	**227,065**	**897,371**	**222,439**	**219,087**	**229,580**	**226,265**

Financial report 2014

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Board of Directors' report 2014

Strong result and completed integration project

Highlights for 2014

In terms of volumes, the year 2014 was positive, showing an increase of about 2 per cent as compared to the previous year. For the business areas Decor, Release Liners and Industrial Applications, the total volume growth was approximately 3 per cent. The volume development within Graphics and Packaging has been affected by the continuous work with adjusting the product mix to strengthen the business area's competitiveness.

Net sales were EUR 1,137.3 (863.3) million. The substantial increase in net sales was primarily due to the business combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing completed in 2013.

Adjusted EBITDA was EUR 105.0 (55.0) million and the adjusted EBITDA margin was 9.2% (6.4%). The positive result development is primarily due to the synergy benefits, volume growth and a lower cost base. Operating result adjusted for non-recurring items was EUR 51.0 (15.7) million. Non-recurring items amounted to EUR –5.6 (–49.1) million.

Operating result was EUR 45.4 (–33.4) million and net result EUR 7.7 (–57.4) million. Net result was affected by a previously capitalised financing cost of EUR 7.1 million, expensed in connection with the repayment of the existing financing in the third quarter of 2014. The cost had no impact on cash flow.

Earnings per share (EPS) were EUR 0.14 (–1.97). Interest-bearing net debt at the end of the reporting period was EUR 225.6 million (31 December 2013: 229.3), equivalent to a gearing of 54.5% (31 December 2013: 54.1%). Operating cash flow was EUR 57.8 (45.7) million.

The project team responsible for the monitoring of the integration efforts and synergy benefits brought the project to conclusion by December 2014, one year ahead of schedule.

Trading in Munksjö's shares on Nasdaq Stockholm started on Monday 8 December 2014. The purpose of the secondary listing is to facilitate trading in Munksjö's shares for both current and new shareholders.

The Board of Directors proposes to the AGM that EUR 0.25 per share be paid to the shareholders as return of equity from the reserve for invested non-restricted equity.

A global leader in specialty paper

Munksjö Oyj was formed when the Swedish company Munksjö AB and the business area Label and Processing of the Finnish company Ahlstrom Corporation were combined during 2013. The company consists of four business areas: Decor, Release Liners, Industrial Applications and Graphics and Packaging. The business areas are also the reporting segments.

In addition to the financial result for the reporting period, the report contains pro forma financial information of the business combination. As the combination was completed during 2013, pro forma information is only prepared up until the fourth quarter 2013. This information is presented for illustrative purposes only. Further information on how the pro forma information was compiled is available in the Financial Statements Bulletin 2013, published on 13 February 2014.

Synergy benefits and integration

At the end of 2014, the annual synergy benefits run rate derived from the business combination reached EUR 26 million, exceeding the previously communicated target of EUR 20–25 million. Of the annual synergy benefits arising from the business combination, procurement accounted for about 50 per cent, improved organisational efficiency for about 40 per cent while the rest was achieved through economies of scale and production efficiency.

The result for 2014 includes realised synergies of EUR 23.0 million. The project team responsible for monitoring the integration efforts and synergy benefits brought the project to conclusion by December 2014, one year ahead of schedule.

The non-recurring costs for implementing the integration and achieving the synergy benefits were lower than estimated with a one-off revenue of EUR 1.5 million recognised in the fourth quarter. As a result, the total non-recurring items were EUR 10.0 million, representing the lower end of the previously communicated range of EUR 10–15 million. The cash flow effect was EUR –0.5 million in the fourth quarter.

The table below shows the quartely developement of synergies, non-recurring items and their impact on cash flow.

MEUR	Annual synergy run rate at the end of the reporting period	Realised synergies in result per quarter	Non-recurring costs per quarter	Cash flow effect of non-recurring costs per quarter
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
Q4/2014	26.0	6.5	–1.5	–0.5

Munksjö Group

Reported

Net sales were EUR 1,137.3 (863.3) million. The substantial improvement in net sales was primarily due to the business combination between Munksjö AB and Ahlstrom Corporation's business area Label and Processing completed in 2013.

EBITDA adjusted for non-recurring items increased to EUR 105.0 (55.0) million and the adjusted EBITDA margin was 9.2% (6.4%). The positive result development is primarily due to the synergy benefits, volume growth and a lower cost base.

Non-recurring items amounted to EUR –5.6 (–49.1) million. Of these costs, EUR 1.4 million were related to the work in connection with the Statement of Objections from the European Commission, EUR 1.0 million to previous business combinations, primarily the commitment to pay costs arising from the divestment of certain businesses in Osnabrück, Germany (in connection with the business combination in 2013) and EUR 3.2 million to costs for other reorganisation activities. Of these costs, EUR 2.7 million were related to the reorganisation of the sales organisation, communicated in the fourth quarter 2014.

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were carried out to the same extent as in 2013, with the exception of the business area Graphics and Packaging, where the shutdowns in 2014 at this business area's two production facilities were extended by approximately one week. The extent of the seasonal shutdowns at the end of December is described separately for each business area.

Operating result adjusted for non-recurring items was EUR 51.0 (15.7) million and the adjusted operating margin 4.5% (1.8%). The operating result was EUR 45.4 (–33.4) million and net result EUR 7.7 (–57.4) million.

Net result was affected by a previously capitalised financing cost of EUR 7.1 million, expensed in connection with the repayment of the existing financing in the third quarter of 2014.

Pro forma
Net sales were EUR 1,137.3 (1,120.3) million.

EBITDA adjusted for non-recurring items increased to EUR 105.0 (64.1) million while the adjusted EBITDA margin was 9.2% (5.7%).

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were carried out to the same extent as in 2013, with the exception of the business area Graphics and Packaging, where the shutdowns in 2014 at this business area's two production facilities were extended by approximately one week. The extent of the seasonal shutdowns at the end of December is described separately for each business area.

The result for 2013 included a positive impact on the result of around EUR 3 million which was due to the release of certain accruals related to personnel liabilities.

The market conditions and financial performance of the individual business areas in 2014 are presented below.

Decor business area

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

Reported
Demand remained good throughout the reporting period, resulting in a 3 per cent increase in delivery volumes.

Net sales increased to EUR 374.7 (368.2) million, due to increased volumes. A less favourable geographic mix compared to the corresponding period 2013 and selective price adjustments resulted in a lower average price. The business area has not carried out any general price reductions.

EBITDA adjusted for non-recurring items was EUR 46.2 (33.7) million and the adjusted EBITDA margin was 12.3% (9.2%). The positive result development was mainly due to improved productivity and lower raw material costs, driven, among other things, by the lower price of titanium dioxide and short fibre pulp (BHKP).

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were carried out to the same extent as in 2013. Also the seasonal shutdowns at the end of December were carried out to about the same extent as in 2013.

Operating result adjusted for non-recurring items was EUR 37.1 (21.9) million and the adjusted operating margin was 9.9% (5.9%). Operating result was EUR 35.8 (14.5) million and the operating margin 9.6% (3.9%).

Release Liners business area

In the first five months of 2013, the business area only consisted of Munksjö's pulp production facility in Aspa, Sweden. The part of Label and Processing Europe that primarily produces release papers for example 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 Jacareí (Coated Specialties), Brazil, was included in the Group and business area as of 2 December 2013. The Jacareí production facility delivers coated and uncoated specialty paper grades to the South American market, primarily the Brazilian.

Reported
Net sales increased to EUR 446.0 (249.1) million primarily as a result of the business combination.

EBITDA adjusted for non-recurring items increased to EUR 44.3 (15.7) million and the adjusted EBITDA margin was 9.9% (6.3%).

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were carried out to the same extent as in 2013. The seasonal shutdowns at the end of December were carried out to about the same extent as in 2013, with the exception of the pulp business, where the stop was shorter than in the equivalent period 2013 when the business had a scheduled maintenance stop, as well as for the European paper business, where the stops were somewhat shorter primarily as a result of the increased demand.

Operating result adjusted for non-recurring items was EUR 16.1 (0.4) million and the adjusted operating margin was 3.6% (0.2%). Operating result was EUR 15.3 (–2.5) million and the operating margin 3.4% (–1.0%).

Pro forma
The total volume of deliveries by the business area increased compared to the equivalent period 2013. Delivery volumes were higher for the European paper business and the development was particularly positive for the pulp business and the Brazilian paper business.

The reported net sales increased compared to the pro forma net sales, reaching EUR 446.0 (432.8) million.

Adjusted EBITDA increased to EUR 44.3 (23.9) million and the adjusted EBITDA margin was 9.9% (5.5%). The improved result development was primarily due to the favourable price difference between short and long fibre pulp, the impact of the business combination on the cost base and the continued efforts to cut costs. The average price, net sales and financial result of the Brazilian operations have increased throughout the reporting period, but the weakening of the Brazilian real against the euro negatively impacted the net sales and result translated into euros.

The maintenance shutdown at the Aspa pulp production facility had a negative impact on EBITDA in the second quarter of 2014, in the region of EUR 4 million. As previously communicated, the interval between the maintenance shutdowns at the Aspa facility will be prolonged from 12 to 18 months. However, the next maintenance shutdown will be implemented already in the second quarter of 2015, due to an investment of maintenance nature that has been brought forward, and the change of interval thus enters into force thereafter.

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were carried out to the same extent as in 2013. The seasonal shutdowns at the end of December were carried out to about the same extent as in 2013, with the exception of the pulp business, where the stop was shorter than in the equivalent period 2013 when the business had a scheduled maintenance stop, as well as for the European paper business, where the stops were somewhat shorter primarily as a result of the increased demand.

The result for 2013 included a positive impact on the result of around EUR 1 million which was due to the release of certain accruals related to personnel liabilities.

Industrial Applications business area

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

Reported
Total delivery by the business area increased by 3 per cent compared to the corresponding period 2013. Demand has been good within all the business area's product segments throughout the reporting period, especially the demand for abrasive paper has been strong.

Net sales amounted to EUR 159.2 (158.0) million. The price level has been stable throughout 2014, but the average price was negatively affected by changes in the product mix.

EBITDA adjusted for non-recurring items increased to EUR 24.2 (16.1) million and the adjusted EBITDA margin was 15.2% (10.2%). The positive result development was primarily due to improved capacity utilisation and lower raw material costs.

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were carried out to the same extent as in 2013. The seasonal shutdowns at the end of December were carried out to about the same extent as in 2013.

Operating result adjusted for non-recurring items was EUR 16.7 (8.6) million and the adjusted operating margin was 10.5% (5.4%). Operating result was EUR 16.3 (7.3) million and the operating margin 10.2% (4.6%).

Graphics and Packaging business area

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.

Reported

Net sales were EUR 172.8 (102.4) million.

EBITDA adjusted for non-recurring items was EUR 4.5 (–1.5) million and the adjusted EBITDA margin 2.6% (–1.5%). In 2014 the business area had both positive and negative non-recurring items, resulting in a net effect of EUR 0 million.

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were extended by approximately one week at the business area's two production facilities. The seasonal shutdowns at the end of December were shorter than in December 2013, but some of the stopping days were used for planned test runs connected to the on-going work to adjust the business area's product mix.

Operating result was EUR –1.9 (–12.6) million and the operating margin –1.1% (–12.3%).

Pro forma

Total delivery by the business area decreased compared to the corresponding period 2013 due to the changes in the product mix implemented as part of the programme aiming at a substantial improvement in the business area's financial result.

The reported net sales decreased compared to the pro forma net sales, mainly as a result of reduced delivery volumes, reaching EUR 172.8 (175.9) million. The average price in 2014 increased due to the price increases carried out in 2013 and 2014 and the continued adjustment of the product mix.

Adjusted EBITDA increased to EUR 4.5 (–0.6) million and the adjusted EBITDA margin was 2.6% (–0.3%). The target, communicated in the third quarter of 2014, to achieve an adjusted EBITDA margin in excess of 5 per cent during months when there are no scheduled maintenance shutdowns, was achieved in the fourth quarter.

The annual maintenance and vacation shutdowns in the second and third quarter, during which planned maintenance operations were scheduled, were extended by approximately one week at the business area's two production facilities. The seasonal shutdowns at the end of December were shorter than in December 2013, but some of the stopping days were used for planned test runs connected to the on-going work to adjust the business area's product mix.

The result for the first quarter of 2013 included a positive impact on the result of approximately EUR 2 million as a result of the release of certain accruals for personnel liabilities.

The programme aiming at a substantial improvement in financial result progressed during the year. The improvement is mainly due to cost savings and synergies achieved as a result of the business combination and the programme launched in the third quarter of 2013. The programme includes measures to reduce fixed costs, improve the capacity utilisation rate and strengthen the business area's competitiveness by adjusting the product mix.

The parts of the programme related to staff reductions were brought to a conclusion as planned during the first quarter of 2014 and approved by the relevant authorities in April 2014. The costs and savings related to these measures are included in the estimated synergy costs and benefits. The aim with the programme going forward is to achieve the business area's EBITDA target of 9–10% at the end of 2016.

Balance sheet, financing, cash flow and taxes

Munksjö entered into a EUR 345 million term loan and revolving credit facilities agreement in September 2014 with a maturity of five years. 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 amounts to 150 basis points on the drawn amounts, corresponding to approximately EUR 5 million of reduced financial expenses on an annual basis. In connection with the repayment of the previous financing a previously capitalised financing cost of EUR 7.1 million was expensed. The financing replaced the company's previous EUR 365 million financing agreement signed in May 2013. At the end of the fourth quarter of 2014, the weighted average interest rate was approximately 2.7% (end of fourth quarter 2013: 4.2%).

Interest-bearing net debt amounted to EUR 225.6 million at 31 December 2014 (31 December 2013: 229.3), resulting in a gearing of 54.5% (31 December 2013: 54.1%).

Shareholders' equity at 31 December 2014 amounted to EUR 413.6 million (31 December 2013: 423.8) and total assets decreased to EUR 1,179.5 million (31 December 2013: 1,189.4). The decrease in equity was mainly a result of a translation effect of subsidiary equity to EUR and increased pension obligations as a result of actuarial losses due to lower interest rates.

Net financial items

Net financial items for January–December 2014 amounted in total to EUR –28.5 (–22.9) million, of which EUR 14.0 million is interest rate expenses, EUR 1.9 million is bank fees and the rest is mainly items not affecting the cash flow, including the previously capitalised financing cost of EUR 7.1 million, expensed in connection with the refinancing, and EUR 1.9 million of amortisations of capitalised bank fees. The net financial items for the period include realised interest rate swaps of EUR –0.3 (–0.2) million. At the end of the period, the fair value of unrealised interest rate swaps amounted to EUR –1.2 (–0.ww million.

Hedging

In line with its risk management policy 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 reporting period the fair value of unrealised hedges excluding interest rate swaps amounted to EUR –3.1 (–1.3) million. The operating result for January–December 2014 includes realised hedges of EUR –4.2 (–0.8) million.

Cash flow

The cash flow from operating activities amounted to EUR 57.8 (45.7) million. The cash flow has been affected by EUR 1.4 million for costs incurred in connection with the Statement of Objections from the European Commission, and by EUR 16.2 million relating to the settlement of provisions recorded in 2013. Of these, EUR 8.9 million relate to the commitment to pay costs arising from the divestment of certain businesses in Osnabrück, Germany, required by the European Commission as a condition for regulatory approval. The rest relate to costs for realising synergy benefits and to other provisions such as restructuring activities and environmental commitments. The cash flow used in investing activities amounted to EUR –35.1 (–13.5) million. The new financing has a positive impact on cash flow from the fourth quarter of 2014 onwards.

Capital expenditure

The cash flow related to capital expenditure for 2014 amounted to EUR –35.1 (–22.6) million. The largest investment in 2014 was the installation and start-up of two film presses within the business area Graphics and Packaging's two production facilities in France. The purpose of the investment is to ensure the technical conditions for the development of the business area's product line, and strengthen the competitiveness of the business area in accordance with the program aiming at a substantial improvement in the business area's financial result.

The other investments in January–December 2014 were mainly related to smaller investments for maintenance, for instance in connection with the maintenance shutdown at the Aspa facility in the second quarter of 2014. The comparative figure only includes investments for the acquired operations from 27 May 2013 onwards. The cash flow effect from capital expenditure for fixed assets for 2014 was as expected and amounted to about two thirds of the depreciation level.

Taxes

The income tax charge for the period was EUR –9.2 (–1.1) million representing an effective rate of 54.4% (1.9%). The effective tax rate represents an average of tax costs for profits and tax benefits for losses in certain jurisdictions. The effective rate has been affected by losses generated in low tax jurisdictions and profits generated in higher tax locations.

Employees

The average number of employees (FTE's) for December was 2,764 (2,783) and at the end of December 2014, Munksjö had 2,905 (2,893) employees. The increase in number of employees is a net effect of redundancies resulting from the business combination and new recruitments in 2014. Recruitments were made mainly to replace services previously purchased externally in order to streamline operations and achieve cost savings.

Of Munksjö's total number of employees at the end of December 38% (38%) were employed in France, 21% (21%) in Sweden, 16% (16%) in Germany, 9% (10%) in Italy, 9% (8%) in Brazil, 6% (6%) in Spain and 1% (1%) in other countries. More information about Munksjö's employees is available on page 30.

Long-term share-based incentive programme for senior executives and other key personnel

In May 2014, Munksjö's Board of Directors approved a long-term share-based incentive programme for Munksjö's senior executives and other key personnel, approximately 35 persons. The objective of this plan is to align the company's financial goals with the objectives of its shareholders and management by an incentive plan based on share ownership in the company.

The share plan started in 2014 with a three-year (2014–2016) performance period and potential rewards will be paid after the end of the performance period. Participation requires an initial investment (saving shares) in Munksjö shares by each participant. A maximum number of saving shares is set for each participant. The plan offers a right for a participant to receive one matching share for each saving share and an opportunity to receive a maximum of five performance shares if the performance targets set by the Board are attained. The targets are based on the Group's dividend capacity and share price development compared to a peer group of similar listed companies.

The potential incentives will be paid in Munksjö shares. The programme has a cap maximising the gross reward to an amount corresponding to 300 per cent of the participant's annual base salary. If the targets set for the programme are met in full and the maximum number of saving shares is invested, the maximum gross value of the programme will correspond to approximately 500,000 shares.

31 senior executives and other key personnel have enrolled to the programme. Based on the participants invested number of saving shares, the maximum gross value of the programme, if the targets set for the programme are met in full, will correspond to approximately 410,000 shares. The total cost for the programme will be recognised over the vesting period which ends on 31 December 2016. The expense recorded in personnel costs related to the incentive programme was EUR 0.2 million in the third quarter of 2014, and EUR 0.4 million in the fourth quarter. The total cost for the programme in 2014 was EUR 0.6 million.

Munksjö plans to reorganise its sales organisation

On 10 December 2014 Munksjö announced that the company plans to simplify its sales organisation by reorganising certain sales functions. The reorganisation is subject to consultation and approval processes in accordance with local legislation in the countries affected. The overall model is one customer service hub per business area in Europe, and Group sales offices in Brazil, China, the US and Russia. By moving customer service closer to supply and planning, pooling resources and avoiding sales office costs, Munksjö would improve profitability and the supply chain process would be more efficient.

As a result some regional offices may be closed or have a reduction in the number of employees. The following sales offices would be affected by the changes; Wavre in Belgium, Lingolsheim, Pont Eveque, and Fontenay-sous-Bois in France, Munich in Germany, Legnano and Turin in Italy and Spain.

The number of employees affected by the reorganisation would be approximately 30. The planned reorganisation would commence during 2015 and the expected annual savings are approximately EUR 1–1.5 million of which a majority would be realised by 2016, adding to structural savings in the sales network realized already during 2014.

Product development

Munksjö's four business areas are responsible for their respective product development. Most of this work is carried out in the development centre 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. The significant cost items for raw materials 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.

More information about risks and uncertainty factors related to Munksjö’s business and the company’s risk management can be found on pages 44–47 and on www.munksjo.com.

Shares and shareholders

Secondary listing on Nasdaq Stockholm

Trading in Munksjö’s shares on Nasdaq Stockholm started on Monday 8 December 2014 under the ticker MUNK1S. The share is quoted in Swedish krona. The purpose of the secondary listing is to facilitate trading in Munksjö’s shares for both current and new shareholders. The Munksjö shares will continue to be traded on Nasdaq Helsinki even after the secondary listing. No new shares were issued in connection with the secondary listing. Munksjö prepared a summary document pursuant to the Finish Securities Market Act (Chapter 4, section 9), related to the secondary listing. The document is available in Swedish on the investor website at www.munksjo.com.

Related to the secondary listing, Munksjö Oyj and Skandinaviska Enskilda Banken AB (SEB) have signed a market making agreement that meets the requirements of market making operations by Nasdaq Stockholm. Munksjö has since March 2014 an agreement with Nordea Bank Finland Plc regarding liquidity providing for equity trading on Nasdaq Helsinki.

Share development and shareholders

The Munksjö Oyj share is traded on Nasdaq Helsinki under the trading symbol MUNK1 and as of 8 December 2014 also on Nasdaq Stockholm under the trading symbol MUNK1S. All shares carry one vote each and have equal rights. The share capital of Munksjö Oyj amounts to EUR 15,000,000 and the total number of shares as of 2 December 2013 amounts to 51,061,581. Munksjö did not hold any of its own shares in 2014.

The trading in Munksjö Oyj shares on Nasdaq Helsinki commenced on 7 June 2013 and hence the equivalent period January–December 2013 only comprises trading on Nasdaq Helsinki for 142 trading days. During the reporting period January–December 2014, that consisted of 250 trading days, the trading volume on Nasdaq Helsinki was 24,551,000 (2,540,515) shares, equivalent to a turnover of EUR 167,525,209 (12,160,016). The daily average trading volume during the reporting period was 98,204 (17,891) shares and the volume-weighted average share price was EUR 6.92 (4.89). The highest share price in the reporting period was EUR 9.03 (6.10) and the lowest EUR 5.11 (4.62). On the last trading day of the reported trading period, 30 December 2014, the share price was EUR 8.95 (30 December 2013: 5.40) and the corresponding market capitalisation was EUR 457.0 million (30 December 2013: 275.7). In 2014, the Munksjö share price rose by approximately 66% on Nasdaq Helsinki, while the index Nasdaq OMX Helsinki (OMXHPI) rose by approximately 6 per cent and the OMX Helsinki Mid Cap (OMXHMCPI) by 2%.

The trading in Munksjö Oyj shares on Nasdaq Stockholm commenced on 8 December 2014 and hence there is no comparison period. During the reporting period January–December 2014, that only consists of 14 trading days, the trading volume on Nasdaq Stockholm was 1,229,597 shares, equivalent to a turnover of SEK 95,620,490. The daily average trading volume during the 14 trading days was 87,828 shares and the volume-weighted average share price was SEK 77.77. The highest share price in the reporting period was SEK 86.25 and the lowest SEK 76.25. On the last trading day of the reported trading period, 30 December 2014, the share price was SEK 85.50. In 2014, the Munksjö share price rose by 12% during the 14 trading days on Nasdaq Stockholm.

Munksjö’s share is also traded on alternative exchanges, such as BATS Chi-X, however the trading volume on these alternative exchanges during the reporting period was marginal.

At the end of 2014, Munksjö had approximately 11,258 shareholders registered in Euroclear Finland Ab and 311 shareholders registered in Euroclear Sweden AB. The largest shareholders at the end of 2014 were Viknum AB with a holding of 11.40% of total shares and share capital, the Ahlström Capital Group with a holding of 11.05% and Ahlstrom Abp with a holding of 9.40%. Information about the largest shareholders in Munksjö is available on the investor website at www.munksjo.com. The information is updated on a regular basis.

Capital markets day

On 20 November 2014, Munksjö hosted its first Capital Markets Day. During the event the management team gave further insight to the company’s strategy and business prospects, in particular on how the strategic focus will enable growth and profitability improvement. There were no changes to the previously communicated financial targets and outlook. At the Capital Markets Day, Munksjö presented details on how the profitability target of an EBITDA margin of 12% over a business cycle will be achieved. The drivers for profitability development are; profitable growth, to utilise the position as a market and innovation leader, high product and service quality and increased operational efficiency.

The EBITDA margin target will be achieved through efforts and initiatives including; continued organic growth, reinforced market positions in existing product segments, strengthened positions in emerging markets, continued adjustments of the cost structure and measures to improve efficiency in production, and further develop the technical service offering. The EBITDA margin targets to be achieved by the end of 2016 per business area were presented; 15–16% for Decor, 12–13% for Release Liners, 15–16% for Industrial Applications and 9–10% for Graphics and Packaging.

Flagging notifications

During the reporting period January–December 2014, Munksjö received announcements about major changes with regards to the holdings of the largest shareholders. The flagging notifications are presented below. Regularly updated information regarding the largest shareholders of Munksjö is available on the investor website at www.munksjo.com.

Change in the holdings of Antti Ahlström Perilliset Oy, Ahlström Capital Oy and Ac Invest Five B.V.

On 4 April 2014 Munksjö received a flagging notification from Antti Ahlström Perilliset Oy. According to the announcement, Antti Ahlström Perilliset Oy had as a dividend from Ahlstrom Corporation received 179,798 Munksjö shares and the holding of the company had exceeded the threshold of 5%. According to the announcement, the shares in Munksjö Oyj owned by Antti Ahlström Perilliset Oy would be transferred to Ahlström Capital Oy in the planned demerger of Antti Ahlström Perilliset Oy.

On 28 May 2014 Munksjö received two flagging notifications. According to the announcement from Antti Ahlström Perilliset Oy, a total of 2,587,318 shares owned by the company had through the registration of the demerger of the company on 28 May 2014 been transferred to Ahlström Capital Oy, and the holding had fallen below the threshold of 5%. Antti Ahlström Perilliset Oy did not hold any shares in Munksjö Oyj after the registration of the demerger.

According to the announcement from Ahlström Capital Oy, the shares owned by Antti Ahlström Perilliset Oy had through the registration of the demerger of Antti Ahlström Perilliset Oy been transferred to Ahlström Capital Oy. The holding of Ahlström Capital Oy had through the registration of the demerger exceeded the threshold of 5% and the direct and indirect holding corresponded to 6.79% of Munksjö's shares and voting rights.

On 4 December 2014 Munksjö received two flagging notifications. According to the announcements, the holding of Ahlström Capital Oy in Munksjö had fallen below the threshold of 5% and the holding of its wholly owned subsidiary AC Invest Five B.V. had exceeded the thresholds of 5 and 10%. The direct holding of AC Invest Five B.V. and the indirect holding of Ahlström Capital Oy had increased to 5,637,787 shares, corresponding to 11.04% of Munksjö's shares and voting rights.

Change in the holding of EQT
On 21 May 2014 Munksjö received a flagging notification from Munksjö Guernsey Holding Limited. According to the announcement, the holding of Munksjö Guernsey Holding Limited in Munksjö had fallen below the thresholds of 20 and 15%. According to the announcement Munksjö Luxembourg Holding S.à.r.l. is a subsidiary to Munksjö Guernsey Holding Limited. The parent company of Munksjö Luxembourg Holding S.à r.l. is EQT's fund EQT III. After this change in the holding, the total direct and indirect holding of Munksjö Guernsey Holding Limited corresponded to 11.53% of Munksjö's shares and voting rights.

On 3 December 2014 Munksjö received a flagging notification from Munksjö Guernsey Holding Limited. According to the announcement, the direct and indirect holding of Munksjö Guernsey Holding Limited in Munksjö had fallen below the thresholds of 10 and 5%. According to the announcement, Munksjö Luxembourg Holding S.á r.l. is a subsidiary of Munksjö Guernsey Holding Limited. After this change in the holding, Munksjö Guernsey Holding and Munksjö Luxembourg Holding S.á r.l. do not directly or indirectly hold any shares or voting rights in Munksjö.

Change in the holding of Lannebo Fonder AB
Munksjö Oyj on 21 May 2014 received a flagging notification from Lannebo Fonder AB, according to which the company's holding in Munksjö had exceeded the threshold of 5%. According to the announcement, the direct holding of Lannebo Fonder AB had increased to 3,067,572 shares, corresponding to 6.01% of Munksjö's shares and voting rights.

Change in the holding of Viknum AB and Vimpu Intressenter Ab
On 19 November 2014 Munksjö received a flagging notification from Viknum AB and Vimpu Intressenter Ab. According to the announcement, Viknum AB's direct holding in Munksjö had exceeded the threshold of 10% and the direct holding of Vimpu Intressenter Ab had fallen below the threshold of 5 per cent. According to the announcement, Viknum AB had acquired the total holding in Munksjö of Vimpu Intressenter Ab. As a result of this, the indirect holding of Virala Oy Ab:s had increased to 5,365,000 shares, corresponding to 10.51% of Munksjö's shares and voting rights. According to the announcement, Viknum AB is a wholly owned subsidiary of Atine Group AB and Atine Group AB is a wholly owned subsidiary of Atine Group Oy. Atine Group Oy is a wholly owned subsidiary of Virala Oy Ab. After the acquisition of the shares, Viknum AB is the only subsidiary of Virala Oy Ab that holds shares in Munksjö.

Change in the holding of Ilmarinen Mutual Pension Insurance Company
On 10 December 2014 Munksjö received a flagging notification from Ilmarinen Mutual Pension Insurance Company. According to the announcement the holding of Ilmarinen Mutual Pension Insurance had exceeded the threshold of 5% and increased to 3,055,783 shares, corresponding to 5.98% of Munksjö's shares and voting.

Change in the holding of Ahlstrom Corporation
On 10 December 2014 Munksjö received a flagging notification from Ahlstrom Corporation. According to the announcement the holding of Ahlstrom Corporation had fallen below the threshold of 10% and decreased to 4,800,981 shares, corresponding to 9.40% of Munksjö's shares and voting.

Decisions taken by Munksjö Oyj's Annual General Meeting and the organisational meeting of the Board of Directors

Munksjö Oyj's Annual General Meeting (AGM) was held in Helsinki on 2 April 2014. The AGM adopted the Financial Statements for 2013 and discharged the members of the Board of Directors and the President and CEO from liability for the 2013 financial year.

The AGM resolved that no dividend will be paid for the fiscal year 2013 and 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 AGM, the amount of return being EUR 0.1 per share. The return of equity was paid to shareholders who on the record date of the payment 7 April 2014 were registered in the shareholder register of the company held by Euroclear Finland Ltd. The return of equity was paid to the shareholders on 14 April 2014.

The AGM resolved that the number of Board members be seven. Sebastian Bondestam, Fredrik Cappelen, Hannele Jakosuo-Jansson, Elisabet Salander Björklund and Peter Seligson were re-elected. Caspar Callerström and Alexander Ehrnrooth were elected as new members of the Board.

The AGM resolved to elect KPMG Oy Ab as the company's auditor. KPMG Oy Ab has designated Authorized Public Accountant Sixten Nyman as the Responsible Auditor.

The AGM authorised the Board of Directors to resolve to repurchase and to distribute a maximum of 4,000,000 shares of the company as well as to accept them as pledge in one or more instalments. By virtue of the authorisation, the Board of Directors has the right to resolve to distribute a maximum of 4,000,000 own shares held by the company. The authorisations for the Board of Directors to repurchase the company's own shares, to distribute them as well as to accept them as pledge are valid for 18 months from the close of the AGM but will, however, expire at the close of the next AGM, at the latest.

The organisation meeting of the Board of Directors, which was held immediately after the AGM, elected Peter Seligson as Chairman and Fredrik Cappelen as Vice Chairman of the Board. The Board of Directors appointed two permanent committees, the Audit Committee and the Remuneration Committee. The members of the Audit Committee are Elisabet Salander Björklund (chairman), Alexander Ehrnrooth and Sebastian Bondestam. The members of the Remuneration Committee are Peter Seligson (chairman), Fredrik Cappelen and Hannele Jakosuo-Jansson.

Nomination Board appointed

Munksjö's Nomination Board comprises representatives of the three largest shareholders of the company and, in addition, two expert members: the Chairman of the Board of Directors and a person nominated by the Board of Directors. The Nomination Board prepares proposals to the AGM 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 following three persons have been appointed as representatives in the Nomination Board:

- Christian Sinding (EQT),
- Thomas Ahlström (Ahlström Capital Oy and others) and
- Alexander Ehrnrooth (Vimpu Intressenter Ab and Belgrano Investments Oy).

The Chairman of the Board of Directors Peter Seligson will, according to the charter of the Nomination Board, act as an expert member of the Nomination Board in addition to which the Board of Directors has elected Caspar Callerström as the second expert member of the Nomination Board. The Nomination Board has among its members elected Thomas Ahlström as Chairman.

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 AGM the largest on the basis of the shareholders' register of Munksjö held by Euroclear Finland.

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 who would otherwise not have a nomination right. Ahlstrom Corporation has reserved the right to re-evaluate the situation, should any such changes in the composition of the Nomination Board during its term occur, that according to the charter of the Nomination Board would grant the company a new right to appoint a representative to the Nomination Board. The Nomination Board has been appointed by Munksjö Luxembourg Holding S.à r.l. (EQT) and two groups of shareholders, as described below.

Holdings by a group of shareholders, who have agreed to nominate a joint representative to the Nomination Board, are 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 AGM.

Munksjö has been informed that two such agreements have been made. The first agreement has been made by Antti Ahlström Perilliset Oy, Ahlström Capital Oy, AC Invest Five B.V, Robin Ahlström, Niklas Lund, Johan Gullichsen, Kasper Kylmälä, Michael Sumelius and Carl Ahlström. The second agreement has been made by Vimpu Intressenter Ab and Belgrano Investments Oy.

Christian Sinding, appointed to the Nomination Board of Munksjö Oyj by EQT, resigned on 11 December 2014 from the Nomination Board in accordance with the charter of the Nomination Board. EQT does not as from 4 December 2014 hold any shares in Munksjö. The Nomination Board has in accordance with its charter decided that the composition of the Nomination Board will not be complemented with a new member due to the resignation of Christian Sinding.

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.

Statement of Objections from the European Commission

Munksjö Oyj, Munksjö AB and Ahlstrom Corporation received on 25 February 2014 a Statement of Objections from the European Commission with respect to alleged incorrect or misleading information provided in connection with the merger notification to the European Commission, submitted on 31 October 2012, regarding the business combination of Munksjö AB and Ahlstrom Corporation's Label and Processing business. The combination was completed in two phases during 2013. In October 2014, the European Commission decided to close the proceedings against Munksjö Oyj, Munksjö AB and Ahlstrom Corporation.

Changes in the Management Team of Munksjö

Kim Henriksson, Executive Vice President and Chief Financial Officer, tendered his resignation from Munksjö Oyj in September 2014 to continue his career outside the company. Kim Henriksson will leave Munksjö during the first quarter of 2015 to join Access Partners, an independent financial advisory firm. Pia Aaltonen-Forsell has been appointed as his successor.

Outlook

The demand outlook of specialty paper products for 2015 is stable. The market situation and demand for Munksjö's products are expected to remain stable during the first quarter of 2015 following a seasonally somewhat weaker fourth quarter of 2014. Prices of Munksjö's specialty paper products in local currencies are expected to remain at the same level as in 2014 during the first quarter of 2015.

The annual maintenance and vacation shutdowns in the second and third quarter as well as the seasonal shutdowns at the end of 2015 are expected to be carried out to about the same extent as in 2014.

The business areas will during 2015 continue to work on the ongoing programmes to achieve their respective profitability targets at the end of 2016.

The project aiming to achieve the annual synergy benefits from the business combination was completed in December 2014 and the achieved synergy benefits level of EUR 26 million at the end of 2014 is expected to have a full effect on the financial result for the full year 2015.

The new financing agreement signed in September 2014 is expected to reduce the cost of financing in 2015. At leverage levels and financial ratios at the time of the signing, the annual saving amounts to approximately EUR 5 million of reduced financial expenses. The previously capitalised financing cost of EUR 7.1 million was expensed in 2014. No such cost is expected to occur and affect the result in 2015.

Annual General Meeting 2015

The company's Annual General Meeting will be held on Wednesday, 15 April 2015 at 1 pm EET at the Finlandia Hall in Helsinki.

The Board of Director's proposal to pay dividend

There are no distributable retained earnings in the balance sheet as of 31 December 2014 and the Board of Directors proposes that no dividend will be paid for the fiscal year 2014.

Instead the Board of Directors proposes that the AGM would decide to pay funds from the reserve for invested non-restricted equity as return of equity based on the balance of 31 December 2014 adopted by the AGM, the amount of return being EUR 0.25 per share. The return of equity shall be paid to a shareholder who on the record date of the payment 17 April 2015 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 shareholders on 24 April 2015.

Consolidated key ratios

	2014	2013	2012
Margins (adjusted)			
EBITDA margin, %	9.2	6.4	7.0
Operating margin, %	4.5	1.8	2.8
Return (12 months continuous)			
Return on operating capital, % (adjusted)	7.3	2.8	3.9
Return on shareholders' equity, %	1.8	–10.8	–5.1
Capital structure at period's end			
Operating capital, MEUR	673.2	694.8	413.0
Shareholders' equity, MEUR	413.6	423.8	199.5
Interest-bearing net debt, MEUR	225.6	229.3	217.3
Debt/equity ratio, %	54.5	54.1	108.9
Equity/assets ratio, %	35.1	35.6	29.4
Capital expenditure, MEUR	35.1	22.6	14.8
Employees, FTE	2,765	2,216	1,679
Share information*			
Earnings per share, EUR	0.14	–1.97	–0.89
Dividend per share	0.25**	0.10	n/a
Effective dividend yield, %	2.8	1.9	n/a
Price earnings ratio	63.9	n/a	n/a
Dividend per earnings, %	179	n/a	n/a
Shareholders' equity per share, EUR	8.1	8.3	16.2
Average number of shares	51,061,581	29,228,454	12,306,807

* All dividend calculations are based on return of equity
** Board's proposal subject to shareholder approval

Calculation of key figures

Debt/equity ratio
Interest-bearing net debt divided by shareholders' equity including non-controlling interests.

Dividend per earnings
Dividend per share as a percentage of earnings per share.

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

EBITDA
Operating result before depreciation and amortisation. EBITDA margin EBITDA as a percentage of Net sales.

Effective dividend yield
Dividend per share as a percentage of closing share price.

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

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.

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

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

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

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

Price/earnings ratio
Closing share price divided by earnings per share.

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

Return on operating capital
Operating result as a percentage of operating capital.

Shareholders

Largest registered shareholders as at 31 December 2014*		Number of shares and votes	%
1	Viknum AB	5,820,000	11.40
2	Ahlström Capital Group	5,641,241	11.05
	Ac Invest Five B.V.	*5,641,241*	*11.05*
3	Ahlstrom Corporation	4,800,981	9.40
4	Ilmarinen Mutual Pension Insurance Company	3,055,783	5.98
5	Nordea Nordic Small Cap Fund	920,567	1.80
6	Varma Mutual Pension Insurance Company	814,676	1.60
7	Säästöpankki Kotimaa	719,159	1.41
8	Huber Mona	692,767	1.36
9	Tracewski Jacqueline	540,047	1.06
10	Seligson Peter	509,921	1.00
	Seligson Peter	*310,652*	*0.61*
	Baltiska Handels A.B.	*199,269*	*0.39*
11	Nahi Kaj Anders Bertel	455,087	0.89
12	Nordea Investment Funds	407,945	0.80
13	Kylmälä Tauno Kim Toivo	397,271	0.78
14	Emmett Linda	384,276	0.75
15	Studer Anneli	380,021	0.74
16	OP-Focus Non-UCITS Fund	377,364	0.74
17	Sumelius John Michael	377,331	0.74
18	Lund Niklas Roland	376,739	0.74
19	Gullichsen Johan Erik	358,062	0.70
20	Huber Samuel	353,994	0.69
20 largest shareholders, total		**27,383,232**	**53.63**

* The list of Munksjö Oyj´s largest shareholders is based on the information given by Euroclear Finland Ltd and Euroclear Sweden Ltd.
Munksjö Oyj on 21 May 2014 received an announcement, according to which Lannebo Fonder AB's holding in Munksjö had exceeded the threshold of 5 per cent.

Shareholders by sector as at 31 December 2014*	Number of shareholders	Share of shareholders, %	Number of shares	Share of shares, %
Households	10,612	94.3	13,419,594	26.3
Public sector institutions	5	0.0	3,883,313	7.6
Financial and insurance institutions	22	0.2	2,430,686	4.8
Corporations	443	3.9	7,116,631	13.9
Non-profit institutions	82	0.7	514,271	1.0
Foreign and nominee registered owners	94	0.8	23,697,086	46.4
Total	**11,258**	**100.0**	**51,061,581**	**100.0**

* The list of Munksjö Oyj´s shareholders by sector is only based on the information given by Euroclear Finland Ltd.

Distribution of shares as at 31 December 2014*	Number of shareholders	Share of shareholders, %	Number of shares	Share of shares, %
1 – 100	7,238	64.3	280,833	0.5
101 – 500	2,858	25.4	590,333	1.2
501 – 1,000	524	4.7	353,896	0.7
1,001 – 5,000	384	3.4	792,121	1.6
5,001 – 10,000	62	0.6	473,022	0.9
10,001 – 50,000	78	0.7	1,741,361	3.4
50,001 – 100,000	52	0.5	3,619,325	7.1
100,001 – 500,000	50	0.4	11,260,645	22.1
500,001 –	12	0.1	31,950,045	62.6
Total	**11,258**	**100.0**	**51,061,581**	**100.0**

* The list of Munksjö Oyj´s distribution of shares is only based on the information given by Euroclear Finland Ltd.

Consolidated statement of comprehensive income

MEUR	Note	2014	2013	2012
Net sales	4	1,137.3	863.3	607.1
Other income		11.4	6.9	2.7
Total income		**1,148.7**	**870.2**	**609.8**
Changes in inventories		1.1	2.2	–7.8
Materials and supplies		–557.2	–447.7	–311.3
Other external costs	5	–292.7	–255.5	–142.4
Personnel costs	7	–200.5	–163.6	–115.5
Depreciation and amortisation	11	–54.0	–39.3	–25.4
Share of profit in associated companies	17	0.0	0.3	0.0
Operating profit		**45.4**	**–33.4**	**7.4**
Financial income	12	6.4	1.0	19.2
Financial costs	12	–34.9	–23.9	–35.5
Net financial expense		**–28.5**	**–22.9**	**–16.3**
Profit/(loss) before tax		**16.9**	**–56.3**	**–8.9**
Taxes	13	–9.2	–1.1	–1.6
Net profit/(loss) for the year		**7.7**	**–57.4**	**–10.5**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		–5.7	–1.0	3.5
Change in cash flow hedge reserve	27	–7.3	–2.8	4.0
Cash flow hedge transferred to this year's result	27	4.5	1.0	3.1
Items that will not be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans	10	–6.3	1.8	–3.8
Tax attributable to other comprehensive income		2.1	0.2	–0.7
Total comprehensive income, net of tax		**–5.0**	**–58.2**	**–4.4**
Profit attributable to:				
Parent company shareholders		7.0	–57.7	–11.0
Non-controlling interests		0.7	0.3	0.5
Total comprehensive income attributable to:				
Parent company's shareholders		–5.7	–58.5	–4.9
Non-controlling interests		0.7	0.3	0.5
Earnings per share				
Basic earnings per share, EUR	14	0.14	–1.97	–0.89
Diluted earnings per share, EUR	14	0.14	–1.97	–0.89

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	Note	2014-12-31	Restated* 2013-12-31	2012-12-31
ASSETS				
Non-current assets				
Tangible assets	16	446.4	459.2	236.4
Goodwill	15	226.7	226.6	155.8
Other intangible assets	15	55.2	56.4	10.7
Associated companies	17	2.2	2.4	2.2
Other non-current assets		3.9	4.1	2.0
Deferred tax assets	13	60.2	54.6	27.8
Total non-current assets		**794.6**	**803.3**	**434.9**
Current assets				
Inventory	19	152.2	146.6	90.5
Accounts receivable	23, 27	114.6	128.7	80.6
Other current assets	20	31.8	27.3	11.5
Current tax asset		2.2	0.4	4.4
Cash and cash equivalents	21	84.1	83.1	57.1
Total current assets		**384.9**	**386.1**	**244.1**
TOTAL ASSETS		**1,179.5**	**1,189.4**	**679.0**

* Restated to reflect the adoption of IFRS 11 as explained in note 1.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of financial position

MEUR	Note	2014-12-31	Restated* 2013-12-31	2012-12-31
EQUITY AND LIABILITIES				
Equity				
Attributable to parent company's shareholders				
Share capital	22	15.0	15.0	7.7
Reserve for unrestricted equity		282.0	287.1	–
Other reserves		386.5	394.4	408.3
Retained earnings		–273.9	–276.3	–220.2
		409.6	**420.2**	**195.8**
Non-controlling interests		4.0	3.6	3.7
Total equity		**413.6**	**423.8**	**199.5**
Non-current liabilities				
Non-current borrowings	24	271.7	270.8	258.9
Loans from shareholders	30	–	–	0.7
Other non-current liabilities		1.0	0.1	1.9
Pension obligations	10	51.0	45.9	35.7
Deferred tax liabilities	13	84.7	85.0	27.6
Non-current provisions	25	23.5	36.1	10.2
		431.9	**437.9**	**335.0**
Current liabilities				
Current borrowings	24	41.6	45.0	14.8
Accounts payable		164.3	167.4	69.6
Liabilities to associated companies		8.3	8.4	10.1
Accrued expenses and deferred income	26	100.0	89.1	42.0
Current tax liabilities	13	8.2	8.3	1.3
Other current liabilities		11.6	9.5	6.7
		334.0	**327.7**	**144.5**
Total liabilities		**765.9**	**765.6**	**479.5**
TOTAL EQUITY AND LIABILITIES		**1,179.5**	**1,189.4**	**679.0**

* Restated to reflect the adoption of IFRS 11 as explained in note 1.

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

MEUR	Share capital	Reserve for unrestricted equity	Other contributed equity	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non–controlling interest	TOTAL EQUITY
	Attributable to owners of the parent								
Balance at 1 January 2012	7.7	–	400.0	4.6	–5.1	–206.5	200.7	3.5	204.2
Profit/(loss) for the year	–	–	–	–	–	–11.0	–11.0	0.5	–10.5
Other comprehensive income before tax	–	–	–	3.5	7.1	–3.8	6.8	–	6.8
Tax on other comprehensive income	–	–	–	–	–1.8	1.1	–0.7	–	–0.7
Total comprehensive income for the year	**0.0**	**0.0**	**0.0**	**3.5**	**5.3**	**–13.7**	**–4.9**	**0.5**	**–4.4**
Dividends	–	–	–	–	–	–	0.0	–0.3	–0.3
BALANCE AT 31 DECEMBER 2012	**7.7**	**0.0**	**400.0**	**8.1**	**0.2**	**–220.2**	**195.8**	**3.7**	**199.5**
Profit/(loss) for the year	–	–	–	–	–	–57.7	–57.7	0.3	–57.4
Other comprehensive income before tax	–	–	–	–1.0	–1.8	1.8	–1.0	–	–1.0
Tax on other comprehensive income	–	–	–	–	0.4	–0.2	0.2	–	0.2
Total comprehensive income for the year	**0.0**	**0.0**	**0.0**	**–1.0**	**–1.4**	**–56.1**	**–58.5**	**0.3**	**–58.2**
New 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
Dividends	–	–	–11.5	–	–	–	–11.5	–0.4	–11.9
BALANCE AT 31 DECEMBER 2013	**15.0**	**287.1**	**388.5**	**7.1**	**–1.2**	**–276.3**	**420.2**	**3.6**	**423.8**
Profit/(loss) for the year	–	–	–	–	–	7.0	7.0	0.7	7.7
Other comprehensive income before tax	–	–	–	–5.7	–2.8	–6.3	–14.8	–	–14.8
Tax on other comprehensive income	–	–	–	–	0.6	1.5	2.1	–	2.1
Total comprehensive income for the year	**0.0**	**0.0**	**0.0**	**–5.7**	**–2.2**	**2.2**	**–5.7**	**0.7**	**–5.0**
Return of capital and dividends	–	–5.1	–	–	–	–	–5.1	–0.3	–5.4
Employee share incentive plan	–	–	–	–	–	0.2	0.2	–	0.2
BALANCE AT 31 DECEMBER 2014	**15.0**	**282.0**	**388.5**	**1.4**	**–3.4**	**–273.9**	**409.6**	**4.0**	**413.6**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

MEUR	Note	2014	2013	2012
Operating activities				
Profit/(loss) before tax		16.9	–56.3	–8.9
Adjustment for:				
Depreciation	15,16	54.0	39.3	25.4
Net financial expense		28.5	22.9	16.3
Interest paid and received		–17.0	–12.3	–11.4
Tax paid		–13.9	–6.4	–4.5
Net cash generated from operating activities before changes in working capital		**68.5**	**–12.8**	**16.9**
Cash flow from changes in working capital				
Changes in inventories		–5.6	4.4	16.0
Changes in operating liabilities		–14.9	26.0	21.2
Changes in operating receivables		9.8	28.1	0.9
Net cash generated from operating activities		**57.8**	**45.7**	**55.0**
Investing activities				
Acquisition of subsidiaries, net of cash acquired	3	–	9.1	–
Purchase of tangible fixed assets	16	–33.1	–21.0	–14.0
Purchase of intangible fixed assets	15	–2.0	–1.6	–0.8
Cash flow used in investing activities		**–35.1**	**–13.5**	**–14.8**
Financing activities				
Return of equity and dividends		–5.4	–11.9	–0.3
Proceeds from share issue, net of costs		–	121.9	–
Proceeds from borrowings, net of costs		291.8	306.6	–
Repayment of acquired entities borrowings to Ahlstrom		–	–154.3	–
Repayment of borrowings		–307.4	–277.5	–1.3
Working capital compensation from Ahlstrom		–	9.5	–
Cash flow from financing activities		**–21.0**	**–5.7**	**–1.6**
CASH FLOW FOR THE YEAR		**1.7**	**26.5**	**38.6**
Cash and cash equivalents at the beginning of the year		**83.1**	**57.1**	**18.0**
Cash flow for the year		1.7	26.5	38.6
Exchange gains/(losses) on cash and cash equivalents		–0.7	–0.5	0.4
CASH AND CASH EQUIVALENTS AT YEAR-END	21	**84.1**	**83.1**	**57.1**

The accompanying notes are an integral part of these consolidated financial statements.

Notes

Note 1 Significant accounting policies

General

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 Specialities). 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 Specialites operation's in Jacarei, Brazil was combined with Munksjö Oyj in a partial demerger. 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 Oyj's consolidated financial statements, the share exchange between Munksjö Oyj and the shareholders of Munksjö AB was accounted for as a reorganisation of Munksjö AB and Munksjö AB's net assets were recorded at predecessor carrying amounts with the historical comparatives of Munksjö AB presented for all periods. As Munksjö Oyj became the new parent and listed company the presentation currency was changed from SEK to EUR. The choice of presentation currency represented an accounting policy change and was 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 report have been prepared as if the EUR had always been the presentation currency.

Munksjö Oyj, Corporate Identity Number, 2480661-5, is a Finnish company, registered in Helsinki, Finland. The company's address is Kasarmikatu 46–48, 00130 Helsinki. The Financial Statements for 2014 comprise of the Parent Company and its subsidiaries, together called the Group. The Financial Statements and Board of Director's report were approved by the Board of Directors on 4 March 2015 and are expected to be adopted by the AGM on 15 April 2015.

Summary of key accounting policies

The functional currency of the Parent Company is EUR and the Group financial statements are presented in MEUR, unless otherwise indicated.

Non-current assets and non-current liabilities consist of amounts that are expected to be recovered or paid more than 12 months after the reporting period. Current assets and current liabilities consist of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.

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.

Basis of preparation

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as approved by the Commission of the European Communities (EU) for application in the European Union.

The accounting policies outlined below have been applied consistently on the reporting and consolidation of the Parent Company, subsidiaries, as well as when incorporating associated companies and joint arrangements in the consolidated accounts.

New and amended standards adopted by the group

The accounting principles applied remain unchanged compared with the 2013 Annual report except for the following standards or amendments that have been adopted as of 1 January 2014:

- IAS 27 (revised) Separate financial statements
- IAS 28 (revised) Investment in associates and joint ventures
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- Amendments to IFRS 10, 11, 12 – Transition guidance
- IFRIC 21 Levies

The adoption of these standards and amendments did not have a material impact on the financial statements of Munksjö Oyj with the exception of IFRS 11 Joint arrangements. The change affects the accounting treatment of AM Real Estate S.r.l in Turin an entity established as part of the business combination with Ahlstrom Corporation's label and processing business in 2013. The purpose of the entity is to hold the assets shared by Munksjo Italia S.p.A. and the Ahlstrom business remaining at the Turin site. This entity is now treated as a joint operation and Munksjö's recognises the assets, liabilities, revenues and expenses relating to its 50 per cent interest in the joint operation. Previously this entity was accounted for using the equity method.

The change in accounting policy has no impact on published operating profit, net profit, equity or earnings per share. The primary activity of the joint operation is to hold assets therefore the impact from this change on the statement of comprehensive income and statement of cash flows is immaterial. The main change relates to the statement of financial position and is summarised as follows:

- Increase in property, plant and equipment,
- decrease in associated companies,
- decrease in net debt.

Impact on consolidated key ratios

	As published 31 Dec 2013	Change 31 Dec 2013	Restated 31 Dec 2013
Operating capital, MEUR	695.5	–0.7	694.8
Interest-bearing net debt, MEUR	230.4	–1.1	229.3
Debt/equity ratio, %	54.4%	–0.3%	54.1%
Equity/assets ratio, %	35.7%	–0.1%	35.6%

As the impact from the change in policy on the statement of comprehensive income and statement of cash flows is immaterial these primary statements have not been restated. The statement of financial position has been restated as set out below.

Cont. note 1

Restated Condensed statement of financial position

MEUR	As published 31 Dec 2013	Change 31 Dec 2013	Restated 31 Dec 2013
ASSETS			
Non-current assets			
Tangible assets	447.5	11.7	459.2
Associated companies	14.5	–12.1	2.4
Deferred tax assets	53.3	1.3	54.6
Other non-current assets	287.1	0.0	287.1
Total non-current assets	**802.4**	**0.9**	**803.3**
Current assets			
Current assets	302.8	0.2	303.0
Cash and cash equivalents	83.1	0.0	83.1
Total current assets	**385.9**	**0.2**	**386.1**
TOTAL ASSETS	**1,188.3**	**1.1**	**1,189.4**
EQUITY AND LIABILITIES			
Equity	**423.8**	**0.0**	**423.8**
Non-current liabilities			
Non-current borrowings	271.9	–1.1	270.8
Deferred tax liabilities	83.3	1.7	85.0
Other non-current liabilities	82.1	0.0	82.1
Total non-current liabilities	**437.3**	**0.6**	**437.9**
Current liabilities			
Accrued expenses and deferred income	88.6	0.5	89.1
Other current liabilities	238.6	0.0	238.6
Total current liabilities	**327.2**	**0.5**	**327.7**
Total liabilities	**764.5**	**1.1**	**765.6**
TOTAL EQUITY AND LIABILITIES	**1,188.3**	**1.1**	**1,189.4**

Standards issued but not yet effective in the European Union

IFRS 9 Financial instruments will substantially change the classification and measurement of financial instruments; will require impairments to be based on a forward-looking model; will change the approach to hedging financial exposures and related documentation and also the recognition of certain fair value changes. The Group is currently assessing the full impact of IFRS 9.

IFRS 15 Revenue from contracts with customers amends revenue recognition requirements and establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard replaces IAS 18 Revenue and IAS 11 Construction contracts and related interpretations. The Group is currently assessing the impact of adopting IFRS 15.

There are no other IFRSs or interpretations which are not yet effective which would be expected to have a material impact on the Group.

Valuation policies applied in the preparation of the financial statements

Assets and liabilities are reported at historical cost, with the exception of certain financial assets and liabilities, which are measured at fair value or amortised cost. Financial assets and liabilities measured at fair value consist of derivative financial intruments.

Translation of foreign currency

Transactions and balances

Transactions in foreign currencies are translated into the functional currency at the transaction date exchange rate. The functional currency is the currency of the primary economic environment in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated into the functional currency at the reporting date exchange rate and resulting exchange rate differences are recognised in profit/loss for the year. Non-monetary assets and liabilities recognised at their historical costs are translated at the exchange rate applicable at the time of the transaction. Non-monetary assets and liabilities recognised at fair value are converted into the functional currency at the rate in effect at the time of the fair value assessment.

Group companies

The results and financial position of all Group companies (none of which are operating with hyper-inflation currencies) that have a functional currency other than the presentation currency, are translated into the Group's presentation currency as follows:

Assets and liabilities for each of the consolidated statements of financial position are translated using the exchange rate prevailing at the reporting date. Income and expenses for each of the consolidated statements of comprehensive income are translated using the average exchange rate for the reporting period (provided the average exchange rate constitutes a reasonable approximation of the accumulated effect of the exchange rates that were in force on the transaction date, otherwise income and expenses are translated according to the exchange rate on the transaction date). All resulting translation differences are reported in other comprehensive income. Goodwill and adjustments to fair value that arise during the acquisition of a foreign business are treated as assets and liabilities of that business and translated using the exchange rate prevailing at the reporting date.

Judgements and estimates in the financial accounts

The preparation of the financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the figures reported for assets, liabilities, income and expenses. The actual outcome may deviate from these estimates and judgements. The estimates and assumptions are reviewed regularly. Changes in estimates are reported in the period in which they are made. Judgements made by management in the application of IFRS that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements in subsequent years are disclosed in greater detail in note 2.

Operating segments

Munksjö's operations are divided up into operating segments based on which parts of the operations the company's chief operating decision maker monitors the business, that is, according to the management approach. The Group's operations are organised in such a way that the senior management team monitors the profit or loss and the operating margin generated by the Group's various product areas. Each operating segment provides regular reports to the senior management team on the outcome of the operating segment's efforts and its resource requirements. Since the senior management team monitors the profit or loss and determines resource allocations based on the product areas for the Group's production and sales, these constitute the Group's

Cont. note 1

operating segments. Munksjö's operating segments have been identified in accordance with IFRS 8 and comprise the business areas Decor, Release Liner, Industrial Applications and Graphics and Packaging. Unallocated corporate costs and eliminations are reported under the heading Other.

Consolidated financial statements

Subsidiaries

Subsidiaries are companies over which Munksjö Oyj has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Acquisition of subsidiaries are recognised in accordance with the acquisition method. The consideration for an acquisition of a subsidiary consists of the fair value of assets given and liabilities incurred or assumed at the date of acquisition. Transaction fees directly attributable to the acquisition are reported directly in the income statement as they arise. Identifiable assets acquired and liabilities assumed and contingent liabilities in a business combination are measured initially at their fair values on the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the consideration over the fair value of the Group's share of identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill. If the consideration is less than the fair value of the acquired subsidiary's assets, liabilities and contingent liabilities, the difference is recognised directly in the income statement. Intra-Group transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Accounting policies for subsidiaries are changed where necessary to ensure consistent application of the Group's policies.

Subsidiaries' financial accounts are included in the consolidated accounts from the time of acquisition and until the Group no longer has a controlling influence.

Transactions between owners

The Group applies the principle of reporting transactions with non-controlling interests as transactions with equity owners of the Group. Divestments to and purchases from non-controlling interests result in gains and losses for the Group, which are reported in equity. Transactions between owners are reported within shareholders' equity.

Associated companies

Associated companies are those in which the Group has a significant, but non-controlling influence over operational and financial policies, commonly through holdings corresponding to between 20 and 50 percent of votes. From the point at which a significant influence is obtained, participations in associated companies are reported in the consolidated accounts in accordance with the equity method.

Under the equity method the carrying value of holdings in associated companies are reported in the consolidated accounts in proportion to the Group's share of equity, together with any goodwill recognized when significant influence or joint control was established. In the Consolidated Statement of Comprehensive Income, "Share of profit in associated companies" includes the Group's share of earnings after tax attributable.

Where the Group's share of losses reported by the associated company exceeds the carrying value of the Group's participations, the value of the participation is reduced to zero. Further losses are not recognised unless the Group has given guarantees to cover losses.

The equity method is applied until the point in time at which the significant influence ceases.

Joint arrangements

The Group applies IFRS 11 to joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. IFRS 11 is a new accounting standard and the impact on the financial statements is described in more detail under "New and amended standards adopted by the group" above. The Group has identified one joint arrangement and determined it to be a joint operation. The Group recognises its share of assets, liabilities, revenue and expenses in accordance with its contractual rights and obligations.

Transaction eliminated on consolidation

Intra-Group receivables and liabilities, income or expenses and unrealised gains or losses arising from intra-Group transactions between Group companies are eliminated in full when preparing the consolidated accounts.

Unrealised gains arising from transactions with associated companies and joint operations are eliminated to the extent of the Group's participating interest in the companies. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue

Revenue encompasses the fair value of what has been received or is expected to be received for goods sold in the Group's operating activities. Income is reported excluding VAT, returns and discounts, and after elimination of intra-Group sales.

The Group reports income when the amount can be measured in a reliable manner, when it is likely that future economic benefits will accrue to the company and special criteria have been satisfied for each of the Group's businesses as described below. The Group bases its assessments on historical outcomes and takes into account customer type, transaction type and special circumstances in each individual case.

Sale of goods

Munksjö's revenue comprises mainly the sale of manufactured products. Revenue for sales of goods is recognised in the Consolidated Statement of Comprehensive Income when significant risks and rewards associated with the ownership of the goods are transferred to the buyer in accordance with the terms of delivery. The Groups's terms of delivery are based on Incoterms 2010.

The main incoterms used include;

- "Ex-works" where the point of sale is once products leave the mill or warehouse facility as Munksjö ceases to be responsible from that point.
- "C" terms where the point of sale is when the products have been handed over to the transport company contracted by Munksjö because the buyer is responsible for the goods from that point onwards.
- "D" terms where point of sale is when the products have been delivered to the buyer as Munksjö is responsible for the goods until the buyer has received them in their premises.

Government grants

Government grants are recognised in the Consolidated Statement of Financial Position as deferred income when there is reasonable certainty that the subsidy will be received and that the Group will meet the conditions associated with the grant. Grants related to expense items are recognised on a systematic basis in the Consolidated Statement of Comprehensive Income in the same way and across the same periods as the expenses that the grants are intended to offset. Government grants related to fixed assets reduce the gross cost of the fixed assets.

Cont. note 1

Leasing

Operating leasing agreements

Leases in which a significant part of the risks and benefits of ownership are retained by the lessor are classified as operational leases. Payments made during the leasing period (after deductions for any rewards from the lease provider) are recognised as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the leasing period.

Financial leasing agreements

The Group leases certain tangible fixed assets. Leasing agreements of tangible fixed assets where the Group retains the economic risks and benefits associated with ownership, are classified as financial leases. At the start of the leasing period, financial leases are reported in the Consolidated Statement of Financial Position at the lower of the leased asset's fair value and the net present value of the minimum lease payments. Each leasing payment is apportioned between the liability and financial costs. The corresponding payment obligations, after deductions for financial costs, are included in the Consolidated Statement of Financial Position, in Non-current and current borrowings. The interest is recognised in the consolidated statement of comprehensive income over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Financial leased fixed assets are depreciated over the shorter of the asset's useful life and lease term.

Financial income and expenses

Financial income consists of interest income from financial instruments measured at amortised cost and gains from interest rate swaps. Financial expenses consist of interest expenses on loans, the interest related to discounted provisions, and losses on interest rate swaps.

All borrowing expenses are reported in the consolidated statement of comprehensive income using the effective interest method. Borrowing expenses are not reported in the consolidated statement of comprehensive income to the extent that they are directly attributable to the purchase, construction or production of assets that take considerable time to complete for the intended use or for sale. In such cases they are included in the cost of the assets.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Interest expenses include transaction fees for loans that are amortised over the loan period.

Current and deferred tax expense

The period's tax expense is made up of current tax and deferred tax. Tax is recognised in the result except when underlying transactions are reported in other comprehensive income, whereby the associated tax effect is reported in other comprehensive income.

Current tax is tax due for payment or receipt in respect of the financial year, using tax rates enacted or substantially enacted at the reporting date. Adjustment of current tax related to earlier periods is also included.

Deferred tax is calculated using the liability method on temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred tax is not recognised for temporary differences that arise on initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction other than a business combination that do not affect either the accounting or taxable profit at the time of the transaction.

Deferred tax is not recognised for temporary differences that arise on investments in subsidiaries and associated companies which are not expected to be reversed in the foreseeable future.

The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realised or settled. Deferred tax is calculated by applying the tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets for tax-deductible temporary differences and loss carry forwards are recognised only to the extent it is likely that they will be utilised. The value of deferred tax assets is derecognised when it is no longer deemed likely that they can be utilised. Any additional income tax arising from a dividend is recognised at the same time as the dividend is recognised as a liability.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authority and relate to either the same tax entities or different tax entities, where there is an intention to settle the balances on a net basis.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Offset of financial instruments

Financial assets and liabilities are offset and recognised with a net amount in the Consolidated Statement of Financial Position only when there is a legal right to offset the recognised amounts and an intention to balance the items with a net amount, or to simultaneously realise the asset and settle the liability. The amounts netted are not significant.

Financial assets

Classification and measurement

IFRS requires financial assets to be classified at initial recognition as: financial assets at fair value through profit and loss, loans and receivables, held to maturity investments, available for sale or as derivatives designated as hedging instruments in an effective hedge. All financial assets are recognized initially at fair value plus transaction costs except for those recorded at fair value through profit and loss. The Group currently does not have any financial assets classified as held to maturity, available for sale or fair value through profit or loss.

Loans and receivables

Loan receivables and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recorded at fair value and subsequently measured at amortised cost. The amortised cost is determined based on the effective interest calculated at the time of acquisition. Accounts receivable are recognised at the amount estimated to be received, i.e. with a deduction for doubtful receivables.

Cash and cash equivalents comprise cash and short term deposits with a maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short term deposits net of outstanding bank overdrafts.

Impairment of financial assets

At each reporting date, the company evaluates whether there is objective evidence that any financial asset or Group of assets may be impaired. Objective evidence constitutes observable events that have an adverse impact on the future cash flows of the financial asset such as overdue receivables or bankruptcy of counterparties. The recoverable amount of instruments measured at amortisised cost such as loans and receivables is calculated as the present value of future cash flows discounted by the effective

Cont. note 1

interest rate applicable on the initial recognition of the asset. Impairment is recognised as an expense in the Consolidated Statement of Comprehensive Income.

Derecognition
A financial asset is derecognised when the rights to receive cash flows from the asset have expired or the rights to receive cash flows from the asset have been transferred .

Financial Liabilities
IFRS requires financial liabilities to be classified as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge. All financial liabilities are recognized initially at fair value and for loan, borrowings and payables net of transaction costs. The Group's financial liabilities include trade and other payables, borrowings and derivative financial instruments.

Borrowings
After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Details of the category in which the Group's financial assets and liabilities are placed are given under note 23 Financial assets and liabilities.

Derivatives and hedge accounting
The Group's derivative instruments have been acquired to hedge its interest, exchange rate, electricity and pulp price exposures. In order to fulfil the requirements on hedge accounting in accordance with IAS 39, there must be a clear hedge relationship. The Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The Group also documents how it will assess the effectiveness of changes in the hedging instruments fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. For the purpose of hedge accounting, hedges are classified as: Fair value hedges, cash flow hedges or hedges of net investment in a foreign operation. The Group does not have fair value hedges or net investment hedging.

All derivatives used for financial risk management fulfil the requirements on hedge accounting and are accounted for as follows. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income in the hedging reserve. The gain or loss relating to the ineffective portion is charged immediately to the profit or loss. Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss in the hedging reserve is recognised when the forecast transaction is recognised in the profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is recognised immediately in the profit or loss.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions, interest rate swaps to hedge variable rate borrowings and forward commodity contracts for its exposure to volatility in electricity and pulp prices.

Tangible assets
Owned assets
Tangible assets are recognised in the Group at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Examples of directly attributable expenses include costs relating to delivery and handling, installation, land registration certificates, consultancy services and legal services. Interest on borrowings directly attributable to the purchase, construction or production of assets that take considerable time to complete are capitalised.

The cost for self-constructed tangible assets include expenditure for materials, employee benefits and other manufacturing costs directly attributable to the tangible asset where applicable, as well as estimated expenses for dis-mantling and removing the asset and restoring the site or area where it is located. Tangible assets comprising parts with different useful lives are treated as separate components of tangible assets. The carrying value of a tangible asset is derecognised from the Consolidated Statement of Financial Position on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset.

Gains or losses arising from the sale or scrapping of an asset constitute the difference between the sale price and the asset's carrying value, less direct sales expenses. Gains and losses are recognised as other operating income/expense. Accounting policies for the impairment of assets are shown below.

Leased assets
Assets leased through financial leasing agreements are recognised as tangible assets in the Consolidated Statement of Financial Position and initially valued at the lower of the fair value of the leased item and the present value of the minimum lease payments at the commencement of the agreement.

Obligations to pay future lease payments are recognised as current and non-current interest bearing liabilities.

Subsequent expenditure
Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the asset will accrue to the company and the cost can be measured reliably. All other subsequent expenses are expensed in the period they arise. A subsequent expenditure is added to the cost if the expense relates to the replacement of identified components or parts thereof. Any non-depreciated carrying amounts for replaced components, or parts of components, are scrapped and derecognised in connection with replacement. Repairs are expensed as they are incurred. At paper mills, maintenance shutdowns are carried out at regular intervals. The major maintenance measures that recur on these occasions are treated as a separate component. Depreciation is carried out over time up until the next maintenance shutdown, which normally occurs after 12–18 months.

Depreciation policies
Depreciation is charged on a straight line basis over the asset's estimated useful life. The Group applies the component approach, whereby the components' useful lives form the basis for depreciation. The following depreciation periods are used:

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Industrial buildings	20 years
Office buildings	30–50 years
Land improvements	20 years
Machinery used for pulp and paper	10–30 years
Other machinery	10 years
Vehicles, equipment and components	2–5 years

The residual value and useful life of each asset is assessed annually.

Intangible assets

Goodwill

Goodwill is reported at cost less any accumulated impairment. Goodwill is allocated to cash generating units and tested for impairment annually (see accounting principle Impairment of tangible and intangible assets and participations in associated companies). Goodwill arising from the acquisition of associated companies is included in their carrying value.

Research and development

Munksjö has product and process development activities focusing mainly on meeting customer requirements in relation to product properties and adaptations. Activities are divided into a research phase and a development phase. Examples of expenditure included in the research phase are costs related to acquiring new knowledge, and costs relating to the evaluation of and search for alternative paper grades and production processes. Costs for the research phase are expensed immediately in the Consolidated Statement of Comprehensive Income. Where research results or other knowledge are applied to achieve new or improved processes, product development expenditure is recognised as an asset in the Consolidated Statement of Financial Position if the product or process is technically and commercially viable and the company has sufficient resources to complete development and subsequently use or sell the intangible asset. The carrying amount includes costs for materials, direct costs for salaries and other direct costs attributable to the asset. Other development expenses are recognised in the Consolidated Statement of Comprehensive Income as an expense as they arise.

Software

Costs for the development and maintenance of software are expensed as incurred. Costs that are directly linked to the development of identifiable and unique software products controlled by the Group and likely to have economic benefits for more than one year are recognised as intangible assets.

Electricity certificates

Electricity certificates are awarded for production of electricity from renewable resources and are measured at the estimated fair value and recognised as accrued income. Corresponding income is recognised in operating profit/loss as a correction of electricity costs and the certificate is divested in the following month.

Emission rights

Munksjö has been allocated rights for the emission of carbon dioxide within the EU trading scheme. Estimated surplus or deficit of emission allowances allocated compared to the expected amount required are reported at fair value as an asset or liability with corresponding amount recorded in energy income or expense. The surplus or deficit is recorded at market value on an ongoing basis with changes recorded in the income statement.

Amortisation of intangible assets

Amortisation is reported over the asset's estimated useful life.

Goodwill and other intangible assets with an indefinite useful life or that are not yet ready for use are tested for possible impairment annually and as soon as indications arise that the asset in question may have decreased in value. Intangible assets with a definite useful life are amortised from the point at which they are available for use.

The estimated useful lives for capitalised development expenditure and software is 3–7 years. The useful lives of assets are reassessed at least once a year.

Impairment of tangible and intangible assets

The value of tangible and intangible assets with definite useful lives are tested for impairment if there is an indicator that they may have suffered impairment. If a need for impairment testing is indicated, the recoverable amount of the asset is calculated. The recoverable amount for goodwill and other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use is calculated annually.

When independent cash flows cannot be established for an individual asset, and its fair value less selling expenses cannot be used, assets are grouped at the lowest level at which largely independent cash flows can be identified – this is known as a cash generating unit.

Impairment is recognised when an asset's or cash generating unit's (Group of units') carrying value exceeds the recoverable amount. Impairment is recognised as an expense in the Consolidated Statement of Comprehensive Income. Impairment identified for a cash generating unit (Group of units) is applied first to goodwill. After this, a proportional impairment of all other assets included in the unit (Group of units) is implemented.

The recoverable amount is the higher of fair value less selling expenses and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account the risk-free interest and the risk associated with the specific asset.

Reversal of impairment

The impairment of assets is reversed if there is an indication that it is no longer necessary, and there has been a change in the assumptions which formed the basis of the calculation of the recoverable amount. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying value after reversal does not exceed the carrying value that the asset would have had, with a deduction for depreciation, if no impairment had been carried out.

Impairments of investments or loans held to maturity or loan receivables and accounts receivable recognised at amortised cost are reversed if a subsequent increase in the recoverable amount can be objectively attributed to an event that occurred after the impairment was implemented.

Inventories

Inventories are stated at the lower of cost and net realisable value. The cost for inventories is based on the first-in first-out principle (FIFO) and includes expenses arising upon acquisition of the inventories and their transport to their current location and condition. For manufactured goods and work in progress, cost includes a reasonable proportion of indirect expenses based on normal capacity. The net realisable value is the expected sale price less expected selling costs.

Cont. note 1

Earnings per share

Earnings per share is calculated by dividing the Group profit or loss attributable to ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period. The dilutive effect of equity settled share based payments is included in the computation of diluted earnings per share.

Employee benefits

Pension commitments

Group companies operate various pension schemes. These schemes are generally funded through payments to insurance companies or trustee administered funds, where the payments are established based on periodic actuarial calculations. The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if this legal entity does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. The distinguishing feature of defined benefit plans is that they define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and salary.

The liability recognised in the Consolidated Statement of Financial Position with respect to defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The current value of the defined benefit obligation is established by discounting estimated future cash flows using market yields on high quality corporate bonds issued in the same currency as the benefits will be paid in and with a term comparable with the pension liability. If there is no active market for such corporate bonds, the market rate for government bonds with a corresponding maturity is used instead.

The obligations for retirement and survivors' pension for professional employees in Sweden are insured through a policy with Alecta. Sufficient information is not available to use defined benefit accounting for this multi-employer plan therefore it is accounted for as if it is a defined contribution plan.

Actuarial gains and losses resulting from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income for the year during the period in which they arise.

Past-service costs are recognised immediately in profit/loss for the year, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time. In this case, the past-service costs are amortised on a straight-line basis over the vesting period. For defined contribution pension plans, the Group pays fees to publicly or privately managed pension insurance plans on a compulsory, contractual or voluntary basis. The Group has no other payment obligations once the fees are paid. The fees are reported as personnel costs when they fall due for payment. Prepaid fees are reported as an asset to the extent that cash repayment or reduction of future payments can benefit the Group.

Severance benefits

An expense for remuneration in connection with termination of employment for employees is recognised only if the company is demonstrably obliged in a formal detailed plan to terminate employment ahead of the normal point in time, with no realistic possibility of withdrawal. When remuneration is paid as an incentive for voluntary redundancy, an expense is recognised if it is likely that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

Share based payments

Employees of the Group receive remuneration in the form of share based payments, whereby employees render services as consideration for equity instruments (equity-settled transactions). The cost of equity settled transactions is determined by the fair value at the date when the grant is made using an appropriate valuation model described in more detail in note 9. That cost is recognised over the period in which the performance and service conditions are fulfilled in "Personnel costs", together with a corresponding increase in retained earnings in equity. The cumulative expense recognised for equity settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest, with regard to service and non-market performance conditions (see note 9). The amount recognised in the income statement represents the movement in the cumulative expense recognised at the beginning and end of the period.

The employee related income taxes payable in connection with the share based payments are treated as cash settled transactions measured initially at fair value at the grant date. The fair value is expensed over the vesting period with the recognition of a corresponding liability. The liability is measured to fair value at each reporting date with changes recorded in the income statement. Social security contributions are measured initially at fair value and expensed over the vesting period. The liability is measured to fair value at the each reporting date.

Provisions

A provision differs from other liabilities in that there is a degree of uncertainty regarding the timing of the payment or its size to settle the provision. A provision is recognised in the Consolidated Statement of Financial Position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic resources will be required to settle the obligation and a reliable estimation of the amount can be made.

Provisions are made based on the best estimate of the amount required in order to settle the present obligation on the reporting date.

Guarantees

A provision is made for guarantees when the underlying products or services are sold. The provision is based on historical data regarding guarantees and a total appraisal of conceivable outcomes in relation to the probabilities with which those outcomes are associated.

Restructuring

A provision for restructuring is reported when the Group has adopted a comprehensive and formal restructuring plan, and the restructuring has either been started or announced. No provisions are made for future operating losses.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not likely that an outflow of resources will be required.

Note 2 Judgements and estimates

According to corporate management, the following assessments and estimates are critical to the amounts recognised in the accounts, and there is a risk that future events and new information affect the basis for these assessments and estimates:

Goodwill

Every year, Munksjö carries out impairment testing of goodwill. The goodwill is divided among cash-generating units corresponding to the Group's operating segments.

The value in use of the cash-generating units is calculated based on the existing plans of the Group. The plans are based on market assumptions and comprise expected future cash flows for the existing operations, which are discounted with the relevant weighted average cost of capital (WACC). No impairment has been determined. The Group's recognised goodwill as of 31 December 2014 amounted to EUR 226.7 million, see note 15.

Environment

Supported by environmental legislation in various countries, the authorities bring up issues regarding soil explorations and potential remediation in case of discontinued operations. The responsibility for any remediation is decided on a case-by-case basis, often aided by reasonability assessments.

The provisions for environmental costs connected to discontinued operations are based on assessments regarding future restoration costs. Changes in assumptions or legislation may result in additional costs.

Pensions

The costs for and values of the pension commitments related to defined benefit pension plans are based on actuarial calculations based on assumptions made regarding discount rates, expected return on plan assets, future salary increases, inflation, and demographic distribution. Changes in these assumptions will result in volatility in the pension obligation.

The net of the Group's pension commitments and the value of the plan assets amounted to EUR 51.0 million as of 31 December 2014, see note 10.

Taxes

Deferred tax is calculated on temporary differences between the carrying amounts and taxable values of assets and liabilities. Assessments and estimates are made to determine the value of various assets and liabilities and regarding the future taxable profit in case the future recovery of deferred tax assets would depend upon this. As of 31 December deferred tax assets of EUR 60.2 million were recognised, see note 13.

Note 3 Business combinations

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. 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 MEUR 14.2 shall be borne by Munksjö and have been recorded in the 2013 and 2014 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

Cont. note 3

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 MEUR 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 million have been charged to other external costs in the consolidated income statement for the period ended 31 December 2012, EUR 26.4 million for the period ended 31 December 2013 and EUR 0.7 million for the period ended 31 December 2014. This includes the EUR 14.2 million costs related to Osnabrück commitments described above.

MEUR	
Total consideration transferred	**106.0**
Provisionally recognised amounts of identifiable assets acquired and liabilities assumed	
Tangible assets	183.1
Other intangible assets	26.7
Associated companies	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**
Goodwill	**59.7**

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 opening price of Munksjö's share price as of 2 December 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.

MEUR	
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**
Goodwill	**11.3**

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 Specialities, 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 Specialities was EUR 5.9 million and EUR 0.1 million respectively.

Had LP Europe and Coated Specialities 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.

Note 4 Segment information

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 2,900 employees. Production facilities are located in France, Sweden, Germany, Italy, Spain, Brazil and China.

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 Management Team consists of the CEO, functional managers and managers of the various business areas. The members of the Management

Cont. note 4

Team are nominated by the CEO and appointed by the Board of Directors. The CEO assisted by the Management Team is the chief operating decision maker. Management has determined the operating segments based on the information reviewed by the CEO for the purposes of allocating resource and assessing performance.

Inter-segment sales are made at market prices and no individual customer accounts for more than 10 per cent of the company's income.

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 base 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.

Other and eliminations

The costs remaining in segment Other include head office costs comprising the following functions, CEO, Group Finance, Treasury, Investor Relations, Strategy, Legal, Communications, Group IT and HR. The head office costs comprise mainly of salaries, rents and professional fees. Segment Other also includes certain other exceptional costs not used in the assessment of business area performance.

MEUR	2014	2013	2012
Head office costs	–12.9	–9.4	–6.3
Hedging	–4.2	–0.8	0.6
Business combination transaction costs (note 3)	–	–13.4	–7.5
Osnabrück commitments (note 3)	–0.7	–13.5	–
EU commission response	–1.4	–	–
Restructuring and other exceptional costs	–0.9	–3.0	–0.9
	–20.1	**–40.1**	**–14.1**

Financial expenses, financial income, and income tax are dealt with at Group level. Income and expenses that have been reported to corporate management are valued in the same way as in external financial reporting. Assets and liabilities reported to corporate management are valued in the same way as in external financial reporting.

MEUR **2014**	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Other and eliminations	Group
Net sales, external	373.8	437.2	157.0	172.8	–3.5	1,137.3
Net sales, internal	0.9	8.8	2.2	0.0	–11.9	0.0
Net sales	**374.7**	**446.0**	**159.2**	**172.8**	**–15.4**	**1,137.3**
Operating profit	**35.8**	**15.3**	**16.3**	**–1.9**	**–20.1**	**45.4**
Net financial expense						–28.5
Tax						–9.2
Profit/loss for the year						**7.7**
Other information						
Additions to fixed assets	8.1	13.0	7.1	13.7	4.6	46.5
Depreciation and amortisation	9.1	28.2	7.5	6.4	2.8	54.0
Average number of employees	877	845	556	432	55	2,765

Cont. note 4

MEUR **2013**	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Other and eliminations	Group
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 profit	**14.5**	**–2.5**	**7.3**	**–12.6**	**–40.1**	**–33.4**
Net financial expense						–22.9
Tax						–1.1
Profit/loss for the year						**–57.4**
Other information						
Additions to fixed assets	4.5	7.5	5.7	1.9	3.0	22.6
Depreciation and amortisation	11.8	15.3	7.5	3.6	1.1	39.3
Average number of employees	888	465	556	262	45	2,216

MEUR **2012**	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Other and eliminations	Group
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**	**0.0**	**–7.7**	**607.1**
Operating profit	**19.1**	**–1.8**	**4.2**	**–**	**–14.1**	**7.4**
Net financial expense						–16.3
Tax						–1.6
Profit/loss for the year						**–10.5**
Other information						
Additions to fixed assets	4.7	3.3	5.9	–	0.9	14.8
Depreciation and amortisation	10.7	6.7	7.5	–	0.5	25.4
Average number of employees	911	169	568	–	31	1,679

Net sales per market, MEUR	2014	2013	2012
Germany	188.8	152.6	123.1
Sweden	18.8	22.5	23.0
Rest of the European Union	539.7	416.2	235.7
Rest of Europe	78.8	68.6	36.4
Asia	125.4	89.5	72.6
Other	185.8	113.9	116.3
Group total	**1,137.3**	**863.3**	**607.1**

Net sales in the table above has been divided based on customers' geographic location.

Operating capital per country, MEUR	2014	2013	2012
Germany	181.6	188.1	201.0
Sweden	135.4	131.2	124.5
France	133.6	156.8	42.6
Italy	113.4	111.6	–
Brazil	71.8	70.0	–
Spain	43.6	43.7	46.2
Other	–6.2	–6.6	–1.3
Group total	**673.2**	**694.8**	**413.0**

Tangible and intangible fixed assets per country, MEUR	2014	2013	2012
Germany	188.4	190.3	195.7
France	161.1	157.8	28.7
Italy	133.0	137.4	–
Sweden	123.4	130.7	138.1
Brazil	76.1	78.6	–
Spain	33.7	33.9	34.2
Other	12.6	13.5	6.2
Group total	**728.3**	**742.2**	**402.9**

Note 5 Other external costs

Group, MEUR	2014	2013	2012
Delivery costs	–47.9	–39.5	–23.9
Energy costs	–104.3	–73.4	–41.0
Repair, maintenance and development costs	–43.6	–33.7	–21.9
Other production costs	–44.2	–32.8	–23.5
Leasing and rental costs	–6.2	–5.8	–2.3
Other	–46.5	–70.3	–29.8
Other external costs	**–292.7**	**–255.5**	**–142.4**

Cont. note 5

Non-recurring items included in Other external costs

Group, MEUR	2014	2013	2012
Business combination transaction costs (note 3)	–	–13.4	–7.5
Commitment in relation to Osnabrück (note 3)	–0.7	–13.5	–
Inventory revaluation (note 3)	–	–2.4	–
Cost for achieving the synergy benefits	1.0	–11.0	–
Other restructuring	–4.2	–	–
Environmental provisions	–	–6.3	–
EU Commission	–1.4	–	–
Other costs	–0.3	–2.5	–1.9
	–5.6	**–49.1**	**–9.4**

In 2014 non-recurring items amounted to EUR –5.6 million. Of these costs, EUR 1.4 million were related to the work in connection with the Statement of Objections from the European Commission, EUR 1.0 million to previous business combinations, primarily the commitment to pay costs arising from the divestment of certain businesses in Osnabrück, Germany (in connection with the business combination in 2013) and EUR 3.2 million to costs for other reorganisation activities. Of these costs, EUR 2.7 million were related to the reorganisation of the sales organisation, communicated in the fourth quarter 2014.

In 2013, the non-recurring costs were mainly related to the business combination as described in note 3. 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. 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.

In 2012, the non-recurring costs were also mainly related to the business combination as described in note 3.

Note 6 Remuneration to auditors

The annual general meeting held in 2014 resolved in accordance with the proposal of the Board to elect KPMG Oy Ab as the company's auditor. KPMG Oy Ab has designated Authorized Public Accountant Sixten Nyman as the Responsible Auditor. The AGM further resolved that the auditor's remuneration be paid according to invoicing accepted by the company. In 2013 the audit of Munksjö Oyj was performed by PwC with Munksjö AB and subsidiaries audited by EY and in 2012 the audit was carried out by EY.

MEUR	2014	2013	2012
KPMG			
Audit fees	0.4	–	–
Audit-related fees	–	–	–
Tax service fees	–	–	–
Other fees	0.1	–	–
Total	**0.5**	**–**	**–**
Ernst & Young			
Audit fees	–	0.3	0.6
Audit-related fees	–	0.3	0.2
Tax service fees	–	0.0	0.0
Other fees	–	0.0	0.0
Total	**–**	**0.6**	**0.8**
PriceWaterhouseCoopers			
Audit fees	–	0.4	–
Audit-related fees	–	0.1	–
Tax service fees	–	0.9	–
Other fees	–	1.0	–
Total	**–**	**2.4**	**–**

Note 7 Employees

	2014		2013		2012	
Average number of employees	Number	Men %	Number	Men %	Number	Men %
France	1,040	85	812	86	468	94
Sweden	563	83	562	83	572	83
Germany	463	84	458	85	451	88
Italy	262	82	170	79	7	43
Brazil	233	89	19	95	–	–
Spain	162	89	162	88	162	91
Other	42	54	33	66	19	63
Average number of employees	**2,765**		**2,216**		**1,679**	

Cont. note 7

Board and key management	2014	Munksjö Oyj 27 May to 31 Dec 2013	Munksjö Oyj 1 Jan to 26 May 2013	2012
Board members	7	6	8	8
Women %	29	33	25	25
Men %	71	67	75	75
CEO and key management	10	10	12	12
Women %	20	20	17	17
Men %	80	80	83	83

Personnel costs, MEUR

2014	Board and CEO	Bonus to CEO	Other employees
Board and CEO*	0.8	0.1	
France			65.6
Sweden			28.6
Germany			28.9
Spain			8.4
Italy			13.3
Brazil			8.7
Other			2.8
Salaries and other fees	**0.8**	**0.1**	**156.3**
Total salaries and other fees			157.2
Social security fees			40.0
Share based incentive plan			0.6
Other personnel costs			2.7
			200.5
Of which are pension fees for CEO			0.2
Of which are pension fees for other employees			9.9

* Does not include long term share plan, see note 8.

2013	Board and CEO	Bonus to CEO	Other employees
Board and CEO	0.7	0.5	
France			48.0
Sweden			29.6
Germany			27.7
Spain			8.7
Italy			8.6
Brazil			0.3
Other			1.8
Salaries and other fees	**0.7**	**0.5**	**124.7**
Total salaries and other fees			125.9
Social security fees			33.9
Other personnel costs			3.8
			163.6
Of which are pension fees for CEO			0.2
Of which are pension fees for other employees			8.9

2012	Board and CEO	Bonus to CEO	Other employees
Board and CEO	0.6	0.1	
France			20.2
Sweden			27.7
Germany			26.4
Spain			8.3
Italy			0.7
Other			0.3
Salaries and other fees	**0.6**	**0.1**	**83.6**
Total salaries and other fees			84.3
Social security fees			31.1
Other personnel costs			0.1
			115.5
Of which are pension fees for CEO			0.1
Of which are pension fees for other employees			5.2

Note 8 Remuneration of the Board of Directors and key management

Remuneration of the Board of Directors and Board Committees

According to resolutions made at the Annual General Meeting on 2 April 2014, an annual fee of EUR 70,000 will be paid to the Chairman of the Board, and annual fees of EUR 35,000 will be paid to the other Board Members appointed by the Annual General Meeting, who are not employed by the company. The chairman of the audit committee will receive EUR 9,000 and other members will receive EUR 6,000. The chairman of the remuneration committee will receive EUR 6,000 and other members will receive EUR 3,000. The chairman and the members of the Nomination board will not receive any compensation.

According to resolutions made at the extra shareholder meeting of Munksjö Oyj on May 2013, an annual fee of EUR 70,000 will be paid to the Chairman of the Board, and annual fees of EUR 35,000 will be paid to the other Board Members appointed by the Annual General Meeting, who are not employed by the company. The chairman of the audit committee will receive EUR 9,000 and other members will receive EUR 6,000. The chairman of the remuneration committee will receive EUR 6,000 and other members will receive EUR 3,000.

Munksjö Oyj

Annual remuneration for period, KEUR		2014[2]	27 May to 31 Dec 2013[1]
Peter Seligson	Chairman	77	46
Fredrik Cappelen		39	24
Elisabet Salander Björklund		44	26
Sebastian Bondestam		41	24
Hannele Jakosuo-Jansson		38	22
Alexander Ehrnrooth	Member since 2014	31	–
Caspar Callerström	Member since 2014	28	4[3]
Jarkko Murtoaro	Resigned 2014	–	–[4]

[1] Period 27 May to 31 December 2013; In addition the Nomination board have been compensated (full year) by EUR 6,000 for the chairman and EUR 3,000 for the board members. The nomination board members are Caspar Callerström (chairman), Peter Seligson, Fredrik Cappelen, Thomas Ahlström and Timo Ritakallio. Compensation to Peter Seligson, Fredrik Cappelen and Caspar Callerström are included in the figures above.

[2] Period 1 January to 31 March 2014; In addition the Nomination board have been compensated (full year) by EUR 6,000 for the chairman and EUR 3,000 for the board members. The nomination board members are Caspar Callerström (chairman), Peter Seligson, Fredrik Cappelen, Thomas Ahlström and Timo Ritakallio. Compensation (3 months) to Peter Seligson, Fredrik Cappelen and Caspar Callerström are included in the figures above. No compensation to the Nomination board for the period 1 April to 31 December 2014.

[3] This amount is compensation for being the chairman of the Nomination board 27 May to 31 December 2013.

[4] Jarkko Murtoaro has renounced his fee.

As discussed in note 1, although legally Munksjö Oyj acquired Munksjö AB, for accounting purposes in accordance with IFRS Munksjö AB is the acquirer. Therefore the remuneration set out in this note for periods prior to 27 May 2013 reflect the costs of Munksjö AB. The remuneration of the board post 27 May represents the remuneration of the Board of Munksjö Oyj.

According to resolutions made at the 2012 Annual General Meeting of Munksjö AB, an annual fee of SEK 550,000 will be paid to the Chairman of the Board, and annual fees of SEK 275,000 will be paid to the other Board Members appointed by the Annual General Meeting, who are not employed by the company. The chairman of the audit committee will receive SEK 75,000 and other members will receive SEK 50,000. The chairman of the remuneration committee will receive SEK 50,000 and other members will receive SEK 25,000.

Munksjö AB

Annual remuneration for period, KSEK		1 Jan to 26 May 2013	2012
Fredrik Cappelen	Chairman from 2009	78	600
Ingvar Petersson		46	350
Richard Chindt		42	325
Jan Åström	CEO	–	–
Caspar Callerström		–	–
Elisabet Salander Björklund		39	300

Remuneration guidelines

The CEO and other key management will be offered a fixed salary (base salary) and, in some cases, variable remuneration and benefits in kind. The total remuneration shall correspond to market practice, be competitive, and related to the executives responsibilities and authority.

Application of the remuneration guidelines

The Board of Directors decides on the remuneration of the CEO based on a proposal by the Remuneration Committee and on the remuneration of the other key management based on a proposal by the CEO, which is reviewed by the Remuneration Committee.

Key management

Key management refers to the CEO, who is also president of the Group, the business areas managers and the managers of various Group functions.

Fixed and variable salary

Salaries and variable remuneration shall be fixed per calendar year. The CEO and other senior executives may be offered variable remuneration. Any variable remuneration shall be limited and in proportion to the fixed salary and be based on the financial objectives of the Group as well as individual targets. The final resolution on the payment of variable remuneration shall be passed by the Board of Directors after the approval of the audited financial statements. Any variable remuneration shall not be pensionable unless otherwise stipulated in any applicable law or in the rules of a general pension plan, e.g. Sweden's ITP occupational pension plan.

Long term incentive plan

The CEO and key management participate in the Group's long term incentive plan as described in note 9. No awards vested during 2014 and the first settlement will occur in 2017. The cost recognised in the 2014 income statement for the CEO and key management amounted to MEUR 0.1 and MEUR 0.1 respectively.

Cont. note 8

Pensions

Pension arrangements for key management include customary occupational pensions and in some cases individually agreed arrangements, consisting of defined benefit and defined contribution plans. The CEO has an individual pension agreement, stating that the company shall contribute an amount corresponding to 35 per cent of the CEO's annual fixed salary per annum for CEO's pension to an occupational pension insurance designated by the CEO. No early retirement has been agreed on between the company and the CEO. The retirement age for the CEO is 65 years.

Other benefits

To the extent that other benefits are paid, they consist of company cars, housing and health insurances.

Notice and severance pay

The CEO's employment agreement may be terminated by the company with a twelve (12) months' notice and by the CEO with six (6) months' notice. If the company terminates the CEO agreement and the CEO has not taken up other employment by the end of the twelve months' notice period, the CEO is entitled to an additional severance pay of his monthly salary during six months, however not longer than until he has taken up other employment.

Remuneration and benefits of key management, KEUR		Gross salary	Variable remuneration	Other benefits	Pension expenses	Total
Jan Åström as CEO of Munksjö Oyj		537	94	1	200	832
Other senior executives of Munksjö Oyj		1,979	276	65	467	2,787
Total 2014		**2,516**	**370**	**66**	**667**	**3,619**
Jan Åström as CEO of Munksjö Oyj	27 May to 31 Dec 2013	339	96	1	99	535
Jan Åström as CEO of Munksjö AB	1 Jan to 26 May 2013	205	416	1	65	687
Other senior executives of Munksjö Oyj	27 May to 31 Dec 2013	1,029	485	84	268	1,866
Other senior executives of Munksjö AB	1 Jan to 26 May 2013	794	880	63	203	1,940
Total 2013		**2,367**	**1,877**	**149**	**635**	**5,028**
Jan Åström as CEO of Munksjö AB		437	54	1	155	647
Other senior executives of Munksjö AB		1,765	278	105	554	2,702
Total 2012		**2,202**	**332**	**106**	**709**	**3,349**

Note 9 Share based payments

Munksjö's Board of Directors on 28 May 2014 approved a long-term share-based incentive programme for Munksjö's senior executives and other key personnel, approximately 35 persons. The objective of this plan is to align the company's financial goals with the objectives of its shareholders and management by an incentive plan based on share ownership in the company. Participants are awarded Matching and Performance Shares, based on an initial investment of saving shares. The Matching and Performance Shares will vest conditional on performance criteria as specified below, holding of investment shares and continued employment of the participant. The vesting date for the 2014 plan is 31 December 2016 which is a 3 year vesting period.

- A-Rights: 1 matching share per saving share with no performance criteria.
- B-Rights: where 1 share will be granted at EUR 200 million dividend capacity, 2 shares will be granted at EUR 225 million dividend capacity and 3 shares will be granted at EUR million 250 dividend capacity. Linear allotment between the levels. Vesting is also conditional on positive absolute TSR for the Company during the vesting period.
- C-Rights: relative TSR, 1 share if TSR is equal or better than an index for the peer group. 2 shares if the TSR is 10 percentage units better than an index for the peer group. Vesting is also conditional on positive absolute TSR for the company during the vesting period.

The absolute TSR condition and relative TSR condition is recognised as a market condition according to IFRS 2 while the dividend capacity condition is recognised as non-market condition. Due to uncertainty whether, and how many of, the Matching and Performance Shares is expected to vest, a Monte Carlo simulation model is used to value the related instruments. For the instruments where vesting is conditional on a market condition the Monte Carlo simulation model is applied to calculate the fair value excluding the present value of future dividends. For the other instruments, the share price excluding the present value of future dividends is the fair value.

The total number of shares granted amounted to 417,474 of which 15,245 were forfeited during the year leaving a closing balance of 402,229. The weighted average fair value of instruments granted was EUR 5.03 and the intrinsic value of instruments expected to vest amounted to EUR 2,999,977. The total cost recognised in the income statement in 2014 amounted to EUR 0.6 million. At 31 December 2014, the cash settled liability amounted to EUR 0.4 million and the amount recognised in equity amounted to EUR 0.2 million.

Note 10 Provisions for pensions and similar obligations

Munksjö has defined benefit pension plans for salaried employees in various countries. The net pension liabilitiy in Sweden, Germany, France, Italy and the US amounted to EUR 12.3, 15.9, 13.5, 7.3 and 2.0 million respectively. The most significant defined benefit plans are based on length of service and the remuneration paid to the employees at or close to their retirement. The calculations are made according to the projected unit credit method with the assumptions set out below. These plans are mainly unfunded except for the US, France and Germany which are partially funded.

Some of the pension obligations for salaried employees in Sweden are recognized in the Statement of comprehensive income according to the FPG/PRI system. Munksjö also has defined contribution pension plans. A certain part of the pension obligations for salaried employees in Sweden are insured through a number of insurance policies. The insurance companies cannot provide sufficient data to recognise the ITP plan as a defined benefit plan, and it is therefore recognised as a defined contribution plan. This year's pension plan contributions amounted to EUR 0.5 (0.5, 0.5) million. The main insurance provider is Alecta and at year-end, their surplus, in the form of its collective funding ratio, amounted to 144% (148%, 129%). The collective funding ratio is the market value of the manager's assets as a percentage of insurance commitments.

The plan assets in the US, France and Germany amounted to EUR 8.0, 8.8 and 0.3 million respectively. The funding policy is to pay the minimum contribution required under law. In the US, the minimum required contribution is expected to fully fund the liability over a seven year period. The plan seeks a return on investment consistent with levels of investment risk that are prudent and reasonable given medium- to long-term capital market conditions and the investment objectives of the Plan. The US assets are invested in the following asset classes with the allocation to each class based on the current assessment plan's committee and investment advisors.

Asset Class	Policy Minimum Allocation %	Policy Maximum Allocation %
Cash or Money Market	0	50
Bond Funds (without Balanced)	20	50
US Large Cap Equity	20	50
US Small / Mid Cap Equity	0	20
International Funds	0	50
Balanced Funds	10	50
Commodity Funds/Alternatives	0	30

The French plans assets comprise of funds managed by external insurance companies where the asset allocation is mainly in low risk bonds. In Germany the plan assets comprise of cash held in escrow.

The tables below show a breakdown of pension costs (net) as recognised in the consolidated statement of comprehensive income, the difference between the commitments and the plan assets and the amounts recognised in the Statement of comprehensive income for each plan:

The amounts recognised in the balance sheet

Assets/liabilities for pension plans

MEUR	2014	2013	2012
Present value of unfunded defined benefit obligations	36.0	33.0	28.2
Present value of funded or partially funded defined benefit obligations	32.1	28.9	14.3
Fair value of plan assets	–17.1	–16.0	–6.8
Pension liabilities for the period	**51.0**	**45.9**	**35.7**

Amounts recognised in the consolidated statement of comprehensive income

MEUR	2014	2013	2012
Service costs for the period	1.8	2.7	1.7
Interest expense and income	1.4	1.5	1.3
Pension costs recognised in net profit/(loss) for the period	**3.2**	**4.2**	**3.0**
Actuarial gains (–) and losses (+) recognised in other comprehensive income	6.3	–1.8	3.8
Total pension costs recognised in total comprehensive income	**9.5**	**2.4**	**6.8**

Changes to defined benefit obligations are stated in the table below:

MEUR	2014	2013	2012
At 1 January	61.9	42.5	37.2
Interest costs	1.9	1.9	1.8
Current year service costs	1.8	2.7	1.7
Benefits paid	–4.3	–3.6	–2.3
Business combinations	0.0	20.5	0.0
Settlements	0.0	–0.3	0.0
Actuarial gains and losses for obligations	6.3	–1.3	3.9
Exchange rate translation	0.5	–0.5	0.2
At 31 December	**68.1**	**61.9**	**42.5**

The fair value of plan assets is shown below:

MEUR	2014	2013	2012
At 1 January	16.0	6.8	6.2
Interest income	0.5	0.4	0.5
Employer contributions	1.0	0.6	0.6
Business combinations	0.0	9.2	0.0
Benefits paid	–1.4	–1.2	–0.5
Actuarial gains and losses	0.0	0.5	0.1
Exchange rate translation	1.0	–0.3	–0.1
At 31 December	**17.1**	**16.0**	**6.8**

Cont. note 10

The major categories of plan assets are as follows:

MEUR	2014	2013	2012
Shares	4.4	3.7	4.1
Bonds	3.6	2.7	2.4
Endowment insurance	8.8	9.3	0.3
Cash in escrow	0.3	0.3	0.0
Total	**17.1**	**16.0**	**6.8**

The table below shows the key actuarial assumptions used to calculate the defined-benefit plan obligations:

Discount rate, %:	2014	2013	2012
Sweden	2.75	3.75	3.50
Germany	1.70 to 1.90	3.00 to 3.20	3.10 to 3.20
France	1.75 to 2.00	3.00 to 3.30	2.80
Italy	1.90	3.25	–
US	4.00	4.50	3.75

Expected future salary increases, %:	2014	2013	2012
Sweden	3.00	3.00	3.00
Germany	2.50	2.50	2.50
France	2.50 to 3.00	3.00 to 3.50	3.50
Italy	n/a	n/a	n/a
US	n/a	n/a	n/a

Expected future pension increases, %:	2014	2013	2012
Sweden	1.50	2.00	1.75
Germany	1.75	2.00	2.00
France	2.00	2.00	2.00
Italy	2.00	2.00	–
US	n/a	n/a	n/a

Sensitivity analysis on pension obligation	Change in assumption, %	Increase in assumption, MEUR	Decrease in assumption, MEUR
Discount rate	0.5	–3.1	3.9
Salary growth rate	0.5	1.5	–0.8
Pension growth rate	0.5	1.8	–1.2
	Year	MEUR	MEUR
Life expectancy	1	1.6	–1.1

Note 11 Depreciation and amortisation

MEUR	2014	2013	2012
Machinery and equipment	–42.3	–30.3	–20.6
Industrial buildings	–6.3	–5.8	–2.8
Other intangible fixed assets	–5.4	–3.2	–2.0
Total depreciation and amortisation	**–54.0**	**–39.3**	**–25.4**

Note 12 Net financial items

MEUR	2014	2013	2012
Interest income from loans and receivables	0.3	0.3	1.7
Exchange rate gains**	6.1	0.7	17.5
Financial income	**6.4**	**1.0**	**19.2**
Interest expense from borrowings	–14.0	–12.5	–10.0
Loss on interest rate swaps*	–0.3	–0.2	–3.7
Unwinding of discount on provisions	–2.5	–1.6	–1.8
Amortisation of capitalised bank fees	–9.0	–4.0	–0.6
Exchange rate losses**	–7.0	–4.4	–19.4
Other financial costs	–2.1	–1.2	0.0
Financial costs	**–34.9**	**–23.9**	**–35.5**
Net financial expense	**–28.5**	**–22.9**	**–16.3**

* The income statement effect of other derivatives such as currency, pulp, electricity are recorded in operating profit (see note 27)

** The foreign exchange gains and losses relate to interest bearning assets and liabilities. Exchange gains and losses on operating items are recorded in operating profit

Note 13 Taxes

MEUR	2014	2013	2012
Profit/loss before taxes	**16.9**	**–56.3**	**–8.9**
Current tax income/expense			
Current tax on profits for the year	–12.0	–10.0	–1.8
Adjustments in respect of prior years	–1.0	–2.3	0.0
	–13.0	**–12.3**	**–1.8**
Deferred tax:			
Relating to recognition and use of tax loss carry forwards	–0.7	6.3	–2.2
Relating to recognition and reversal of temporary Differences	4.5	4.9	2.4
	3.8	**11.2**	**0.2**
Total tax expense	**–9.2**	**–1.1**	**–1.6**

Reconciliation of effective tax rate

MEUR	2014	2013	2012
Profit/loss before taxes	**16.9**	**–56.3**	**–8.9**
Swedish income tax	–	–	2.3
Finnish income tax	–3.4	13.8	–
Effect of other tax rates for foreign subsidiaries	–2.5	–4.5	–0.2
Effect of change in deferred tax rate[1)]	–	–	–0.5
Taxes from prior years	1.0	2.3	–
Tax losses carry forward not capitalised	–3.9	–3.8	–0.1
Non–deductible expenses and tax exempt income	–0.4	–8.9	–3.1
Tax in consolidated statement of comprehensive income	**–9.2**	**–1.1**	**–1.6**

1) The Swedish tax rate decreased from 26.3% to 22.0% from 1 January 2013. The change in the Finnish tax rate from 24.5% to 20% from 1 January 2014 had an immaterial impact.

Change in deferred tax on temporary differences and loss carry forwards, MEUR	Opening balance **2014**	Translation Difference	Business combination	Recognised in profit/loss	Recognised in other comprehensive income	Closing balance **2014**
Receivables	–0.2	0.0	–	–	–	–0.2
Loss carry forwards	–38.3	1.1	–	0.7	–	–36.5
Untaxed reserves	16.3	–0.9	–	–0.6	–	14.8
Tangible asset	34.0	0.0	–	–3.2	–	30.8
Other	18.6	–0.2	–	–0.7	–2.1	15.6
Net deferred tax liability	**30.4**	**0.0**	**0.0**	**–3.8**	**–2.1**	**24.5**
Liabilities						84.7
Assets						–60.2
						24.5

MEUR	Opening balance **2013**	Translation Difference	Business combination	Recognised in profit/loss	Recognised in other comprehensive income	Closing balance **2013**
Receivables	–0.1	0.0	–	–0.1	–	–0.2
Loss carry forwards	–27.6	0.6	–5.0	–6.3	–	–38.3
Untaxed reserves	10.1	–0.3	7.1	–0.6	–	16.3
Tangible asset	20.8	–0.2	15.2	–1.8	–	34.0
Other	–3.4	–0.1	24.7	–2.4	–0.2	18.6
Net deferred tax liability	**–0.2**	**0.0**	**42.0**	**–11.2**	**–0.2**	**30.4**
Liabilities						85.0
Assets						–54.6
						30.4

MEUR	Opening balance **2012**	Translation differences	Business Combinations	Recognised in profit/loss	Recognised in other comprehensive income	Closing balance **2012**
Receivables	–2.0	–0.1	–	–	2.0	–0.1
Loss carry forwards	–30.0	–0.7	–	3.1	–	–27.6
Untaxed reserves	12.2	0.5	–	–2.6	–	10.1
Tangible asset	20.7	0.3	–	–0.2	–	20.8
Other	–2.3	0.0	–	0.1	–1.1	–3.4
Net deferred tax asset	**–1.5**	**0.1**	**–**	**0.3**	**0.8**	**–0.2**
Liabilities						27.6
Assets						–27.8
						–0.2

Cont. note 13

During 2013, the German tax authorities initiated a tax audit of Munksjö Germany Holding GmbH covering the years 2005 to 2010. The authorities identified a number of potential issues and in 2013 the Group paid EUR 2 million to the authorities and a further EUR 5 million had been provided at 31 December. During 2014 the Group reached a settlement and an amount of EUR 5.1 million was paid resulting in a further tax cost of EUR 0.1 million.

The Group has total loss carry forwards of EUR 149.2 (163.4, 122.5) million, which are available for offsetting against future taxable profits in the companies that incurred the losses. The related deferred tax asset amounted to EUR 36.5 (38.3, 27.6) million. All loss carry forwards have a perpetual term apart from in Spain, where the limit is between 8 and 10 years. In Spain the loss carry forward amounts to EUR 22.1 (26.8, 26.8) million. No deferred tax asset has been recognised in respect of losses in Munksjö Oyj, Munksjö France Holding S.A.S. or Munksjö Paper Inc amounting to EUR 3.9 million as there is uncertainty whether they can be utilised in the future.

Note 14 Earnings per share

The basic earnings per share are calculated by dividing the profit/loss attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the period. The diluted earnings per share is calculated by dividing the profit/loss attributable to the shareholders of the parent company by the weighted average number of outstanding shares during the period plus the average number of shares that would be issued as an effect of ongoing share based incentive plans. During 2014, the group introduced a share based incentive plan described in more detail in note 9.

The table below shows the values used in calculating earnings per share.

	2014	2013	2012
Earnings attributable to the parent company's shareholders, MEUR	7.0	–57.7	–11.0
Weighted average number of shares before dilution	51,061,581	29,228,454	12,306,807
Dilution effect from share based incentive plan	29,832	–	–
Weighted average number of shares after dilution	51,091,413	29,228,454	12,306,807
Basic earnings per share, EUR	**0.14**	**–1.97**	**–0.89**
Diluted earnings per share, EUR	**0.14**	**–1.97**	**–0.89**

Note 15 Intangible assets

2014, MEUR	Total	Goodwill	Customer relationships	Patents and trademarks	Software	Other
Accumulated acquisition value						
Opening	293.3	226.6	34.1	5.1	3.8	23.7
Additions	2.0	–	–	0.2	1.8	–
Reclassification	1.8	–	–	–	1.8	–
Exchange differences	0.5	0.1	0.1	–	–0.3	0.6
Closing	**297.6**	**226.7**	**34.2**	**5.3**	**7.1**	**24.3**
Accumulated amortisation						
Opening	10.3	0.0	1.0	3.9	2.6	2.8
Amortisation	5.4	–	2.6	0.3	0.7	1.8
Exchange differences	0.0	–	–	–	0.1	–0.1
Closing	**15.7**	**0.0**	**3.6**	**4.2**	**3.4**	**4.5**
Net book value at year end	**281.9**	**226.7**	**30.6**	**1.1**	**3.7**	**19.8**

Cont. note 15

2013, MEUR	Total	Goodwill	Customer relationships	Patents and trademarks	Software	Other
Accumulated acquisition value						
Opening	170.6	155.8	–	5.0	3.2	6.6
Business combinations	122.3	71.0	34.7	–	–	16.6
Additions	1.6	–	–	0.1	0.1	1.4
Reclassification	0.5	–	–	–	0.5	–
Exchange differences	–1.7	–0.2	–0.6	–	–	–0.9
Closing	**293.3**	**226.6**	**34.1**	**5.1**	**3.8**	**23.7**
Accumulated amortisation						
Opening	4.1	–	–	1.5	2.4	0.2
Business combinations	3.2	–	1.0	–	–	2.2
Amortisation	3.2	–	–	2.4	0.3	0.5
Exchange differences	–0.2	–	–	–	–0.1	–0.1
Closing	**10.3**	**0.0**	**1.0**	**3.9**	**2.6**	**2.8**
Net book value at year end	**283.0**	**226.6**	**33.1**	**1.2**	**1.2**	**20.9**

2012, MEUR	Total	Goodwill	Customer relationships	Patents and trademarks	Software	Other
Accumulated acquisition value						
Opening	169.8	156.0	0.0	5.0	2.3	6.5
Additions	0.8	–	–	–	0.7	0.1
Exchange differences	0.0	–0.2	–	–	0.2	–
Closing	**170.6**	**155.8**	**0.0**	**5.0**	**3.2**	**6.6**
Accumulated amortisation						
Opening	2.1	–	–	0.5	1.4	0.2
Amortisation	2.0	–	–	1.0	1.0	–
Exchange differences	0.0	–	–	–	0.0	–
Closing	**4.1**	**0.0**	**0.0**	**1.5**	**2.4**	**0.2**
Net book value at year end	**166.5**	**155.8**	**0.0**	**3.5**	**0.8**	**6.4**

Goodwill is tested annually for impairment. Goodwill is monitored by management at business area level and this is the level at which goodwill has been tested for impairment. Impairment losses are recognised if the carrying value exceeds the value in use. The value in use is the present value of the estimated future cash flows. The cash flows are based on financial plans that normally cover a period of five years. The financial plans have been prepared by the corporate management and approved by the Board of Directors. Cash flows beyond this five-year period have been extrapolated using an estimated sales growth rate of 2% (2%, 2%) which reflects the estimated long term inflation rate.

The calculation of the value in use is based on assessments and estimates. The most significant estimates concern sales development, current market prices, current cost levels with supplements for changes in real price and cost inflation, estimates regarding the development of the operating margin and the current weighted average cost of capital (WACC) used to discount future cash flows. The volume estimates generally adhere to an average growth of 1–2%. For the calculation of present value of expected future cash flows, a pre-tax discount rate of 9% (10%, 10%) has been used for all cash-generating units. The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's potential investors. The cost of debt is based on the interest bearing borrowings the group is obliged to service. The beta factors are evaluated annually based on publicly available market data. All cash-generating units were tested for impairment in the fourth quarter of 2014. According to the result of the impairment testing of goodwill, there is no impairment.

Allocation of goodwill by business area, MEUR	2014	2013	2012
Decor	141.8	141.8	139.7
Release Liners	71.1	71.0	–
Industrial Applications	13.8	13.8	16.1
Group total	**226.7**	**226.6**	**155.8**

The recoverable amount of the Decor business area exceeded the carrying value of MEUR 448. A sensitivity analysis shows that if the pre-tax discount rate increased from the testing rate of 10% to 17% or if the EBITDA margin in the terminal year was below approximately 8% impairment would be triggered.

The recoverable amount of the Release Liners business area exceeded the carrying value of MEUR 345. A sensitivity analysis shows that if the pre tax discount rate increased from the testing rate of 10% to 13% or if the EBITDA margin in the terminal year was below approximately 8% impairment would be triggered.

The testing in Industrial Applications business area is not sensitive to changes in EBITDA margin or discount rate as the headroom between asset carrying value and value in use is very large.

Note 16 Tangible assets

2014, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	1,147.4	929.7	160.0	45.9	11.8
Additions	44.5	15.2	0.9	0.1	28.3
Disposals	–4.3	–4.1			–0.2
Reclassifications	–1.8	16.5	1.6	0.4	–20.3
Exchange differences	–13.6	–14.3	2.4	–1.7	0.0
Closing	**1,172.2**	**943.0**	**164.9**	**44.7**	**19.6**
Accumulated depreciation according to plan					
Opening	688.2	581.0	98.6	8.6	0.0
Depreciation	48.6	42.3	5.9	0.0	0.4
Disposals	–4.1	–3.9	–0.1	0.1	–0.2
Exchange differences	–6.9	–6.9	0.3	–0.4	0.1
Closing	**725.8**	**612.5**	**104.7**	**8.3**	**0.3**
Net book value	**446.4**	**330.5**	**60.2**	**36.4**	**19.3**

The largest investment in 2014 was the installation and start-up of two film presses within Graphics and Packaging's two production facilities in France. The purpose of the investment is to ensure the technical conditions for the development of the business area's product line, and strengthen the competitiveness in accordance with the program aiming at a substantial improvement in the business area's financial result. The other investments in January–December 2014 were mainly related to smaller investments for maintenance, for instance in connection with the maintenance shutdown at the Aspa facility in the second quarter of 2014. The comparative figure only includes investments for the acquired operations from 27 May 2013 onwards.

2013, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	716.2	561.5	105.3	39.1	10.3
Business combinations	418.4	352.9	51.1	7.7	6.7
Additions	21.5	6.4	0.5	0.0	14.6
Disposals	–1.2	–1.1	–0.1	0.0	0.0
Reclassifications	–0.5	18.2	0.8	0.0	–19.5
Exchange differences	–7.0	–8.2	2.4	–0.9	–0.3
Closing	**1,147.4**	**929.7**	**160.0**	**45.9**	**11.8**
Accumulated depreciation according to plan					
Opening	479.8	401.0	70.9	7.9	0.0
Business combinations	174.0	153.2	20.8	0.0	0.0
Depreciation	36.1	30.3	5.0	0.8	0.0
Disposals	–1.1	–1.0	–0.1	0.0	0.0
Exchange differences	–0.6	–2.5	2.0	–0.1	0.0
Closing	**688.2**	**581.0**	**98.6**	**8.6**	**0.0**
Net book value	**459.2**	**348.7**	**61.4**	**37.3**	**11.8**

Additions for January–December 2013 were mainly related to smaller investments for maintenance. The largest 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.

Cont. note 16

2012, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	700.4	543.8	103.6	38.1	14.9
Additions	14.0	6.0	0.2	0.0	7.8
Disposals	–9.2	–9.2	0.0	0.0	0.0
Reclassifications	0.0	12.7	0.0	0.0	–12.7
Exchange differences	11.0	8.1	1.5	1.0	0.4
Closing	**716.2**	**561.5**	**105.3**	**39.1**	**10.3**
Accumulated depreciation according to plan					
Opening	459.6	384.7	67.4	7.5	0.0
Depreciation	23.4	20.6	2.8	0.0	0.0
Disposals	–9.1	–9.1	0.0	0.0	0.0
Exchange differences	5.8	4.9	0.7	0.4	0.0
Closing	**479.8**	**401.0**	**70.9**	**7.9**	**0.0**
Net book value	**236.4**	**160.4**	**34.5**	**31.2**	**10.3**

Investments in fixed assets in 2012 were mainly related to maintenance replacements. The largest ongoing project was a wet pulp loading station and conveyer system in the Aspa pulp mill to enable Aspa to receive pulp from Billingsfors leading to full capacity utilization and lower production costs. The construction commenced at the end of 2012.

Note 17 Associated companies

Associated companies	Corporate ID	Registered Office	Country	Share of equity %	Share of votes %
Sydved AB – associated company	556171-0814	Jönköping	Sweden	33	33

MEUR	2014	2013	2012
Book value at the beginning of the year	2.4	2.2	2.1
Share of earnings for the year	0.0	0.3	0.0
Exchange differences	–0.2	–0.1	0.1
Book value at the end of year	**2.2**	**2.4**	**2.2**

The carrying value of the associated company Sydved AB has no goodwill included. The Group's liabilities to Sydved amounted to EUR 8.3 (8.4, 10.1) million.

Share of Sydved AB's assets, equity, net sales and profit before tax

MEUR	2014	2013	2012
Assets	12.8	12.4	13.3
Equity	2.2	2.3	2.2
Net sales	97.0	99.0	118.3
Profit before tax	0.0	0.3	0.0

Sydved AB has no contingent liabilities.

Note 18 Joint operations

In connection with the business combination described in note 3, certain assets in Turin are shared by Munksjo Italia S.p.A. and the Ahlstrom business remaining at the Turin site. The shared assets have been transferred to AM Real Estate S.r.l which is owned 50:50 by Munksjö Oyj and an Ahlstrom Group company. As a result of the adoption of IFRS 11, this entity is now treated as a joint operation and Munksjö's recognises the assets, liabilities, revenues and expenses relating to its 50% interest in the joint operation. Previously this entity was accounted for using the equity method. See note 1 for a more detailed explanation of the impact of the adoption of IFRS 11 on the financial statements. The Group's had no liabilities or receivables in respect of AM Real Estate S.r.l with the exception of a loan payable of EUR 1.8 (1.2) million.

Joint Operation	Corporate ID	Registered Office	Country	Share of equity %	Share of votes %
AM Real Estate S.r.l.	10948970016	Turin	Italy	50	50

Share of AM Real Estate S.r.l's assets, equity, net sales and profit before tax, MEUR	2014	2013
Assets	12.4	13.4
Equity	12.1	12.2
Net sales	1.4	0.0
Profit before tax	0.0	0.0

AM Real Estate S.r.L has no contingent liabilities.

Note 19 Inventories

MEUR	2014	2013	2012
Materials and supplies	21.8	17.9	15.7
Work in progress	7.0	7.0	1.5
Finished products	93.4	91.5	54.4
Consumables and spare parts	30.0	30.2	18.9
Total inventories	**152.2**	**146.6**	**90.5**

Operating costs include impairment losses of inventories amounting to EUR 0.4 (0.6, 0.9) million.

Note 20 Other current assets

MEUR	2014	2013	2012
Value added tax	9.2	7.1	2.9
Escrow cash account	1.3	1.2	0.6
Prepaid expenses	8.7	8.2	2.7
Fair value of unrealised hedges (note 27)	0.1	0.9	0.5
Other	12.5	9.9	4.8
Total	**31.8**	**27.3**	**11.5**

Note 21 Cash and cash equivalents

Cash and cash equivalents are made up of the following items in the Group's cash flow analysis:

MEUR	2014	2013	2012
Cash in banks	84.1	83.1	57.1
	84.1	**83.1**	**57.1**

Bank deposits earn variable interest based on the bank's daily deposit rate. The fair value for cash and cash equivalents is EUR 84.1 (83.1, 57.1) million.

	2014	2013	2012
The total credit limit for the Munksjö Group amounts to:	345.0	355.0	282.6
Of which, the following was utilised at the closing date:	295.0	305.0	276.5

Note 22 Equity

Please refer to parent entity financial statements for details on share capital and reserve for invested unrestricted equity.

Other contributed capital
Refers to equity contributed by the shareholders.

Reserves
Translation reserve
The translation reserve includes all exchange rate differences arising in the conversion of financial reports of foreign businesses, which prepared their financial reports in a currency other than the Group's functional currency.

Hedge reserve
The hedge reserve comprises the effective portion of the cumulative net change in the fair value of a cash-flow-hedging instruments related to hedged transactions that have not yet occurred.

Note 23 Financial assets and liabilities summary

2014 MEUR	Derivatives used in hedge accounting	Financial assets at fair value through profit and loss	Loans and receivables	Financial liabilities at amortised cost	Carrying value	Fair value
Accounts receivable	–	–	114.6	–	114.6	114.6
Currency derivative asset (Other current assets)	0.1	–	–	–	0.1	0.1
Escrow cash account (Other current assets)	–	–	1.3	–	1.3	1.3
Cash and cash equivalents	–	–	84.1	–	84.1	84.1
Total	**0.1**	**0.0**	**200.0**	**0.0**	**200.1**	**200.1**
Interest-bearing liabilities**	–	–	–	312.1	312.1	312.1
Interest rate swaps	1.2	–	–	–	1.2	1.2
Accounts payable*	–	–	–	172.6	172.6	172.6
Pulp derivative liability (accrued expenses)	–	–	–	–	0.0	0.0
Electricity derivative liability (accrued expenses)	0.2	–	–	–	0.2	0.2
Currency derivative liability (accrued expenses)	3.0	–	–	–	3.0	3.0
Total	**4.4**	**0.0**	**0.0**	**484.7**	**489.1**	**489.1**

2013 MEUR						
Accounts receivable	–	–	128.7	–	128.7	128.7
Currency derivative asset (Other current assets)	0.9	–	–	–	0.9	0.9
Escrow cash account (Other current assets)	–	–	1.2	–	1.2	1.2
Cash and cash equivalents	–	–	83.1	–	83.1	83.1
Total	**0.9**	**0.0**	**213.0**	**0.0**	**213.9**	**213.9**
Interest-bearing liabilities**	–	–	–	315.6	315.6	315.6
Interest rate swap	0.2	–	–	–	0.2	0.2
Accounts payable*	–	–	–	175.8	175.8	175.8
Pulp derivative liability (accrued expenses)	0.7	–	–	–	0.7	0.7
Electricity derivative liability (accrued expenses)	0.5	–	–	–	0.5	0.5
Currency derivative liability (accrued expenses)	1.0	–	–	–	1.0	1.0
Total	**2.4**	**0.0**	**0.0**	**491.4**	**493.8**	**493.8**

2012 MEUR						
Accounts receivable	–	–	80.6	–	80.6	80.6
Currency derivative asset (Other current assets)	0.5	–	–	–	0.5	0.5
Escrow cash account (Other current assets)	–	–	0.6	–	0.6	0.6
Cash and cash equivalents	–	–	57.1	–	57.1	57.1
Total	**0.5**	**0.0**	**138.3**	**0.0**	**138.8**	**138.8**
Interest-bearing liabilities**	–	–	–	274.3	274.3	274.3
Interest rate swaps	0.1	–	–	–	0.1	0.1
Accounts payable*	–	–	–	79.7	79.7	79.7
Pulp derivative liability (accrued expenses)	–	–	–	–	0.0	0.0
Electricity derivative liability (accrued expenses)	0.3	–	–	–	0.3	0.3
Currency derivative liability (accrued expenses)	0.4	–	–	–	0.4	0.4
Total	**0.8**	**0.0**	**0.0**	**354.0**	**354.8**	**354.8**

* Includes amount owed to associated companies
** The fair value of borrowings is a level 2 valuation and does not differ significantly from the carrying value

Note 24 Borrowings

Munksjö entered into a MEUR 345 term loan and revolving credit facilities agreement in September 2014 with a maturity of five years. The facilities consist of MEUR 275 term loan facilities and MEUR 70 revolving credit facility. At 31 December 2014, MEUR 295 of the total facilities of MEUR 345 had been utilised. MEUR 80 of the term loan facility has bi-annual repayments of MEUR 8 commencing March 2015 and finishing September 2019. The remaining MEUR 195 is repayable in September 2019. 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 replaced the company's previous MEUR 365 financing agreement signed in May 2013. At the end of the fourth quarter of 2014, the weighted average interest rate was approximately 2.7% (4.2%).

Interest-bearing net debt amounted to MEUR 225.6 at 31 December 2014 (229.3, 217.3), resulting in a gearing of 54.5% (54.1%, 108.9%). According to Munksjö's financial covenants for 2014, the consolidated senior net debt to consolidated EBITDA needs to be 3.5 or less and the consolidated EBITDA to consolidated net finance charges shall not be less than 4.5.

During 2013 in connection with the business combination described in note 3, Munksjö Oyj in May 2013 entered into a MEUR 365 Term and Revolving Facilities Agreement. The facilities consisted of MEUR 295 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 MEUR 70 revolving credit facility to provide working capital financing for Munksjö Oyj and its subsidiaries. At 31 December 2013, MEUR 305 of the total facilities of MEUR 365 had been utilised.

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 MEUR 11.5. 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 MEUR 9.5 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 MEUR 128.5 divided between the investors as follows: Ahlstrom MEUR 78.5, EQT III Limited MEUR 25.0, Varma Mutual Pension Insurance Company MEUR 6.25 and Ilmarinen Mutual Pension Insurance Company MEUR 18.75.

Summary of financing activities	MEUR
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
Repayment of new facilities	–10.0

Liabilities to credit institutions and shareholders that fall to payment:

MEUR	2014	2013	2012
within 1 year	41.6	45.0	14.8
between 1–2 years	17.7	20.7	0.7
between 2–3 years	20.9	20.7	252.8
between 3–4 years	17.0	21.6	0.7
between 4–5 years	212.0	205.0	3.9
after 5 years	4.1	2.8	1.5
Total interest-bearing liabilities	**313.3**	**315.8**	**274.4**

MEUR	2014	2013	2012
Syndicated EUR loans	275.0	285.0	149.8
Syndicated SEK loans	0.0	–	99.0
Syndicated EUR revolver loans	20.0	20.0	14.3
Financial leases	10.1	7.8	6.0
Other interest-bearing liabilities	8.2	3.0	5.3
Total	**313.3**	**315.8**	**274.4**

Cont. note 24

The Munksjö Group has, as the lessee, signed financial and operational leasing contracts.

Future operating lease commitments:

Operational leasing, MEUR	2014 Future minimum leasing fees	2014 Of which, premises	2013 Future minimum leasing fees	2013 Of which, Premises	2012 Future minimum leasing fees	2012 Of which, Premises
Within 1 year	7.4	0.9	5.6	0.9	1.5	0.7
2–5 years	17.9	1.5	14.9	1.7	2.7	1.5
More than 5 years	0.1	0.0	1.0	0.0	0.2	0.0
Total	**25.4**	**2.4**	**21.5**	**2.6**	**4.4**	**2.2**

Of the total future obligations of MEUR 25.4, some MEUR 8.5 relates to obligations to Munksjö's joint arrangement in Italy as described in note 18. The Group's operational leasing costs for machinery and equipment plus rent on external properties amounted to MEUR 7.3 (6.7, 2.3).

Future financial lease commitments:

Financial leasing, MEUR	Within 1 year	2–5 years	More than 5 years	Total
2014				
Minimum lease payments	2.1	7.3	2.2	11.6
Interest	–0.4	–0.9	–0.2	–1.5
Present value of minimum lease payments	**1.7**	**6.4**	**2.0**	**10.1**
2013				
Minimum lease payments	1.7	6.9	0.3	8.9
Interest	–0.3	–0.8	0.0	–1.1
Present value of minimum lease payments	**1.4**	**6.1**	**0.3**	**7.8**
2012				
Minimum lease payments	0.6	5.2	0.8	6.6
Interest	–0.1	–0.3	–0.1	–0.6
Present value of minimum lease payments	**0.5**	**4.9**	**0.7**	**6.0**

Assets in the consolidated statement of financial position as at 31 December under financial leasing consisted on machinery with a net book value of EUR 10.0 (7.8, 5.8) million.

Note 25 Provisions

MEUR	Restruc-turing	Environ-mental reserves	Other	Total
Closing balance on December 31, 2011	**0.0**	**6.8**	**3.4**	**10.2**
Unwinding of discount	0.0	0.3	0.2	0.5
Provisions made during the year	0.0	0.3	0.0	0.3
Provisions used during the year	0.0	–0.3	0.0	–0.3
Exchange differences	0.0	–0.3	–0.2	–0.5
Closing balance on December 31, 2012	**0.0**	**6.8**	**3.4**	**10.2**
Unwinding of discount	0.0	0.3	0.0	0.3
Business combinations	0.8	0.0	7.0	7.8
Provisions made during the year	8.4	5.2	10.5	24.1
Provisions used during the year	–0.4	–0.9	–4.5	–5.8
Exchange differences	–0.1	–0.3	–0.1	–0.5
Closing balance on December 31, 2013	**8.7**	**11.1**	**16.3**	**36.1**
Unwinding of discount	–	0.4	0.6	1.0
Provisions made during the year	2.8	–	1.2	4.0
Provisions used during the year	–4.7	–0.8	–10.8	–16.3
Provisions reversed	–1.3	–0.1	–0.5	–1.9
Reclassification	–0.2	0.1	0.1	0.0
Exchange differences	–	0.4	0.2	0.6
Closing balance on December 31, 2014	**5.3**	**11.1**	**7.1**	**23.5**

Restructuring provisions consisted mainly of employee related redundancy and early retirement provisions. The restructuring provisions made during 2014 relate mainly to the restructuring of the sales organisation announced at the end of 2014. The reversal of restructuring provisions was due to the costs for implementing the integration and achieving the synergy benefits being lower than estimated. The significant increase during 2013 related mainly to synergy and integration activities post the business combination described in note 3. The increase in the environmental provisions in 2013 related mainly to the closed Italian and US production sites where accelerated unwinding of discount and a change in estimates triggered an increase in the provision. In other provisions the main driver of the increase in 2014 and 2013 related to Osnabrück commitments. Munksjö Oyj made a commitment to pay certain costs arising from the divestment of some businesses in Osnabrück, Germany by Ahlstrom required by the European Commission as a condition of regulatory approval.

The provisions above have been made based on the assessment described in note 2.

Note 26 Accrued expenses

MEUR	2014	2013	2012
Accrual for invoices not yet received	34.4	34.5	13.1
Accrued wages and salaries	13.5	10.7	8.4
Accrued vacation pay	12.6	12.4	6.4
Accrued social security costs	10.3	10.7	7.5
Accrued customer bonus	7.6	8.1	3.7
Current derivatives liabilities	3.2	2.2	0.7
Other	18.4	10.5	2.2
Total accrued expenses	**100.0**	**89.1**	**42.0**

Note 27 Financial risk management

The Group's main exposure to financial risk consists of currency risk (transaction and translation exposure), liquidity and financing risk, interest risk and credit risk (also referred to as counterparty risk).

Munksjö's financing activities and the management of financial risks are generally carried out centrally and are in compliance with the financial policy approved by the Board of Directors. The financial risks are described below, as well as the most significant risk management activities intended to mitigate them.

Currency risk

Transaction exposure

Currency risks refers to the risk that fluctuations in the foreign exchange market will affect the Munksjö Group's cash flow, profit and equity negatively. Currency exposure is defined as all unhedged exposure in foreign currency, as follows:

- Transaction exposure, current transactions in foreign currency, i.e. purchases, sales and flow of interest.
- Translation exposure, loans and investments in foreign currency including shares in subsidiaries.

Most European entities invoice primarily in EUR and their costs are incurred in the same currency, however Munksjö's Swedish units are exposed to exchange rate fluctuations, as the main share of its income is invoiced in foreign currencies, primarily EUR and USD, while costs are in SEK. The transaction exposure is the profit and loss effect that arises between the time of sale and the time of payment following an exchange rate fluctuation. Munksjö's Brazilian entity invoices primarily in BRL and their costs are incurred in the same currency.

In order to avoid unnecessary currency exposure within the Group, the number of currencies in the intercompany invoicing is minimised. The currency risk is handled by Group Treasury and the local entities operate primarily in local currency for intra group transactions. When possible Group Treasury matches the foreign exchange flows within the Group. The consolidated foreign exchange exposure is handled centrally by the Group Treasury department.

To reduce the effects of the transaction exposure at group level, Munksjö continuously hedges a forecasted net flow in the foreign currencies according to the financial policy, which states that 65–85% of the net flow in the upcoming 9-month period shall be hedged. At the end of 2014, the currency contracts that had not yet been recognised as income amounted to EUR –2.9 million. The currency forward contracts are entered into on a monthly basis, with a maturity of nine months.

Cont. note 27

2014, MEUR	SEK	USD	EUR	BRL
Net sales 2014	47	160	848	82
Net expenses 2014	–180	–108	–761	–87
Exposure	**–133**	**52**	**87**	**–5**

2013, MEUR	SEK	USD	EUR	BRL
Net sales 2013	36	137	685	7
Net expenses 2013	–170	–84	–574	–6
Exposure	**–134**	**53**	**111**	**1**

2012, MEUR	SEK	USD	EUR
Net sales 2012	48	111	448
Net expenses 2012	–168	–20	–381
Exposure	**–120**	**91**	**67**

Notional amounts of derivative instruments

MEUR	2014	2013	2012
Currency derivatives	89.3	77.7	46.3
Electricity derivatives	2.8	3.8	4.9
Pulp derivatives	–	25.8	–
Interest rate derivatives (see below)	240.0	200.0	140.0

Translation exposure
Munksjö has assets in foreign currencies, primarily through the ownership of its Swedish and Brazilian subsidiaries. The translation exposure arises when the net assets of the foreign subsidiaries are translated into EUR. The Group does not hedge its net investment in foreign subsidiaries.

Liquidity and financing risk
Funding risk refers to the risk that the Munksjö Group does not have access to financing, or to financing at an acceptable cost. This situation may arise if the Group becomes too dependent on a single source of funding, or if the maturity structure of the debt portfolio is too concentrated. The Group aims to spread the Group's funding on:
- different lenders,
- different maturities, and
- different forms of financing.

The ambition is that not more than 50% of the total debt portfolio should mature within the same 12-month period. The inclusion of covenants should if possible be avoided in all types of financing agreements. For the purposes of this financial policy, financing includes leasing arrangements. Leasing arrangements must be approved by the CEO and CFO in advance. Liquidity risk refers to the risk that the Munksjö Group will not have sufficient funds to pay foreseen or unforeseen expenditures.Group Treasury manages the Group's liquidity. The liquidity situation shall be monitored in such way that the Munksjö Group at all times has sufficient liquidity. The Group's cash accounts should be included in the cash pools. If external accounts are needed, they must be approved by Group Treasury. The Group has EUR 50 million of unused credit facilities. See note 24 for the maturity table related to borrowings and below for the maturity table related to derivatives.

Interest risk
Interest rate risk refers to the risk that changes in interest rate have a negative effect on the result of the Munksjö Group or that they affect the long term competitiveness of the Munksjö Group. There is a risk of interest rates moving both upwards and downwards. Considerations shall at all times be taken to how vulnerable the Munksjö Group is to a given change in interest rates.
- In order to limit the impact of movements in the interest rates, the Munksjö Group should aim at achieving an average maturity of the interest rates in the debt portfolio, including the interest rate derivatives, of 2 years +/–1 year or in accordance with loan agreement if so specified.
- Interest maturities shall preferably be spread out evenly over time in order to avoid substantial risk concentrated to one period.

The profit and loss effect excluding interest rate swaps in one year of an interest rate fluctuation of 1 percentage point would amount to MEUR 3, calculated based on liabilities of MEUR 295 at year-end. The Group had an average fixed interest term of 27 months at year-end.

At the end of 2014, Munksjö held interest rate swaps of MEUR 240 (200, 140) on the syndicated loan. The fixed portion of the swaps had an average interest rate of 0.3%, while the flexible portion held by Munksjö is based on the 3 months Euribor rate. The interest rate swaps lessen the impact of an interest rate fluctuation. The swaps commenced in October 2013 and 2014 with maturity date in October 2016, 2017 and 2018. Settlement occurs on a quarterly basis.

In case of an interest rate fluctuation, the effects on net financial items not covered by swaps are stated below.

Interest +1%	MEUR –0.6
Interest +2%	MEUR –1.1

Price risk
Munksjö hedges 50% of its electricity consumption for the Swedish entities. This entails a price risk for the unhedged portion in Sweden and the full electricity cost for the rest of the Group. The electricity hedging in Sweden is arranged via Statkraft, within predetermined maximum/minimum levels until 2017.

With regard to pulp, Munksjö has a policy of hedging no more than 50% of the sales/purchases. Effective from 1 January 2015, the Group has decided to stop all hedging in relation to pulp prices. During 2014, purchases of 45,000 tonnes of short fiber pulp were hedged. The long fiber pulp is manufactured and sold by Munksjö, whereas both long and short fiber pulp is used in production.

The following table shows the estimated effect on the 2014 profit before tax for price changes from total pulp, energy and titanium dioxide purchases.

MEUR	
Pulp +5%	–8.4
Energy +5%	–5.2
Titanium dioxide +5%	–5.5

Credit risk
Credit risk refers to the risk that a counterparty, in a financial transaction, cannot meet its obligations. To avoid this, it is clearly defined in Munksjö's financial policy how any excess liquidity may be invested. The calculation of credit risk includes positive profit and loss effects on derivative contracts with a counterparty. Munksjö's maximum credit risk exposure corresponds to the fair values of the financial assets, see note 23.

Cont. note 27

Customer structure and customer credit

Munksjö has long-standing customer relations, and the major share of the sales, approximately 75%, is to Europe. The sales can be based on framework agreements specifying general terms and conditions of supply and planned supply quantities; alternatively, the customer submits a request regarding the quality and quantity for a specific purpose. Various pricing models are used, either according to an issued price list or using a fixed price for a certain period. For pulp there are publicity quoted market prices available. The extension of credits to customers varies depending on the market and the product. At 31 December the accounts receivables amounted to EUR 114.6 (128.7, 80.6) million. The total credit losses recorded in 2014 amounted to EUR 0.4 (1.5, 0.5) million.

The Group has a credit policy that governs the management of customer credits. The fair value of accounts receivables and supplier credits is commensurate with the recognised value.

Accounts receivable, MEUR	2014	2013	2012
Accounts receivable not due	103.1	116.5	73.2
Receivables overdue			
< 30 days	10.1	10.5	5.8
30–90 days	0.8	0.3	0.9
> 90 days	0.6	1.4	0.7
Receivables overdue	**11.5**	**12.2**	**7.4**
Total accounts receivable	**114.6**	**128.7**	**80.6**

Financial instruments

The currency and electricity hedges made negative contributions as the Swedish krona became weaker and electricity prices stayed low. The continued low interest rate has a negative impact on the interest rate swaps.

Derivative asset and liabilities used for hedging purposes, MEUR	2014	2013	2012
Opening net liability	–1.5	0.3	–6.8
Changes in fair value	–7.3	–2.8	4.0
Realised hedges	4.5	1.0	3.1
Closing net liability	**–4.3**	**–1.5**	**0.3**
Deferred tax	0.9	0.3	–0.1
Hedging reserve net of tax in equity	**–3.4**	**–1.2**	**0.2**

MEUR	Bank[1]	Asset	Liability	Netting	Balance Sheet Presentation
Currency derivatives	A	0.1	–3.0	–2.9	Current Assets
Pulp derivatives	A			0.0	Current Liabilities
Interest rate swaps	A		–0.6	–0.6	Current Borrowings
Electricity derivatives	B		–0.2	–0.2	Current Liabilities
Interest rate swaps	C		–0.6	–0.6	Current Borrowings
Total		**0.1**	**–4.4**	**–4.3**	

[1] Counterparty for the derivatives

Fair value measurement, per level

The table shows derivative instruments valued at fair value (MEUR). The division per level is made as follows: Level 1 means that there are quoted prices on active markets, which prices have been used in the valuation. Level 2 means that the valuation of the derivative is indirectly attributed from quoted prices. Level 3 means that the derivative instrument has been valued based on non-observable market data.

Munksjö's derivatives are classified in level 2 and no changes between levels occurred during the year. Derivatives are fair valued based on valuations provided by external parties using various valuation techniques. The fair value of interest rate swaps is calculated by discounting the estimated future cash flows based on observable yield curves. The fair value of forward exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting fair value discounted to present value. The remaining financial instruments are fair valued using discounted cash flow analysis.

Fair value measurement of derivative instruments, MEUR	Level 1	Level 2	Level 3	Total
2014				
Currency derivatives	–	–2.9	–	–2.9
Electricity derivatives	–	–0.2	–	–0.2
Pulp derivatives	–	–	–	0.0
Interest rate swaps	–	–1.2	–	–1.2
Total	**0.0**	**–4.3**	**0.0**	**–4.3**

Fair value measurement of derivative instruments, MEUR	Level 1	Level 2	Level 3	Total
2013				
Currency derivatives	–	–0.1	–	–0.1
Electricity derivatives	–	–0.5	–	–0.5
Pulp derivatives	–	–0.7	–	–0.7
Interest rate swaps	–	–0.2	–	–0.2
Total	**0.0**	**–1.5**	**0.0**	**–1.5**

Fair value measurement of derivative instruments, MEUR	Level 1	Level 2	Level 3	Total
2012				
Currency derivatives	–	0.1	–	0.1
Electricity derivatives	–	–0.3	–	–0.3
Pulp derivatives	–	0.0	–	0.0
Interest rate swaps	–	–0.1	–	–0.1
Total	**0.0**	**–0.3**	**0.0**	**–0.3**

Realised hedging, MEUR	2014	2013	2012
Currency derivatives	–3.6	–0.2	1.9
Electricity derivatives	–0.6	–0.4	–1.1
Pulp derivatives	–	–0.2	–0.2
Interest rate swaps	–0.3	–0.2	–3.7
Total	**–4.5**	**–1.0**	**–3.1**

The realised interest rate swaps are recognised in net financial costs whereas the realised currency, electricity and pulp derivatives are recognised in operating profit.

Cont. note 27

Maturitet av derivat, MEUR	Balance as at 31 December **2014**	6 months	6–12 months	More than 1 year
Currency derivatives	–2.9	–2.6	–0.3	–
Electricity derivatives	–0.2	–0.1	–0.1	0.0
Pulp derivatives	0.0	–	–	–
Interest rate swaps	–1.2	–0.2	–0.2	–0.8
Total	**–4.3**	**–2.9**	**–0.6**	**–0.8**

Capital management

The Group monitors capital on the basis of the gearing ratio. The ratio is calculated by dividing net debt by equity. Net debt is calculated as total borrowings as shown in the balance sheet less accrued interest less cash and cash equivalents. The Group strategy is to maintain a gearing ratio of below 80% and the ratio as at 31 December 2014 was 54.5%.

Note 28 Subsidiaries

The consolidated accounts include the following entities

MEUR	Corporate ID	Registered Office	Share of votes %	Share of equity %
Munksjö Oyj	2480661-5	Helsinki; Finland	Parent	Parent
Munksjö AB	556669-9731	Jönköping, Sweden	100	100
Munksjö Belgium SA	0524.794.249	Wavre, Belgium	100	100
Munksjö UK Limited	08428608	London, England	100	100
Munksjö Poland sp. Z o.o.	0000419368	Warsaw, Poland	100	100
Munksjo India Private Limited	U21020DL2013FTC252459	New Delhi, India	100	100
Munksjö Turkey paper Products Trading Ltd	861191	Istanbul, Turkey	100	100
Munksjö Aspa Bruk AB	556064-6498	Askersund, Sweden	100	100
Munksjö Paper AB	556117-9044	Jönköping, Sweden	100	100
Munksjö Paper S.P.A.	02666640129	Besozzo, Italy	100	100
Munksjö Spain Holding, S.L	B-63681605	Berástegui, Spain	100	100
Munksjö Paper, S.A.	A-20012563	Berástegui, Spain	100	100
Munksjö France Holding S.A.S.	529514408	Arches, France	100	100
Munksjö Arches S.A.S.	428720668	Arches, France	100	100
Munksjö Paper (Taicang) Co. Ltd	79109300-3	Taicang, China	100	100
Munksjö Germany Holding GmbH	HRB 501626	Unterkochen, Germany	100	100
Munksjö Paper GmbH	HRB 501106	Unterkochen, Germany	100	100
Kraftwerksgesellschaft Unterkochen GmbH	HRB 720446	Unterkochen, Germany	60	60
Munksjö Dettingen GmbH	HRB 361000	Dettingen, Germany	100	100
Munksjö Paper Inc.	52-1517747	Fitchburg, USA	100	100
Munksjö Brasil Indústria e Comércio de Papéis Especiais Ltda	CNPJ 16.929.712/0001-20	Jacareí, Brazil	100	100
Munksjo Italia S.p.A.	08118010159	Turin, Italy	100	100
Munksjö S.P. Italy SRL	12306490157	Italy	100	100
Munksjö LabelPack S.A.S.	318 072 360	Fontenay-sous-Bois Cedex, France	100	100
Munksjö Stenay S.A.S.	804 891 281	Bar le Duc, France	100	100
Munksjö Rottersac S.A.S.	804 897 288	Bergerac, France	100	100
Munksjö La Gère S.A.S.	804 862 910	Vienne, France	100	100
Munksjö Apprieu S.A.S.	808 532 972	Vienne, France	100	100
Munksjö Paper Trading (Shanghai) Co., Ltd	31010506253047X	Shanghai, China	100	100
Munksjö Rus O.O.O.	1137746559940	Moscow, Russia	100	100

During 2014, Munksjö Sweden AB and Munksjö Holding AB were merged with Munksjö AB. Munksjö Vendite Italia S.r.l was merged with Munksjo Italia S.p.A. The mill operations of Munksjö LabelPack S.A.S. in France were demerged into three new entities being Munksjö Stenay S.A.S., Munksjö Rottersac S.A.S .and Munksjö La Gère S.A.S. each of which being 100% owned by Munksjö LabelPack S.A.S. An additional entity was also established in France, Munksjö Apprieu S.A.S., however as at year end the company had no activities.

Note 29 Assets pledged and contingent liabilities

Assets pledged, MEUR	2014	2013	2012
Property mortgages for other commitments	59.0	62.5	93.3
Blocked bank accounts	1.3	1.2	0.6
Chattel mortgages	48.7	51.6	192.8
Total pledged assets	**109.0**	**115.3**	**286.7**

The properties and shares in the subsidiaries have been pledged with Nordea Bank AB as the representative of a bank syndicate that provides non-current financing to the Munksjö Group.

Contingent liabilities, MEUR	2014	2013	2012
Guarantees and other contingent liabilities	1.4	1.3	1.4
Total contingent liabilities	**1.4**	**1.3**	**1.4**

Note 30 Transactions with related parties

Salaries and remuneration to Board Members and key management are set out in note 8 Remuneration to the Board of Directors and key management.

Munksjö AB had a shareholder loan of EUR 0.7 million as at 31 December 2012, which was split as follows: Munksjo Guernsey Holding Limited: EUR 0.2 million, Board Members: EUR 0.1 million and current and former key management of the Munksjö Group: EUR 0.4 million, the loan had an interest of Euribor 360 days +7.5%, which amounted to EUR 0.0 (0.0; 0.1) million. The loan was repaid during 2013. There have been no additional loans, purchases, or sales in relation to the Board of Directors or key management.

The subsidiary Munksjö Aspa Bruk AB purchases wood and woodchips from the associated company Sydved AB. During the year Aspa Bruk AB purchased 836,000 m^3 (874,000, 879,000) of wood and woodchips amounting to EUR 39.8 (44.7, 47.5) million.

The subsidiary Munksjö Paper GmbH is buying electricity and gas from Stadtwerke Aalen GmbH who owns 40% of Munksjö Paper GmbH's subsidiary Kraftwerksgesellschaft Unterkochen GmbH, the related purchase amounts to EUR 6.4 (6.2, 6.3) million.

In connection with the business combination described in note 3, certain assets in Turin are shared by Munksjo Italia S.p.A. and the Ahlstrom business remaining at the Turin site. The shared assets have been transferred to AM Real Estate Srl which is owned 50:50 by Munksjö Oyj and an Ahlstrom Group company. During 2014 AM Real Estate charged Munksjö Italia S.p.A. EUR 2.5 (1.7) million related to the use of assets. In addition to the use of assets Munksjö Oyj has received loans from AM Real Estate. The amount outstanding as at 31 December 2014 amounted to EUR 1.8 (1.2) million and the interest charged is fixed to three month Euribor plus a margin of 4.56%.

Other than as stated above, there are no significant transactions with related parties.

Note 31 Subsequent events

Munksjö appointed Pia Aaltonen-Forsell as CFO

On 9 February 2015 Munksjö announced that the company has appointed Pia Aaltonen-Forsell as Chief Financial Officer (CFO) and member of Munksjö's Management Team. Aaltonen-Forsell (M.Soc.Sc.) will be joining Munksjö from Vacon Plc., where she currently is the CFO. Aaltonen-Forsell's previous positions include Senior Vice President (SVP) Finance, IT and M&A, Building and Living Business Area at Stora Enso as well as other managerial positions at Stora Enso, such as SVP Group Controller. Aaltonen-Forsell will join Munksjö on 1 April 2015, and she will report to Jan Åström, President and CEO of Munksjö Oyj.

Munksjö to acquire its own shares

The Board of Directors of Munksjö Oyj in February 2015 decided to utilise the authorization given by the Annual General Meeting held on 2 April 2014 to repurchase own shares.

In May 2014, the Board of Directors of Munksjö Oyj approved a long-term share-based incentive plan for Munksjö's senior executives and other key personnel, approximately 35 persons. The repurchased shares will be used primarily for implementing share-based incentive plan of the company, or for other purposes defined in the authorization of the Annual General Meeting.

The Board of Directors has an authorization to acquire 4,000,000 of the company's own shares, which was given by the Annual General Meeting on 2 April 2014. The authorization is valid until the end of the Annual General Meeting 2015 to be held on 15 April 2015.

The repurchases will start at the earliest on 13 February 2015 and end on 27 March 2015 at the latest. The amount to be acquired shall not exceed 300,000 shares, corresponding to about 0.6 per cent of the total number of shares and votes. Munksjö does not before the start of the repurchases of the share hold any own shares.

The shares shall be acquired through public trading on Nasdaq Helsinki at the market price prevailing at the time of repurchase. Nordea Bank Finland Plc will act as stock broker in the repurchases.

Extract of the parent company financial statement

The Parent Company Financial Statements are prepared according to Generally Accepted Accounting Principles in Finland "Finnish GAAP"; see Group Consolidated Financial Statements Note 1 Accounting principles. The main differences between the accounting policies of the Group and the Parent Company are:

- The valuation of derivative financial instruments
- Costs related to the combination of Munksjö AB and Ahlstrom Oyj's Label and Processing business
- Costs related to the listing of the company's shares on the Helsinki stock exchange

Parent company income statement

MEUR	2014	2013
Income	1.4	1.7
Personnel costs	–0.7	–0.4
Operating expenses	–5.9	–15.7
Amortisation of intangible assets	–11.0	–3.1
Operating loss	**–16.2**	**–17.5**
Financial income and expense		
Interest income group companies	25.1	9.5
Interest income from credit institutions	0.0	0.0
Interest expense group companies	–0.5	–0.1
Interest expense to credit institutions	–11.7	–8.0
Hedging costs	–3.6	–0.6
Other financial expenses	–9.9	–0.5
Total financial income and expense	**–0.6**	**0.3**
Loss before taxes	**–16.8**	**–17.2**
Change in deferred tax	–0.1	0.7
Loss for the year/period	**–16.9**	**–16.5**

Parent company balance sheet

MEUR	2014–12–31	2013–12–31
ASSETS		
Intangible assets		
Intangible rights	1.4	1.4
Other capitalized expenditure	18.5	26.0
	19.9	**27.4**
Non-current assets		
Investments		
Shares in subsidiaries	351.1	351.0
Shares in joint ventures	9.9	9.9
Loan receivables from group companies	265.9	265.9
Other receivables	0.0	0.0
	626.9	**626.8**
Deferred tax asset	0.6	0.7
Total non-current assets	**647.4**	**654.9**
Current assets		
Prepayments	0.1	0.1
Receivables from group companies	79.6	99.7
Other receivables	0.1	0.2
Total current assets	**79.8**	**100.0**
Cash and cash equivalents	65.1	51.4
TOTAL ASSETS	**792.3**	**806.3**
EQUITY AND LIABILITIES		
Equity		
Share capital	15.0	15.0
Reserve for invested unrestricted equity	314.1	319.2
Retained earnings	–16.5	0.0
Loss for the financial year	–16.9	–16.5
Total equity	**295.7**	**317.7**
Provisions	0.7	9.1
Non-current liabilities		
Borrowings from credit institutions	259.0	265.0
Borrowings from group companies	13.0	13.0
Borrowings from joint ventures	1.8	1.2
Total non-current liabilities	**273.8**	**279.2**
Current liabilities		
Borrowings from credit institutions	36.0	40.0
Borrowings from group companies	182.5	153.3
Accrued interest	2.3	3.2
Accounts payable	0.4	2.4
Accounts payable to group companies	0.0	0.2
Accrued liabilities	0.9	1.2
Total current liabilities	**222.1**	**200.3**
Total Liabilities	**496.6**	**488.6**
TOTAL EQUITY AND LIABILITIES	**792.3**	**806.3**

Parent company cash flow statement

MEUR	2014	2013
Cash flow used in operating activities		
Net loss before taxes	–16.8	–17.2
Amortisation	11.0	3.1
Financial income and expenses	0.6	–0.9
Movement in provisions	–8.4	9.1
Interest received and paid	–1.4	4.1
Change in working capital	–2.2	–8.2
	–17.2	**–10.1**
Cash flow used in investing activities		
Investment in intangible assets	–0.1	–13.9
Investment in shares of subsidiaries	0.0	–4.7
Working capital adjustment business combination	0.0	9.5
Proceeds from sale of shares	0.0	14.4
Loans to group companies	20.0	–265.9
	19.9	**–260.7**
Cash flow from financing activities		
Return of capital to shareholderes	–5.1	–
Proceeds from share issue	–	128.5
Proceeds from borrowings, net of fees	291.6	304.5
Repayment of acquired entities borrowings to Ahlstrom	–	–155.9
Repayment of borrowings to credit institutions	–305.0	–10.0
Proceeds from borrowings from group or affiliated companies	29.5	55.0
	11.0	**322.1**
Net increase/decrease in cash and cash equivalents	**13.7**	**51.3**
Cash and cash equivalents at beginning of period	51.4	0.1
Cash and cash equivalents at end of period	**65.1**	**51.4**

Board's proposal for the Annual General Meeting

The Board of Directors proposes that no dividend will be paid for the fiscal year 2014.

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 2014 adopted by the Annual General Meeting, the amount of return being EUR 0.25 per share.

No significant changes have taken place in the company's financial position since the end of the financial year. The company's liquidity is good and in the opinion of the Board of Directors the proposed payment of funds will not put the company's solvency at risk.

Signatures to the Financial Statements and the Board of Directors' Report

Helsinki, 4 March 2015

Peter Seligson
Chairman of the Board

Fredrik Cappelen
Deputy Chairman of the Board

Sebastian Bondestam

Caspar Callerström

Alexander Ehrnrooth

Hannele Jakosuo-Jansson

Elisabet Salander Björklund

Jan Åström
CEO

Auditor’s report

(This document is an English translation from the Swedish auditor’s report. Only the Swedish version of the report is legally binding.)

To the Annual General Meeting of Munksjö Oyj
We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Munksjö Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company’s balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director
The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company’s accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor’s Responsibility
Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Consolidated Financial Statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company’s Financial Statements and the Report of the Board of Directors
In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 16 March 2015

KPMG OY AB

SIXTEN NYMAN
Authorised Public Accountants

Shareholder information

Annual General Meeting 2015 and the Board's dividend proposal

Annual General Meeting 2015

Notice is given to the shareholders of Munksjö Oyj to the Annual General Meeting to be held on Wednesday, 15 April 2015 at 1:00 p.m. (EET) at the Finlandia Hall, A-hall, Mannerheimintie 13 e, Helsinki, Finland (entrance M1 from Mannerheimintie and K1 from the Karamzininranta -street). The reception of persons who have registered for the meeting and the distribution of voting tickets will commence at 12:00 noon (EET) Registration for the meeting is requested to be made no later than 12:45 p.m. (EET).

Each shareholder, who is registered on 1 April 2015 in the shareholders' register of the company held by Euroclear Finland Ltd., has the right to participate in the Annual General Meeting. A shareholder, whose shares are registered on his/her personal Finnish book-entry account, is registered in the shareholders' register of the company.

A shareholder, who wishes to participate in the Annual General Meeting, shall register for the meeting by giving prior notice of participation on 9 April 2015 at 4:00 p.m. (EET) at the latest. Such notice can be given:

- on the company's website www.munksjo.com/agm
- by email to yhtiokokous@munksjo.com,
- by mail to Munksjö Oyj, AGM, Kasarmikatu 46–48, 00130 Helsinki, Finland, or
- by phone during office hours to +358 (0)10 234 5004

The notice of the AGM as well as further information is available at www.munksjo.com/agm.

The Board of Director's proposal to pay dividend

There being no distributable retained earnings in the balance sheet of Munksjö Oyj as per 31 December 2014, the Board of Directors proposes that no dividend will be paid for the fiscal year 2014.

The Board of Directors proposes that the Annual General Meeting would decide to pay funds from the reserve for invested unrestricted equity as return of equity based on the balance of 31 December 2014 adopted by the Annual General Meeting, the amount of return being EUR 0.25 per share.

The return of equity shall be paid to a shareholder who on the record date of the payment 17 April 2015 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 24 April 2015.

Munksjö as an investment

Further information on Munksjö as an investment is available on the investor website at www.munksjo.com/investors. The website is updated regularly.

Financial reporting

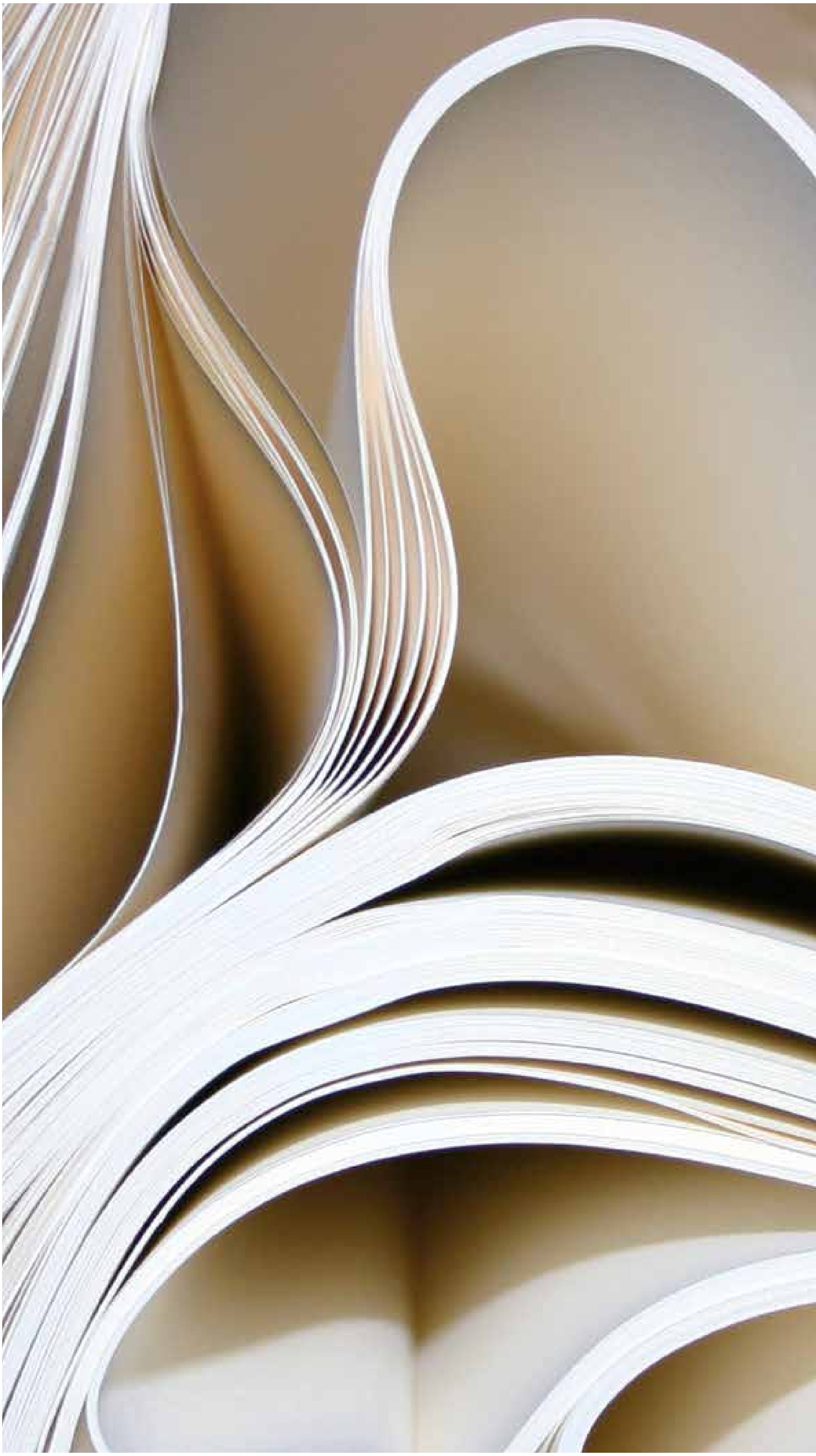
For the year 2015, Munksjö will publish its interim reports and financial statements as follows:

January–March	Wednesday, 29 April 2015
January–June	Thursday, 23 July 2015
January–September	Tuesday, 3 November 2015
Financial Statements Bulletin for 2015	Thursday, 11 February 2016

Production: Munksjö in cooperation with Hallvarsson & Halvarsson
Photo: Mats Andersson, Casper Hedberg, Peter Hoelstad, Carl-Robert Jonzon, Elena Kraskowski and Nexans page 16
Print: TMG Stockholm 2015

Made by Munksjö – Intelligent paper technology

Munksjö is a world-leading manufacturer of advanced paper products developed with intelligent paper technology. Munksjö offers and develops customer-specific innovative design and functionality in areas ranging from flooring, kitchens and furnishings to release papers, consumer-friendly packaging and energy transmission. The transition to a sustainable society is a natural driving force for Munksjö's growth as the products can replace non-renewable materials. This is what "Made by Munksjö" stands for.



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