Made by Munksjö™

Munksjö

Annual Report 2015

Made by Munksjö – Intelligent paper

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.

Decor

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

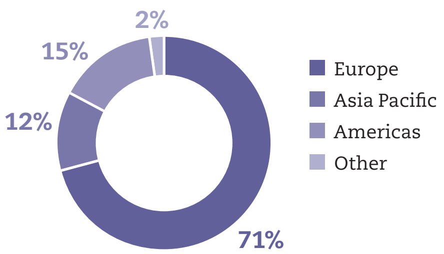
Release Liners

A high value-added range

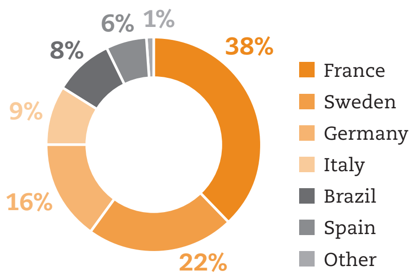
Release papers are used as carriers of for example self-adhesive labels. The high value-added range covering all market applications is supplied to customers in more than 40 countries worldwide. Self-adhesive labelling was invented in the 1930s for price labels, and areas of usage have since then grown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

38%
Share of net sales

Net sales per market



Employees per country



The year in brief

- Net sales were EUR 1,130.7 (1,137.3) million.
- EBITDA adjusted for non-recurring items decreased to EUR 93.6 (105.0) million and the adjusted EBITDA margin was 8.3% (9.2%).
- Operating cash flow was EUR 55.5 (57.8) million.
- At the end of December 2015, Munksjö had 2,900 (2,905) employees.
- The Acti-V® family of release papers was expanded with Acti-V® XB. Acti-V® was selected as one of Europe's most innovative paper products by CEPI.
- A new low-basis weight paper, Gerbier™ HDS 35, was launched. The new grade provides a 12.5% weight reduction, enabling more sustainable packaging.
- A new calender was installed at the production facility in Dettingen in Germany to sustain Munksjö's quality leadership within decor paper.
- The production facility in Jönköping in Sweden inaugurated a new wide crepe machine, to sustain Munksjö's leading market position within electrotechnical paper.

technology

Industrial Applications

High-tech products

Products within this business area range from premium 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 end consumers of applications that include our products. Munksjö started to manufacture electrotechnical paper for insulation of cables already in 1909.

Graphics and Packaging

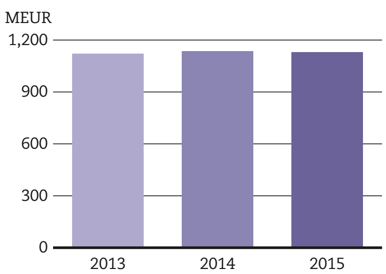
Flexible solutions

Munksjö offers one of the widest paper ranges for flexible packaging, bottle labelling and process applications. Customers served are for example in the food and beverage industry worldwide. Collaboration with customers is essential to innovate and meet customers and end-users expectations and requirements.

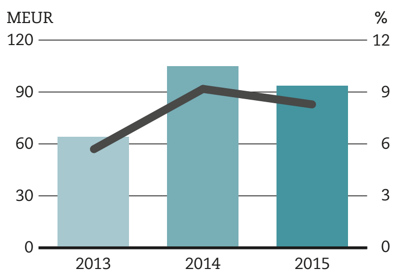
Key figures

MEUR	2015	2014	2013**
Net sales	1,130.7	1,137.3	1,120.3
EBITDA (adj.*)	93.6	105.0	64.1
EBITDA margin, % (adj.*)	8.3	9.2	5.7
Operating result (adj.*)	40.0	51.0	n/a
Operating margin, % (adj.*)	3.5	4.5	n/a
Capital expenditure	39.8	35.1	n/a

Net sales



EBITDA and margin (adj.*)



* Adjusted for non-recurring items
** Pro forma

Content

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%
Outcome 2015: 8.3%*

Debt/equity ratio
<80%
Outcome 2015: 56.7%

Dividends of operative cash flow after investments
>1/3

* Adjusted for non-reccuring items.

Strategy

	Strategic rationale
Profitable growth in specialty paper	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).
A leader in all our markets	We want to be a leading supplier in all our markets, driving customer-specific innovation to stay top of mind for our customers.
Highest quality in products and services	We offer superior quality and service, unique know-how, and reliable supply, to meet our customers' needs.
Operational efficiency	We continuously improve and streamline our operations to ensure cost efficiency in our production system, supporting functions, and ways of working.
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.

Values

Do right – highest quality in products and services	Innovate – continuous improvement of products and performance	Focus – creating added value
We believe in mutual trust and accountability to deliver highest quality in everything we do.	Through innovation we constantly improve our products and performance.	We add value to our customers and shareholders by creating a sustainable and profitable business.

Examples of achievements in 2015	*Focus areas going forward*
• Continued positive price/mix development through price adjustments to counter short fiber pulp increases, as well as focused mix initiatives • Growth in high margin businesses (industrial applications, specialty pulp) • Further step-up in agenda for sustainable growth, driven by new SVP Sustainability	• Driving organic growth plans for existing businesses • Continuous monitoring of strategic opportunities • Continued focus on sustainable growth
• Maintained leading positions in all our markets • Successful product launches incl. e.g. Acti-V© XB, Stardust • Joint customer innovation workshops and process • Key investments, e.g. wide crepe capabilities in electrotechnical business	• Maintaining or improving our positions in our core products, segments and markets • Reinforcing joint innovation efforts focused on customer needs • Target new products 15% of sales over a 3-year period
• Clear impact from key investments in last couple of years, e.g. the facility La Gère in France (quality, cost as well as energy and raw material savings) • Further investments in a number of our mills to continue to stay at the forefront of quality in our markets	• Strengthen sustainability services • Invest to further improve our quality leadership • Continuously improve our customer experience
• Cost reduction program in Release Liners • Phase II of sales optimization program largely implemented • Continuous improvements, e.g., within energy efficiency • 15% of white collars trained in next level procurement	• Optimization of production footprint • Continued cost streamlining and focus on resource efficiency e.g. through best practices, procurement • Improved business support e.g. IT
• Improved the risk awareness throughout the organization – 800 persons were trained in behaviour based safety • Strengthened our leadership capabilities through the launch of several successful talent development programs	• Continued focus on zero accident target with special focus on training, preventive safety and personal risk assessment • Implementation of a new HR strategy with focus on attraction, succession and leadership • Continue to build our common Munksjö culture, e.g. by further increasing the collaboration within the Group

Building on the fundamentals for value creation

During 2015, Munksjö focused on driving the business opportunities within speciality paper in all its business areas. Our leading market position, in the niched segments that we address, reflects our innovative product portfolio, and our ability to deliver an outstanding customer service. This position supports us in our ambition to grow revenues and profitability.

The demand for most of Munksjö's products was stable in 2015. The company continued to develop and expand its geographical mix and towards the end of the year also added strategic growth to its agenda to achieve profitable growth.

The increased raw material costs in 2015, which were driven by short fibre pulp, were not yet balanced with implemented price increases during the second half of the year. During 2015, increased competition in Graphics and Packaging also had an effect on the profitability, and the program to substantially improve the financial results in the business area will continue.

Munksjö's ambition is to bridge the gap and achieve the group profitability target of 12 per cent EBITDA margin, and for this we continue to adapt our cost base and improve our operational efficiency, which includes fixed cost management, footprint optimization as well as implementing best practises. For 2015 we reported net sales of EUR 1,130.7 million and an adjusted EBITDA of EUR 93.6 million which corresponds to an adjusted EBITDA-margin of 8.3 per cent.

High barriers to entry

The specialty paper market represents about 6 per cent of the total paper and paperboard market. Munksjö focuses on selected niches, where we believe we can produce and sell value added innovative specialty paper products at a price premium – products which clearly differentiates from regular graphic paper grades. Munksjö does not primarily compete with price, as the strongest competitive means are an attractive product portfolio, unique technical competence, a high service level and quality. Our specialty paper products and applications are less exposed to competition than regular grades of paper, largely because we address customers who require specific competence in the niched segments. These specialty segments have high entry barriers due to the products' quality and high level of technology, which limits competition but puts large requirements on the innovation capacity of the manufacturers.

Through our competitive edge, among other things our high technical competence within production and product development, we have, during 2015, consolidated our market-leading position in all our markets. Our ambition is to further solidify our market position going forward by continuing to invest in product innovation, design and in production and supply chain processes. Our innovation capacity remains high and our ambition is that some 15 per cent of the products in the portfolio are new products, which we define as new to the market, new to the customer or new to Munksjö.

Innovative value added products and services

Our business is driven by continuous development of new applications in close partnership with our customers. These close relationships enable us to deliver specific tailored solutions which are value added and which fit the demands of the customers. During 2015 we have continued to develop advanced products and applications and expand our product portfolio. In 2015 we inaugu-

Munksjö showed stable volume development in most of our product segments in 2015, a year with global macroeconomic uncertainty. The higher raw material prices were not yet balanced by implemented price increases, which affected the profitability. In 2016 we will continue to focus on achieving the target of an EBITDA margin of 12 per cent at the end of the year.

Jan Åström, President and CEO

rated a new crepe machine which will be the only one in the world able to produce electrotechnical insulating crepe kraft paper at up to 3,000 mm in width. Among the new product launches in 2015, I want to mention the new additions to our range of release papers for silicone coating, and our new range of specialty facestock label papers as well as a low weight 35 g/m² low basis weight paper – a one-side coated glossy papers used for flexible packaging.

Continued stable demand for Munksjö's products

In 2015 the volume demand was stable. Our market leading position and our solid and balanced production platform enable us to face potential challenges in the operating environment, and the demand for our solutions is supported by several market drivers and megatrends. The demand for our applications in the speciality paper market are impacted by the economic development and therefore GDP growth and consumer market indicators are good signs of the demand trend. Our markets are growing by more than GDP on average, and because we are focused on small volume niche markets, growth is higher than in traditional paper segments, and therefore our business is less sensitive to economic fluctuations than the traditional paper industry.

Megatrends, such as demography and population, globalisation and the quest for a sustainable society, drive the long-term demand for our products. Within the megatrends we have identified trends such as resource scarcity, increased environmental awareness, changing lifestyles and consumption habits – and particularly in emerging markets – urbanisation, as well as a growing middle class. In the emerging markets, as people have an increased economic ability to invest in kitchens and furniture, we see the effect in increased orders for our applications from the converters, the builders as well as from the furniture manufacturers and others players in the value chain.

Especially in Europe, from where 71 per cent of our sales derived in 2015, the increased environmental awareness is reflected in demand for materials that can substitute non fiber materials. In general terms and also from a global perspective, the demand for renewable, recyclable and biodegradable fibre based materials, and the transition to a sustainable society is a natural driving force of Munksjö's strategy of organic and profitable growth. In 2015, Munksjö created a sustainability function and recruited a Senior Vice President Sustainability, who reports to the CEO and is part of the Management Team. For Munksjö, the foundation of sustainable operations lays in operational efficiency or continuous improvements and legal compliance. This ensures a continuous improvement of our environmental performance and makes the company competitive in the long-term.

Financial targets unchanged

We aim to deliver on all our long-term financial targets. In 2016 we will continue to focus on the profitability target of an EBITDA margin of 12 per cent.

Our ambition is to deliver profitable growth in all our business areas.

In summary:

- Within Graphics and Packaging we are executing on our turnaround plan in the uncoated paper business.
- Within Release Liners, which is our largest business area, we continue our strategic focus on product mix improvements through innovation and product differentiation.
- Within Decor all our business segments are profitable and demand is good. We continue to invest in product quality improvement and energy efficiency.
- Within Industrial Applications the business area continues to improve. Our focus is on product mix and pulp debottlenecking.

We believe that with the support of an efficient and competent organisation, an attractive and innovative product portfolio, a sustained market leadership and close customer relationship, we create shareholder value by focusing on achieving profitable growth and delivering strong cash flows.

Finally I would like to thank all the employees of Munksjö for their engagement and hard work. Their commitment has a continuous positive impact on Munksjö's innovation capacity and supports the company to reach its financial targets.

Jan Åström
President and CEO

Long term challenges and possi-bilities

Munksjö has identified three megatrends affecting the world and economic devel-opment that are particularly interesting for its existing and future businesses: changes in demography, globalisation and the aspiration for a sustainable society. These megatrends are explicit drivers of Munksjö's growth and are relevant to meet and capture, as they reflect current and future challenges and possibilities in the market for specialty paper.

- Rapid population growth
- Increasing middle class
- Urbanisation
- Ageing population
- Changing consumption habits
- Changing lifestyles
- Changing household configurations

Products

A growing population, growing middle class and urbanisa-tion provide, among other things, increased demand for furniture and furnishings where Munksjö's decor paper for high and low pressure laminate has a strong position. The flat-pack furniture trend, which Munksjö addresses, enables sustainable and efficient packaging solutions. Demographical change also drives the demand for energy, which implies a higher demand for Munksjö's electrotech-nical paper for insulation of power transmission equipment.

How it affects Munksjö's operations

As consumption patterns and habits change, demand on flexibility, agility and high innovation capacity arises. Rapid population and middle class growth shift demand towards developing economies as changing lifestyles and household configurations drive demand for Munksjö's products. Increased focus on innovation, globalisation and a sustainable society as well as new roles and possi-bilities for the next generation of employees create new opportunities within the paper industry. Considering the demographic challenges and the fact that Munksjö has many locations in smaller cities, it will be important to build even stronger collaborations with local schools and universities.

Globalisation

- Increasing cross boarder interdependence
- New supply chains
- New value chains
- New markets
- Growing mobility
- Greater access to new technology and innovations
- Networked society

Products

The increased flow of goods and services arising in the wake of globalisation, leads to increased complexity in logistics and supply, and the growing need for identification and tracking of goods increases demand for product marking and labelling. Munksjö's release paper solutions, in the form of carrier to tape, self-adhesive labels, and more, is becoming increasingly important for safe and efficient labelling, packaging and assembly. Through globalisation new trends are spread between countries and continents; one example is the furniture trend which results in a growing geographical market for decor paper.

How it affects Munksjö's operations

Globalisation implies larger and new markets, which Munksjö often needs to address through new channels and approaches. To compensate for the geographical distance, new structures and processes have to be implemented, including global networks, new forms of cooperation and a well-functioning supply chain. The globalisation trend provides a wider platform from where to develop new products, but it also offers the opportunity to develop new applications of existing products.

Sustainable society

- Increased environmental awareness
- Resource scarcity
- Growing waste concerns
- Increased focus on efficiency improvements
- Increased focus on reducing the environmental impact
- Increased safety and quality awareness
- Increased focus on sustainable R&D

Products

Recyclable, renewable and biodegradable products are qualities that customers and end consumers demand. Munksjö's customers are becoming increasingly aware of the environmental issues and seek efficient production and logistics, where less raw material, energy and water is used. Through advanced technology, Munksjö's solutions enable customers to use less of scarce resources in their processes. Munksjö's specialty paper solutions for food packaging provide competitive advantages compared to plastics. For window envelopes Munksjö manufactures translucent windows of paper, making the envelope completely recyclable, which is not the case for PE (plastic) windows that dominate the current market.

How it affects Munksjö's operations

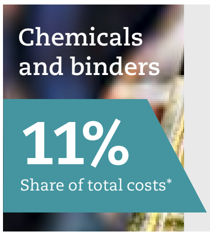
Munksjö constantly reviews and improves its long-term environmental efforts to reduce the environmental impact throughout the product lifecycle. The ambition is to respond to customers' increasing demand for sustainable raw materials and products, to reduce its own environmental impact and to meet increasingly demanding rules and regulations. This means continuous demands on operational efficiency, investments, innovation capacity and a close cooperation with suppliers and customers. A majority of Munksjö's products are certified according to FSC® and PEFC™.

A dynamic value creating process

Munksjö's value creating process starts with a structured manner to purchase raw materials and energy, to guarantee quality, cost efficiency and a responsible sourcing. Furthermore, Munkjsö's innovation capacity and competence enable the company to develop value-added products and maintain a diversified and attractive product portfolio.

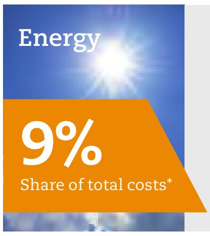
Input

Sustainable forestry and pulp sourcing is key for Munksjö to ensure supply for a foreseeable future Munksjö produces long fibre pulp internally, but the majority of the pulp consumption is externally sourced short fibre pulp. All pulp procured is certified according to FSC® and PEFC™.



Munksjö buys a wide variety of specialty chemicals, from latex and pigments to wet strength agents and clays. To ensure that the most efficient materials available are used Munksjö continuously monitors the supply markets and develops new and more efficient ways of using the chemicals in the production.

Titanium dioxide (TiO_2) is used to create opacity, especially in Munksjö's decor paper for lamination. Munksjö continuously works to decrease the use of TiO_2.



One part of Munkjsö's energy consumption is produced in its own pulp mills, another part is externally bought gas, coal or oil that are converted to steam and electricity and the third part is electricity bought from the grid. To spread the risk the energy sources are bought at different contract lengths and amounts.

Munksjö purchases a large share of its wood through the jointly (with Stora Enso) owned sourcing organisation Sydved. The other part is bought directly from small land owners and other wood users. Focus is on local wood, harvested nearby the pulp mills.

Value creation through innovation

Innovation

Quality

According to Munksjö's customer research the company's strength compared to competitors is a high and reliable quality level. Therefore the focus of all development activities is not only to maintain, but to improve quality performance to further strengthen Munksjö's competitive edge.

Operational efficiency

Munksjö's operational efficiency platform is built on continuous improvement. To encourage this targets are set and challenged, accountability is rewarded, group initiatives and investments are carried out in cooperation with functions and business areas to further improve performance and innovations.

Through central procurement activities and partnering, Munksjö's purchasing power has increased significantly over the last few years. The increased purchasing power contributes to lower total cost of ownership, better control of sustainability aspects and quality of raw materials. Internal demand is also continuously challenged to improve cost-efficiency further.

Munksjö focuses on creating added value in each of the four areas of differentiation, namely customer service, technology competence, operational efficiency and quality, as well as across the whole value creating process.

* Total costs also includes Other external costs 16% and Personnel costs 19%.

Customer service

Munksjö's customer research has shown that personnel, trustworthy customer service and good logistical support are of highest importance to the customers. Munksjö focuses on four service areas: logistic services, process and cus tomer support, innovative and easily accessible development services as well as additional quality aspects such as sustainability and certificate standards.

Technology competence

Long term experience in process development, customer service and product know-how, not only in Munksjö's own processes, but also in the customers' processes, are and will continue to be driving forces for the innovation capacity.

Innovation

Product solutions

Customers

Customers are manufacturers of laminates, flexible packaging, cardboard, abrasive materials, steel, aluminum, furniture, flooring, labelstock etc, and impregnators, publishers, siliconisers, metallizing converters, printers, players in power supply, lacquering companies etc.

End-usage

- Consumer goods
- Healthcare and pharma
- Leather and textile
- High tech
- Consumer goods
- Furniture
- Transportation
- Construction
- Steel, aluminum, glass
- Energy transmission

The amount of new products is a way of measuring the innovation capacity. At the end of 2015 Munksjö set a target for new products of >15% of sales over a three year period. Product development and innovations are done in close collaboration with Munksjö's customers.

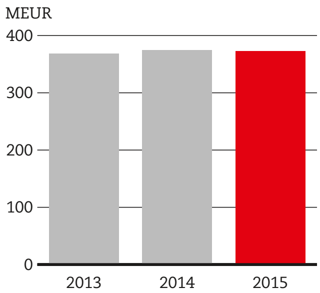
Munksjö's customers are industrial converters that use Munksjö's products in the manufacturing process of their end-products. It is crucial for Munksjö's innovation and product development processes to have a good knowledge about the end user customers. This knowledge provides opportunities for differentiation through customer-specific solutions and services.

Decor

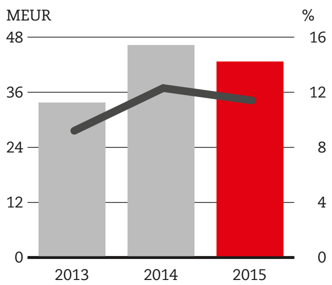
Advanced technology creates added value

As one of the leading manufacturers in the market for paper-based surfacing for wood-based materials, such as laminate flooring, furnitures and interiors, Decor develops high-tech and innovative papers for high and low pressure laminates, print base paper and pre-impregnated paper. Customers include laminators, impregnators as well as printers. The base for Munksjö's strong market position lays in its excellent reputation for long-term proven quality and services.

Net sales



EBITDA and margin (adj.*)



* Adjusted for non-recurring items

Ambitions to capture growth outside Europe

During 2015 demand and delivered volumes for Decor's product portfolio were positive and the annual volume growth was at the lower end of the long-term expectations. A majority of Decor's sales is generated in Europe, where demand was stable during 2015. Over the next few years, Munksjö estimates that the global market (excluding China) will grow at an average of 2–4 per cent per annum. The strategy is to continue to address geographical markets with stronger growth such as South America, Asia and Russia. The growth in these markets is driven by population growth and changing demographics such as urbanisation and increased disposable income. Also an increased awareness of sustainable consumption in combination with requirements on high quality, functionality and design are factors that drive demand and where Munksjö can leverage its expertise in both product development and innovation.

The demand for paper based surfacing for wood-based materials for real estate and furniture is driven by demographical factors such as number of households, furniture sales volumes, and renovations to name but a few. However all of these, including housing starts as well as building activities, are related to the overall GDP development.

The drivers for paper based surfacing in the wood panel industry are also driven by GDP and consumption patterns, however these are directly related to the demand for wood panels.

One of the fastest growing segments is the pre-impregnated paper segment, where Munksjö has a strong market position. The production of this specialty paper is concentrated to Dettingen, Germany, where the paper is impregnated already in

Laminate is the perfect surface when there are high demands for hygiene and cleanliness, combined with a trendy and exclusive look. The good mechanical properties as well as the good light fastness and designability make kitchen manufacturers choose laminate for their cabinet doors, countertops and shelves.

the manufacturing phase, with different types of resins depending on the area of use.

Munksjö's production lines are flexible and in case of increased demand for pre-impregnated paper, Munksjö can swiftly add production capacity in the Dettingen facility. Overall, the ambition is to continue to streamline all processes and ensure cost efficiency in all of the company's production lines in order to improve profitability, while at the same time leveraging on the technology competence to address every step of the manufacturing process to secure the production of high quality, value added products.

A complete portfolio of high quality products

Decor's complete high quality product portfolio for decor paper applications is based on its technically advanced and highly engineered product for surface upgrading of wood-based materials. The full product offering includes papers for low pressure laminates (LPL) and high pressure laminates (HPL), print base paper, but also several specialized products. The products can be used in the production of furniture, laminate flooring and other interior and exterior architectural panels and the largest customer groups therefore represent the furniture and interior decoration industries. As the pre-impregnated printed paper is impregnated already in the manufacturing phase, it incorporates different properties compared to high pressure laminates and is therefore mainly offered as surfacing to panel producers and furniture manufacturers specialized on bedroom and living room furniture and ceiling panels.

Another type of product is the thin print paper, which addresses mainly the pharmaceutical and cosmetic industries and is used for applications that require a large amount

Key figures

MEUR	2015	2014	2013
Net sales	372.6	374.7	368.2
EBITDA (adj.*)	42.6	46.2	33.7
EBITDA margin, % (adj.*)	11.4	12.3	9.2
Operating result (adj.*)	34.6	37.1	21.9
Operating margin, % (adj.*)	9.3	9.9	5.9
Delivery volumes, tonnes	183,400	180,300	174,800
Employees, FTE	855	877	888

* Adjusted for non-recurring items
The business area was not impacted by the business combination and therefore no pro forma information is presented for 2013.

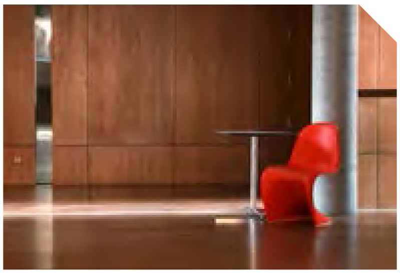
of text to be printed on the smallest space possible and on both sides.

Innovation drives value

Technology and innovation are Munksjö's key assets to bring added value to its customers and is also a way for the company to increase market share. The strategy is to further develop and enhance existing products and innovate new high-tech solutions. The company is convinced that close cooperation with its customers and partners, including a close monitoring of colour trends and technology developments, are essential elements when developing value added products. The close cooperation with customers allows Munksjö to develop customized cost efficient products, that result in both product and process improvements, while the individual customer services support the customers both in the supply chain and on site.

Over the last few years, Munksjö has used its innovation capacity to develop new products such as the new decor paper Stardust where silver metallic particles in the solid colour surface paper offers 3D effects. The M-Foil product line is yet another innovative product, dedicated to the finish foil industry, where there is an increasing demand for environmental friendly and sustainable materials.

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
- Furnitures (for home and office)
- 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

Customers

- 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

Customers

- Pharmaceutical and cosmetic industries
- Publishing and printing houses

The business area is also focusing on developing the next generation products, which involves projects for example in the area of digital printing paper. Our first digital decor paper solution specifically designed for digital printing based on UV and water based inks is the ideal solution for achieving high-resolution print quality for a wide range of inkjet printing equipment and very suitable for the dry lamination process.

Sustainability ambitions
Munksjö's deep knowledge and ability to meet technical requirements set by the customers also apply to sustainability. The requirement of sustainable sourcing is today a basic requirement and all of Decor's products are therefore certified either according to FSC® or PEFC™. In terms of production, the company is a certified manufacturer and all products are available with FSC® Chain of Custody Certification. In general terms, production is done with strict guidelines, with the ambition to exceed legal requirements and to produce as energy efficient as possible.

EBITDA target of 15–16 per cent at the end of 2016
Munksjö's target is that Decor achieves an EBITDA margin of 15–16 per cent at the end of 2016. Due to selective price adjustments and a less favourable geographical and product mix, the EBITDA was during 2015 negatively affected by a lower average price, which was not fully balanced by the higher delivery volumes. The aim is to drive profitable growth through operational efficiency, while optimising the production and improving the product mix. The company is also continuously optimising raw material costs, energy efficiency and improving the cost base to further support the target. In 2015 the business area reported sales of EUR 372.6 (374.7) million. The EBITDA (adj.) was EUR 42.6 (46.2) million, corresponding to an EBITDA margin (adj.) of 11.4% (12.3%).

M-FOIL-PN, a new generation of premium clean and green pre-impregnated foil base paper

Munksjö addresses the demands for services and paper expertise in the very competitive and growing finish foil market with innovative and value added premium solutions and products. Munksjö's extensive experience of pre-impregnated foil base papers, enables it to develop products with a high eco friendly approach, advanced formation, and best-in-class quality and consistency.

With health, sustainability as well as environmental impact being key focus areas in the industry, Munksjö has, through a technical partnership with a global market leader in the printing industry, designed a new generation of premium environmentally friendly pre-impregnated foil base paper. The challenge was to, without compromising on the sustainability parameters, provide a foil base paper with enhanced characteristics such as improved glue ability, excellent printability and high quality surface properties.

The combination of Munksjö's paper expertise and a deep customer collaboration, allowed the company to swiftly develop a new all in one formaldehyde free paper concept. The M-FOIL-PN is a new clean and green pre-impregnated paper that has the advantage of providing homogenous and consistent printability; high glue ability, improved lacquer hold out and without a resin system containing formaldehyde.

The new paper generation reflects Munksjö's ability to provide highly efficient and environmentally friendly decorative value added products to the end customers.

"The combination of Munksjö's paper expertise and a deep customer collaboration, allowed the company to swiftly develop a new all in one formaldehyde free paper concept.

Norbert Mix, President Decor

Release Liners

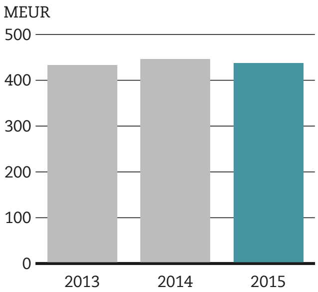
Product and service quality in focus

38%

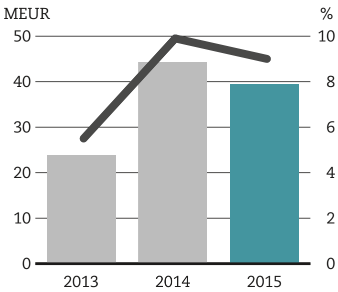
Share of net sales 2015

Specialty papers offered by Release Liners include the segments of release papers, both super calendered and coated, as well as that of coated specialties in South America. Products are developed to offer consistent quality, high performance and sustainability. The customers include manufacturers of laminates for self-adhesive labeling, industrial siliconisers as well as – for coated specialities – packaging converters. Munksjö has long term relationships with these customers, built on the company's reputation of quality, reliability and service.

Net sales



EBITDA and margin (adj.*)



* Adjusted for non-recurring items
** Pro forma

A European focus

During 2015 delivery volumes for the business area decreased, mainly as a result of lower volumes for the paper business unit in Brazil. In Europe the company manufactures super-calendered and clay-coated release papers for silicone coating, while in South America, the product portfolio of coated specialty papers includes products for silicone coating, label printing as well as packaging applications. The offering also includes long-fibered pulp produced in Sweden and mainly supplied to specialty paper manufacturers.

Munksjö is among the leading worldwide producers of release papers and has a relatively stronger market position in Europe, where it is one of the few manufactures who can offer a complete range of both super calendared and clay coated release papers.

While the growth of global release liner markets is tightly connected with GDP, there are differences between the regions. Growth is higher in Asia and other emerging markets and moderate in mature markets like Western Europe, and North America. Also Japan is a very mature market with limited growth. Besides GDP growth, demand is steered by the further penetration of self-adhesive labelling as a product decoration technique, as well as by the trends in supply chain and logistics, which generate growing needs of tracking and identification of goods.

Munksjö's release liners are critical components in a wide range of self-adhesive materials. Super calendered release papers are primarily used as carriers for self-adhesive labels in the retail, consumer and durable goods industries, as well as carriers of technical adhesive materials and components applied from the aeronautical to the electronic or medical industries. Clay-coated release papers find application in self-adhesive graphics mainly used for wide

Munksjö's SILCO™ FLAT clay-coated papers are mainly used as carriers of self-adhesive graphics for wide format advertising on many different surfaces, as well as in point of sales or exhibition communications. High smoothness, flatness and stability are key requirements in this segment.

format advertising on many different surfaces, as well as in point of sales or exhibition communications. Munksjö's ambition is to further strengthen the company's position as a leader in the market while investing in quality improvement and in the enhancement of its product range.

Munksjö serves the South American market via its Brazilian production mill for one-sided coated specialty paper for industrial converters within flexible packaging and self-adhesive laminates as well as uncoated papers for printing and writing applications.

Key figures

MEUR	2015	2014	2013**
Net sales	437.6	446.0	432.8
EBITDA (adj.*)	39.5	44.3	21.2
EBITDA margin, % (adj.*)	9.0	9.9	4.9
Operating result (adj.*)	11.4	16.1	n/a
Operating margin, % (adj.*)	2.6	3.6	n/a
Delivery volumes, tonnes	498,700	512,200	497,500
Employees, FTE	859	845	n/a

* Adjusted for non-recurring items
** Pro forma

High performance release papers

Release papers are in general used as carriers for labels or other PSA (Pressure Sensitive Adhesive) materials and components. In the PSA labelling segment, Munksjö's direct customers produce a self-adhesive laminate which is then supplied to printers of self-adhesive labels who serve large and small brand-owners and retailers in many product categories.

PSA labelling is one of the most flexible and versatile product decoration technologies and is still increasing its penetration in large application segments such as food and beverage labelling. Munksjö release papers create value through performance reliability and an optimized total cost of ownership in the customer industry process. Consistency, performance and cost-effectiveness are key factors to be taken into account both in the product development as well as in the manufacturing process. It was the case for example with Munksjö's patented Acti-V® release paper: a highly reliable product which has gained wide market acceptance and brings value in the coating process by improving productivity, efficiency and sustainability.

High-tech quality products

Munksjö's competitive strengths in the area of release liners build on its high product and service standards, its technological know-how and innovation capability. All of these factors enable the company to meet the high performance and reliability requirements of a highly demanding industry. During 2015, Munksjö has further enlarged the share of its patented Acti-V® release paper range and introduced a new version called Acti-V® XB. This latest product adds to the proven Acti-V® performance the benefits of an extra surface barrier for enhanced silicone hold out. Acti-V® XB targets label-stock applications, with highest requirements of efficiency, quality and reliability.

Certified and sustainable products

Release Liner's specialty paper products are manufactured by the business area's mills in France (La Gère), Italy (Turin) and Brazil (Jacareì). Additionally, the business area also supplies release paper produced by the Stenay mill (France), which is part of Graphics and Packaging. All the units are certified according to ISO 14001:2004/ISO 14001:2009, PEFC™ and / or FSC® Chain-of-Custody. As a guarantee of sustainable sourcing all cellulose purchased is certified according to either FSC®, PEFC™, or FSC® Controlled Wood. The labelling market's increasing attention on sustainability makes this a particulary important warranty.

In the Aspa Bruk mill in Sweden Munksjö manufactures environmentally-friendly bleached (Elementary Chlorine Free) and unbleached (Unbleached Kraft) long-fibred pulp.

EBITDA target of 12–13 per cent at the end of 2016

The business area target is to reach an EBIDTA margin of 12–13 per cent at the end of 2016. Mainly due to a less favourable price difference between short and long fibre pulp the EBITDA decreased in 2015 compared to 2014. Improving product mix through innovation and increasing the share of more profitable products are the roadmap to reach the profitability target. As additional profit improvement actions the company is focusing on reducing the fixed cost base, managing the variable cost base, and driving growth in certain geographies. In 2015 the business area reported sales of EUR 437.6 (446.0) million. The EBITDA (adj) was EUR 39.5 (44.3) million, corresponding to an EBITDA margin (adj.) of 9.0% (9.9%).

Product overview Release Liners

	Supercalendered release papers	Clay coated release papers
Applications	▸ Self-adhesive labelling ▸ Double sided adhesive tapes ▸ Industrial applications	▸ Self-adhesive graphics ▸ Promotional stickers ▸ Office labels ▸ Industrial applications
Customers	▸ Self-adhesive laminate manufacturers ▸ Industrial siliconisers	▸ Self-adhesive laminate manufacturers ▸ Industrial siliconisers

Innovation

Acti-V® among most innovative paper products at European Paper Week

The Acti-V® family of release papers for silicone coating based on Munksjö patented technology has expanded with the launch of Acti-V® XB. The new product – showcased at Labelexpo Europe in September 2015 – combines the consolidated performances of Acti-V® functionality with new benefits through an enhanced surface barrier that improves the silicone hold-out.

In 2015, Munksjö Acti-V® was selected by CEPI, the Confederation of European Paper Industries, as one of Europe's most innovative paper products. The short list of the most innovative paper products was presented at the European Paper Week in November 2015.

According to Marco Mensink, Director General of CEPI: "The European paper industry is inventing more convenient, more sustainable, more enticing products every day. CEPI celebrates the industry's achievements with some of the most innovative new products. Full of science, but no longer fiction, the unthinkable is becoming real!"

> *CEPI celebrates some of the most innovative new products. Full of science, but no longer fiction, the unthinkable is becoming real!*
>
> Marco Mensink, Director General of CEPI – Confederation of European Paper Industries

Coated and uncoated specialty papers

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

- Self-adhesive laminate manufacturers
- Flexible packaging converters

Bleached specialty pulp

- 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)

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

Unbleached specialty pulp

- Electrotechnical paper and board
- Filter paper
- Hygiene paper
- Cardboard
- Packaging

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

Industrial Applications

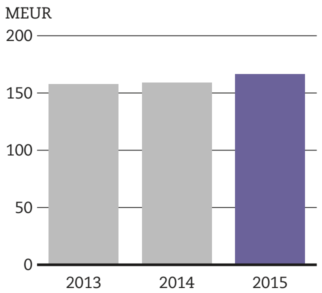
High technical competence in niche markets

15%

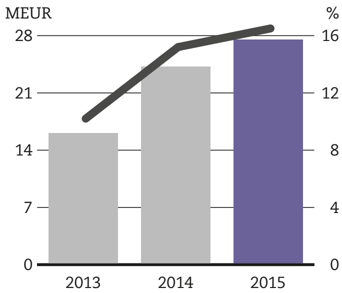
Share of net sales 2015

Industrial Applications' leading position in the market for high quality specialty paper is based on its high-tech product portfolio combined with its deep knowledge of technically advanced production processes. The wide range of products, including abrasive backings, electrotechnical paper, Spantex™, thin paper and fine art paper are offered to customers representing manufacturers of abrasive materials and high quality stainless steel as well as construction and energy companies and other industries which require high quality materials and specialty paper expertise.

Net sales



EBITDA and margin (adj.*)



* Adjusted for non-recurring items

Customers and market

During 2015 volumes and demand for the products of Industrial Applications were stable in most of the product segments. The business area has a broad range of products addressing various industries where Munksjö's innovation capacity, technical services capabilities and technology know-how are major competitive advantages. The markets for Industrial Applications are estimated to grow at some 2–3 per cent on an overall level. Market drivers such as material innovation and substitution remain central, however also underlying fundamentals such as GDP and developments in the large automotive, construction and power transmission industries drive market growth. Especially for abrasive papers, the Chinese automotive industry and the European market for woodworking remain central end user sectors.

In terms of geographies, Munksjö has a strong foothold in Europe, where its major strengths include the long-term customer relationships and its strong distributor channels. By focusing and enforcing presence in emerging markets, such as China and South America, where Munksjö already has a strong footprint, the ambition is to expand its global market presence and achieve organic growth.

Industrial Applications creates customer value by offering customized solutions through high technical competence combined with focus on innovation, quality and consistency in small niche markets with high entry barriers. The close iteration between Munksjö and its customers is divided into commercial and technical customer support. There is a close dialogue between the conventional sales team, the key account managers and the agents on the one hand, and the more technical driven customer support, which discuss the technical advantages of Munksjö's products on the other hand. This

Transmission and distribution of energy in a reliable and effective way is high priority. Munksjö's insulation paper for energy transmission is a vital part in this type of equipment.

close twofold relationship enables Munksjö to develop and deliver differentiated, customized and innovative business-to-business solutions within Industrial Applications.

Munksjö's products meet tough metrics

The largest business unit within Industrial applications develops high quality abrasive backings which aim at meeting the tough metrics and properties that the customers in the market for wood and metal treatment require. The product portfolio includes abrasive backings for both dry and wet grinding. Other important product portfolios are the electrotechnical papers which are mainly used for electrical insulation purposes, and the Spantex™ product portfolio, which 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.

The business area's thin paper is primarily used within the aluminum, steel and glass industries to separate different layers of material, with the aim of protecting and reducing the friction between surfaces, while the business unit of fine art paper produces papers with qualities similar to traditional handmade paper. Munksjö's technical competence and strong service offer enables the company to develop products that can simplify and streamline the customers' production processes. In addition to the customized high quality niche products, some products, such as thin paper, are not as differentiated, and competition has the ability to produce the same paper functionality. However by differentiating and developing an extra thin paper which reduce the customers' total cost of ownership, and in combination with secure delivery, the company can compensate lower technology requirements with very stable quality supply.

Key figures

MEUR	2015	2014	2013
Net sales	166.6	159.2	158.0
EBITDA (adj.*)	27.5	24.2	16.1
EBITDA margin, % (adj.*)	16.5	15.2	10.2
Operating result (adj.*)	19.6	16.7	8.6
Operating margin, % (adj.*)	11.8	10.5	5.4
Delivery volumes, tonnes	85,100	84,000	81,500
Average number of employees, FTE	574	556	556

* Adjusted for non-recurring items

The business area was not impacted by the business combination and therefore no pro forma information is presented for 2013.

Continuous developments and innovation

The ambition during 2015 has been to ensure that Munksjö remains a market- and innovation leader in all product segments through continuous product innovation. The ability to deliver solutions that lower the cost of the production processes for the customers through technology know-how remain a core competitive advantage. During 2015 the company has developed a new formula and introduced a new fine art paper called Arches Platine which has been developed especially for photo processes and photographic art and thus addressing the increasing digital fine art paper market.

Munksjö has further developed its masking paper by lowering the surface weight. The masking paper is used when printing on fabrics to protect the machines and the rolls from color leaks, and applying a paper with lower weight reduces the impact on the environment and the cost for the customers.

Within abrasive backings, Munksjö has continued to enhance both quality and capacity to strengthen the position both in the light and in the heavy weight abrasive backing segment.

EBITDA target of 15–16 per cent at the end of 2016

Industrial Applications addresses the diversity in its product portfolio and its broad usage by driving profitability through leveraging its high-end service model and continuously developing operational efficiency including capacity debottlenecking to achieve optimal capacity utilization. The wide crepe, an electrotechnical paper that lowers customers' costs by being wider than conventional papers, is only one example of an innovative product within Industrial Applications that drives profitable growth.

The EBITDA margin of Industrial Applications for 2015 is clearly within the range of its of 15-16 per cent target at the end of 2016, reflecting the continuous improvement of the product and business mix. The business area aims at keeping it within the range, by capturing organic growth, and by continuing to improving the product portfolio. In 2015 the business area reported sales of EUR 166.6 (159.2) million. The EBITDA (adj.) was EUR 27.5 (24.2) million, corresponding to an EBITDA margin (adj.) of 16.5% (15.2%).

Product overview Industrial Applications

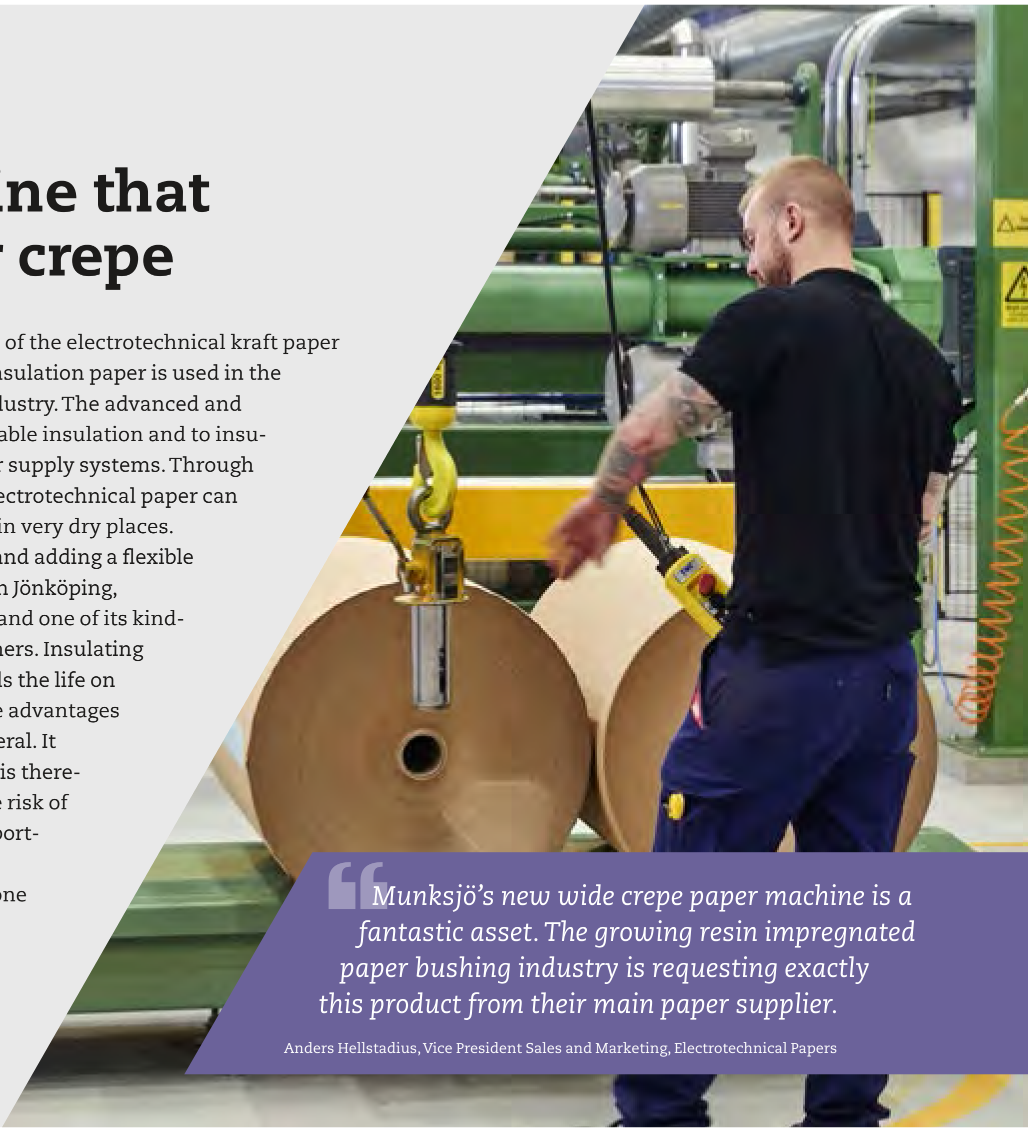
	Abrasive backings	Electrotechnical paper
Applications	‣ Abrasive backings for industrial and consumer use, eg. - Metal, construction, automotive market and after-market, aeronautic, furniture, flooring, maintenance	‣ Insulation of high-voltage cables (such as submarine cables) ‣ Insulation of transformers ‣ Bushings
Customers	‣ Manufacturers of abrasive materials	‣ Local and global players in power transmission and distribution

Product development

A crepe machine that enables wider crepe

Munksjö has always been in the forefront of the electrotechnical kraft paper market. The high-tech and high quality insulation paper is used in the electric transmission and distribution industry. The advanced and unique speciality paper is used both for cable insulation and to insulate transformation gear in electric power supply systems. Through its unique high quality characteristics, electrotechnical paper can be found both in the deep seas as well as in very dry places.

By expanding its production capacity and adding a flexible crepe machine in the production facility in Jönköping, Munksjö can now offer a state of the art - and one of its kind- wider insulating crepe paper to its customers. Insulating crepe paper is a solid material that extends the life on the gear that it is wrapped around and the advantages with a crepe of 3,000 mm in width are several. It enables a shorter production process and is therefore more cost efficient, and it reduces the risk of dielectric losses as well – the latter an important strength in the bushing industry. This innovative wider crepe paper represents one in a line of unique high quality papers for a broad selection of applications that Munksjö develops to fit a broad range of customer specifications.



"Munksjö's new wide crepe paper machine is a fantastic asset. The growing resin impregnated paper bushing industry is requesting exactly this product from their main paper supplier.

Anders Hellstadius, Vice President Sales and Marketing, Electrotechnical Papers

Spantex™

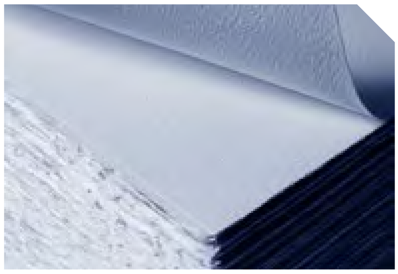
- Balance foils for veneered furniture
- Balance foils for laminate and veneer flooring
- Balance foils for kitchen worktops
- Edge-banding foils, with or without lacquering

- Manufacturers of furniture, floors and worktops

Thin paper

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

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



Fine art paper

- Watercolour paper
- Oil paper
- Drawing and sketching paper
- Printmaking and art publishing paper
- Printing and writing paper
- Art-photography publishing paper

- Artists
- Printmakers and art publishers
- Art galleries
- Printers
- Luxury packaging converters

Graphics and Packaging

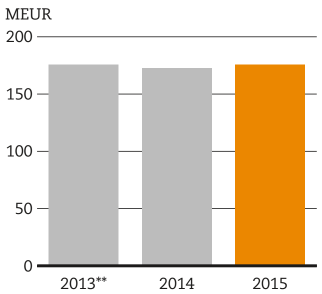
High performing and innovative products

15%

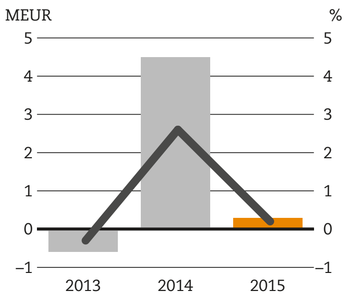
Share of
net sales 2015

Graphics and Packaging offers differentiated paper products developed for a broad range of customers globally. These advanced papers are used for flexible packaging, bottle labelling, graphics and industrial applications. Munksjö's technology know-how and in-depth knowledge about specialty paper form the base for a strong market position in Europe.

Net sales



EBITDA and margin (adj.*)



* Adjusted for non-recurring items
** Pro forma

A market leader in flexible packaging and metallized labels

In 2015 Graphics and Packaging continued its program to change the product mix, focusing on better margin and high added-value products. The effect of the program implementation was a decrease in total delivery volumes for 2015.

The maturing European market remains the core geographical market for Graphics and Packaging, where Munksjö has leading market positions within coated, calendered and uncoated paper qualities. Munksjö's ambition is to broaden its geographical reach both to Asia and Americas, where growth potential is foreseen. Globally, the market offers business opportunities driven by increased awareness of sustainability, health issues and new regulations, to name a few. An example is the baking market where the use of single-use paper for oven baking or steam cooking is increasing for sustainable, hygienic, safety and convenience reasons.

The business of metallizing and facestock base paper is mainly driven by the demand for beverages, alcoholic or non-alcoholic, where labels are used for brand identification. The market for flexible packaging paper, on its part, depends on the development of beverage, bread and bakery, fresh and dairy, confectionary, pet food and other non-food industries. The business for flexible packaging is driven by for example increased in-house bakery and a growing demand for fast and convenience food. Even so, the fundamental demand for Munksjö's high performing and innovative products derives from the increased consumer demands on quality from a sustainable, health and security perspective. This is reflected in the higher interest in lower substance materials and in substituting plastic- and aluminum-based materials with paper-based products, where Munksjö's ambition

Baking paper avoids adding extra oil or fat for convenient and healthy cooking. Mainly used for oven baking or steam cooking, the need of single-use paper is increasing for hygienic and safety reasons. Made from natural fibers with good release properties, Aderpack from Munksjö meets these health and consumer safety goals.

is to offer cost-effective and sustainable alternatives.

In addition to those specific market drivers and the higher consumer consciousness on environmental topics, demand is driven by the increasing disposable income and standard of living, which is reflected in an increased usage of more sophisticated and advanced packaging.

Key figures

MEUR	2015	2014	2013**
Net sales	175.7	172.8	175.9
EBITDA (adj.*)	0.3	4.5	–7.0
EBITDA margin, % (adj.*)	0.2	2.6	–4.0
Operating result (adj.*)	–7.9	–1.9	n/a
Operating margin, % (adj.*)	–4.5	–1.1	n/a
Delivery volumes, tonnes	127,200	136,100	145,600
Employees, FTE	428	432	n/a

* Adjusted for non-recurring items
** Pro forma

Differentiated products in packaging

While leveraging its technological competence, the strategy to expand export sales is also closely related to product development. Technical paper specifications vary from one region to another and the focus on constant development of Munksjö's product range is a competitive advantage, allowing the company to create new and more profitable solutions while on the same time adapting the products to increasing sustainability and safety requirements.

In flexible packaging for the food and non-food industry, brand owners need to be constantly innovative in developing packaging in order to offer more sustainable solutions and simultaneously create brand differentiation. This increased demand on brand effectiveness, leading to more sophisticated packaging, has been triggered by increased brand competition.

Munksjö will not compromise on the performance of the material when it develops products that differentiate. For Munksjö this means developing papers that meet the requirements on the quality of the packaging with regards to functionalities and sustainability, while ensuring maximum consumer safety. Munksjö identifies the needs of the market by building close relationships with brand owners and converters to develop concepts and materials that meet the highest technical requirements both in the supply chain and as a finished product. The increased competition has also meant that the converters' requirements on cost efficient solutions have increased.

Advanced papers for metallizing and labelling

In the metallizing market, the business area offers base papers for labelling, mainly serving the beverage industry to enhance brand labels. End-use applications include beers, wines and spirits and non-alcoholic drinks. Munksjö's major customers are converters that produce metallized labels for the labelling industry, serving global brands or craft products. In the facestock labelling market, Munksjö developed in 2015 a new range of paper products to satisfy specific needs for pressure sensitive labels. The new Munksjö's Adercote™ range is dedicated to high-end niche self-adhesive labelling markets including vegetable oil, wine and spirits, pharmaceuticals, stamps, office and logistics applications. The new range has been developed to offer high quality paper-based solutions for sustainable brand identification and enhancement in premium markets. The development of this new range is gathering several areas of competences at Munksjö including performance in the manufacturing of one-side coated, calendered and coloured papers as well as unique expertise in the food and labelling market.

Value added solutions

Munksjö's products are also used in graphics and industrial applications. These applications include repositionable notes, envelope windows as well as process papers for the manufacturing of offset plates and furniture laminates. Unique and in-depth knowledge has enabled Munksjö to also maintain a market leading position in smaller niche areas targeting value added applications.

Cost efficient materials

Smooth purchase processes, logistics, packaging and maintenance are critical elements when Munksjö develops its paper products. Munksjö's ambition is to achieve an optimal combination of processes and raw materials that together add value and allow Munksjö to deliver its materials in the most cost efficient manner. Munksjö has the ability to develop high technology cost efficient solutions in combination with material innovation to satisfy the challenges of its customers.

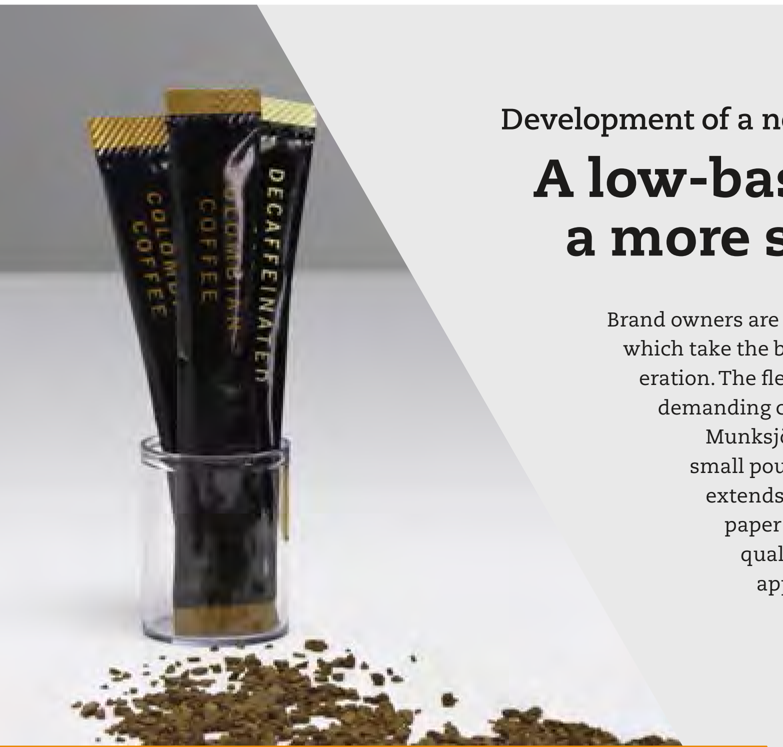
EBITDA target of 9–10 per cent at the end of 2016

Munksjö's aim within Graphics and Packaging to achieve 9-10 per cent EBITDA margin at the end of 2016, is driven by a product mix change, based on an increase of share of products with high profitability and development of new products. Even though average price increased in 2015, as a result of an improved product mix, it could not compensate for lower volumes and higher raw material costs. The ambition is to optimise the organisation, continuously improve the operational efficiency at the mills and to further reposition the portfolio through innovation and new product development to deliver on the profitability target. In 2015 the business area reported sales of EUR 175.7 (172.8) million. The EBITDA (adj.) was EUR 0.3 (4.5) million, corresponding to an EBITDA margin (adj.) of 0.2% (2.6%).

Product overview Graphics and Packaging

Applications

Customers



Development of a new grade for lighter flexible packaging

A low-basis weight paper for a more sustainable packaging

Brand owners are looking for creative solutions and technically-advanced packaging which take the brand image and the transition to a sustainable society into consideration. The flexible packaging market is currently focusing on meeting these demanding challenges with new innovative products.

Munksjö addresses the market needs of more sustainable packaging for small pouches and sachets, which do not compromise on functionality and extends its range of one-side coated papers with a very low basis weight paper of 35 g/m². Named Gerbier™ HDS 35, this glossy paper offers high quality printing results and is adapted for food or non-food packaging applications such as coffee, pharmaceuticals or dehydrated products. Compared to a standard 40 g/m², Gerbier™ HDS 35 g/m² provides a 12.5% weight reduction, enabling converters and brand owners to lower their environment footprint, while maintaining high performance during the processes of lamination, printing and conversion. For the food or non-food applications, this advanced paper is the lowest basis weight on the one-side coated papers market for small pouches and sachets.

> *The development of specialty papers contributes in driving the future of packaging towards more sustainable solutions.*
>
> Roland Le Cardiec, President Graphics and Packaging

Flexible packaging paper

- Bags
- Consumer rolls
- Crimped cups
- Cushion pads
- Lids
- Pan liner
- Pouches
- Sachets
- Trays
- Wrappers

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

- Metallized labels (wet glue and pressure sensitive adhesive)
- Specialised facestock labelling applications

Metallizing converters and labelstock manufacturers for various markets:

- Beer
- Wine and spirits
- Mineral water
- Vegetable oil
- Pharmaceuticals
- Retail and logistics
- Office

Graphics and industrial paper

Coated and uncoated papers mainly used for:

- Transparent envelope windows
- Repositionable notes
- Offset plates
- Flame-retardant applications
- Other industrial applications

- Converters
- Printers
- Industrial manufacturers

Sustainable value for our stakeholders

Our sustainability efforts and our company core values are strongly interlinked to offer sustainable solutions and value to our stakeholders.

> The international agreements in 2015 on climate and sustainable development goals show that the World's political leaders now are committed to real change. Munksjö, in order to continue being a leader within specialty paper, need to strengthen our positive contribution to society and continue to improve resource efficiency. At the center of Munksjö sustainability agenda will always be supplying high quality products that deliver value to customers and consumers. With the renewable wood fiber as the basis for all our materials, we have a fantastic starting point.
>
> **JAN ÅSTRÖM** *CEO*

Sustainability

Pulp and paper industry uses large quantities of wood, pulp, energy and other input materials. The main vehicle in the production process is water. At the beginning of the paper making process, the suspension consists of only 1–4 per cent fibers in order to shape the properties of the paper for the intended purpose. Paper industry has therefore traditionally focused on the environmental impacts of its processes.

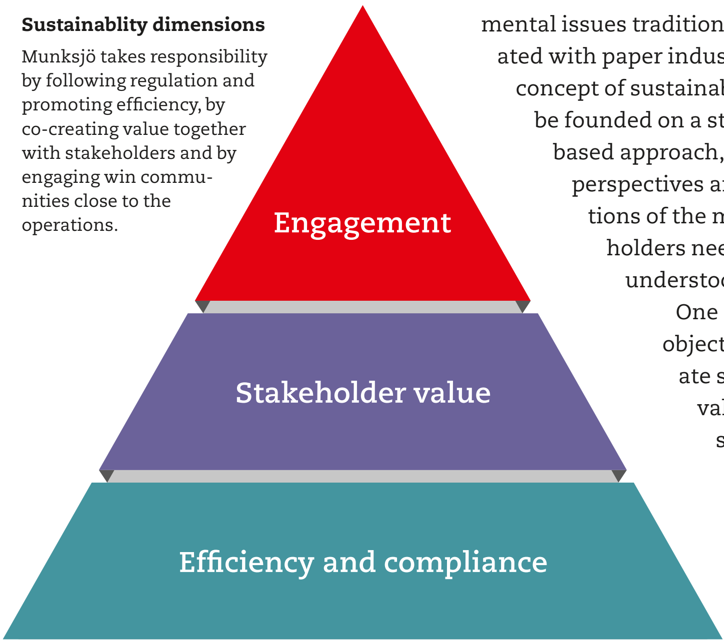
The industry is also closely regulated regarding emissions to air and water as well as for the chemicals used in the processes. The debate and controversy regarding forests and forest ecosystems has long been relevant to the industry. Wood is on the other hand one of the biggest strengths of the industry as it is a renewable resource with a high potential of being sustainable, provided it is responsibly managed.

Sustainability however has a much wider connotation than the environmental issues traditionally associated with paper industry. The concept of sustainability has to be founded on a stakeholder-based approach, where the perspectives and expectations of the main stakeholders need to be understood.

One of Munksjö's objectives is to create sustainable value for its stakeholders. Following the business combination in 2013 that created today's Munksjö, the emphasis has been on realizing synergies and bringing the company together. Sustainability is one of the areas where Munksjö decided to harmonize the approaches across the company. As a result, Munksjö in 2015 created a sustainability function at its headquarters and recruited a Senior Vice President Sustainability, who reports to the CEO and is part of the Management Team.

Sustainablity dimensions

Munksjö takes responsibility by following regulation and promoting efficiency, by co-creating value together with stakeholders and by engaging win communities close to the operations.



Sustainability for Munksjö

Part of 2015 was dedicated to reassessing what sustainability means for Munksjö and it can conceptually be described in the form of a pyramid, with the foundation being operational efficiency; continuous improvement; and legal compliance. Operational efficiency and continuous improvement ensures improvement to the environmental performance and makes us competitive in the long-term. Legal compliance gives the industry a license to operate and forms the basis of sustainability.

Materiality analysis

Munksjö has during 2015 developed a materiality analysis covering major sustainability issues in relation to the most relevant stakeholders, as part of formulating the sustainability strategy.

The next step up the pyramid is creating value for the company and its stakeholders. The stakeholders of Munksjö are all those that we depend on for the success of the company and who is affected by our operations. They are the Munksjö owners, customers, suppliers, and employees as well as the communities and environment we draw our capital, raw materials and knowledge from. They are the ones we deliver products and services to. The environmental, social and economic aspects of sustainability are all linked to how well we are able to interact with our stakeholders and the environment.

The final top of the pyramid is how we are interlinked with the communities we operate in and the company core values. We need to work together for a sustainable future.

Environmental management and continuous improvement

Due to the long standing requirements for regulatory compliance, environmental performance, and resource efficiency at the pulp and paper mill there is a high level of experience and competence at the Munksjö production units on environmental aspect of paper manufacturing.

This is affirmed by certifications Munksjö has at its sites. All units operate under management systems certified according to ISO9001:2008 and 14001:2008–2009. Half of the units also have their energy management systems certified to ISO50001:2011. The remaining units plan to become certified according to ISO50001:2011 before the end of 2017. Two units, Rottersac and Stenay in France are in the process of becoming certified according to ISO22000, as these units handle materials that are intended for food contact.

In addition, 11 of the 12 units are certified according to FSC®, which means they are able to offer FSC® certified products to the market. Half of Munksjö's production facilities are also certified according to PEFC™. The adherence to these environmental standards demonstrates that we are commited to continuous improvement and responsible environmental management.

The accountability for the environmental performance lies with the production facilities. At Munksjö, we have decided to harmonize how to measure the performance in energy and water consumption and furthermore develop common key performance indicators (KPIs).

Energy and water are the parameters that, for the majority of the units, are the most relevant for the sustainability performance. The units have all presented action plans on how to reduce both water and energy consumption. These key performance indicators and action plans are followed-up regularly.

An new infrared dryers was installed on the coating machine in Jacarei to improve the heating capacity, consuming less natural gas, consequently reducing the CO_2 emission per ton produced. The cost was EUR 36,000 and the reduction of CO_2 compared to 2014 was 16.4 per cent.

Value chain focus

Knowledge about the value chain is the key to understand Munksjö's sustainability agenda. This includes how we work from procurement of input materials, logistics, the characteristics of the product regarding for example recyclability and production processes impact on the environment. However, sustainability cannot be properly assessed without taking the purpose of the product into account. If the product fails to deliver the service and function it is intended for, the investment of resources in the whole supply chain will have been wasted.

Arches paper cotton linter

The input material in the fine arts paper produced in Arches, in France, is cotton linter, which is a residual product from cotton manufacturing. The papers from Arches are considered to be top of the range and this shows how also residual materials may become part of a high value adding product.

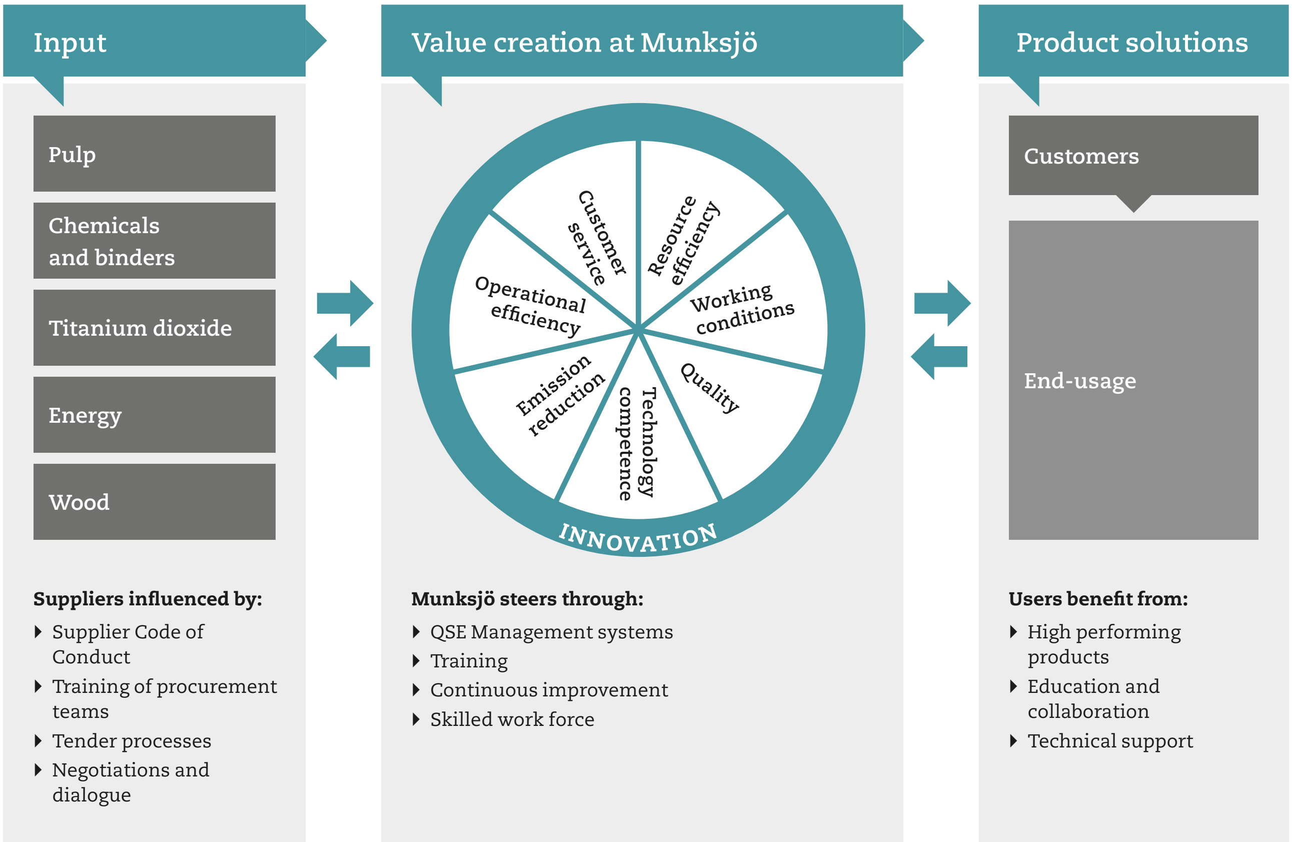
Fit for purpose

Sustainability and product performance go hand in hand. It is only through thorough knowledge about the customer needs that we are able to deliver products that are fit for purpose. Poor performance of the product would not only mean wasting the resources invested by Munksjö but would also have negative sustainability impact, often of a greater magnitude, further down in the supply chain.

The typical example is packaging where the value of the packed goods almost without exception is higher than the value of the packaging. If the packaging fails to deliver the protection or service it was designed for the result would be a higher cost due to the damage of product versus damage to packaging.

The same could be said regarding decor paper on furniture; release liners used in industrial processes; electrotechnical paper used in high tension electric applications and the abrasive backings that are used in the automotive industry. Our customer surveys show that Munksjö products are associated with high quality, regardless of product segment. The customer survey which was conducted in 2013–2014 showed that Munksjö has a satisfied customer base, with a customer satisfaction index of 76 of 100.

Sustainability in the value chain



To achieve continuous improvements of the sustainability performance, innovation is essential. Innovation contributes to reducing the amount of materials needed, improves the efficiency of the processes and contributes to better end products where Munksjö's products are an integral part.

Sustainability sticks

Much of what you see on a product has been put there with a so-called release liner.

For specialists of pressure sensitive adhesives (labels, tapes, and medical patches) the release paper is a key component that will be coated with silicone so that it can release an adhesive. Now the use of Munksjö Acti-V® paper can reduce the amount of catalyst needed in the silicone coating process by almost two thirds and cut energy consumption significantly. The aim is more efficient and sustainable labelling.

Acti-V® is made by Munksjö in Italy and France.

Customer requirements

Increasingly, customers are asking not only for technical performance but also for transparency of the supply chains and reassurance that Munksjö is applying stringent sustainability criteria in its raw material purchasing. The origin of the wood and evidence that it comes from responsibly managed sources is for a number of customers a deciding factor for doing business. For these customers, the responsible sourcing is as non-negotiable as the functionality of the product. The interest in the market for forest certification, in particular products certified according to FSC®, is a rising trend.

As a large purchaser of pulp, through our cooperation with Ahlstrom, Munksjö is able to secure significant volumes of certified material.

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

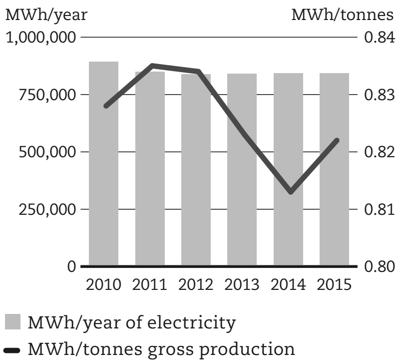
Environmental award

Munksjö was recognised "Best Supplier 2014, Sustainability" by Avery Dennison during the company's annual supplier recognition ceremony held in its European headquarters in Oegstgeest, The Netherlands, on March 24, 2015.

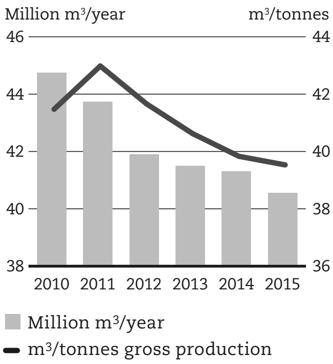
The award went to both Munksjö and silicone supplier Wacker for their joint efforts in the development of a low-platinum solution for silicone coated paper release liners.

Environmental key figures*

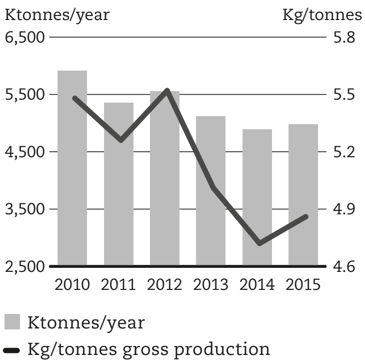
Electrical energy consumption



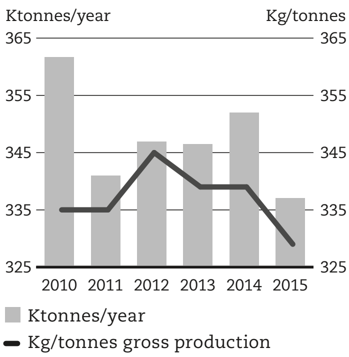
Process water



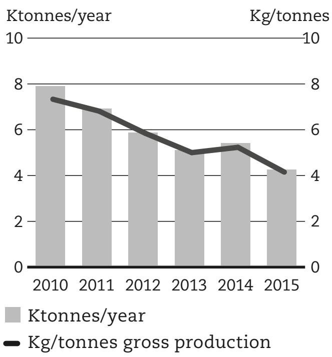
Discharge to water – COD



Emission to air – CO_2



Landfilled waste



Munksjö has continued the efforts to improve operational efficiency, decrease emissions and waste from the operations. Amount of process water used and CO_2 emissions have decreased during the year by 1 and 3% respectively per ton produced paper. Waste to landfill was in absolute terms reduced by more than 21%.

* During the compilation of data for this report an error in the reporting of electrical energy in previous year's report was detected. The data has been corrected from the baseline year 2010.

Sourcing

Munksjö has centralised the purchasing of key raw materials, equipment and services. This has enabled significant cost savings but is also a requirement for raising the environmental performance of its input materials.

To ensure this, Munksjö has started this process by introducing a Supplier Code of Conduct (SCOC). The Code of Conduct requires the suppliers to live up to basic sustainability criteria such as legal compliance, human rights, responsible business, and environmental performance. It also ensures that Munksjö shall have the right to audit operations for compliance and in case of non-compliance demand corrective action. Non compliance may, in the worst cases, result in cancellation of contracts. The roll out of the Code of Conduct will start during 2016.

In addition to our Code of Conduct, we have worked in 2015 on training 150 key employees to understand and improve Munksjö's way of sourcing. Improved sourcing is aimed not only to improve results but also to improve the process and product performance, which in the end improves the sustainability performance.

Similarly to our internal processes, the EU Timber regulation requires companies that bring paper and pulp to the EU market to operate due diligence systems for legality. Munksjö procures pulp from a great number of suppliers in order to meet the technical requirements of the all products in our range. During 2015, the company extended the due diligence to include all pulp purchased, including pulp purchased in the EU, and, on request, is able to provide this information to the customers.

The pulps are approved only if the risk for illegal wood is deemed to be negligible. The due diligence system has been assessed by an independent party for compliance with EU Timber Regulation.

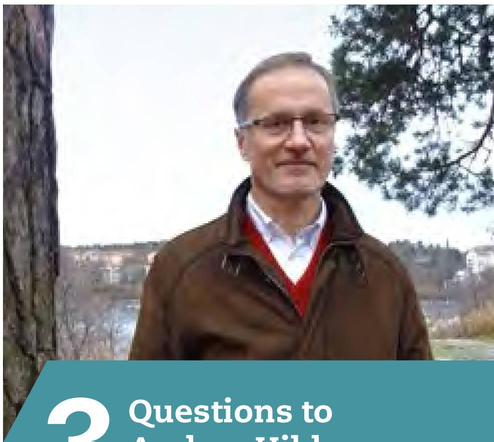
All pulp procured that is used in Munksjö products is either FSC® Mix Credit or PEFC™ certified or purchased as FSC® Controlled Wood.

Munksjö has together with a group of other companies signed the WWF initiative Industry Statement for the Review of the EU Timber Regulation, demanding a strong and consistently implemented legislation across Europe.

Significant work nevertheless remains in order to map the performance of the raw material suppliers and set targets for how to make the sourcing more sustainable.

Sustainability highlights 2015

- Development of Supplier Code of Conduct, to be rolled out in 2016.
- Munksjö signed the Industry Statement for the review of the EU Timber Regulation demanding full and consistent implementation across the EU and a widening of the scope of products covered by the law.
- Residues from the water treatment plant in Jönköping, Sweden, were used for soil improvement, reducing waste to landfill by more than 21 per cent.
- A new type of coal was used to for the boiler in Stenay and the emissions of carbon monoxide, sulfate sulfur and dusts were reduced by 50 per cent.



3 Questions to Anders Hildeman

Senior Vice President Sustainability

Why is your role important?

The paper industry is resource intensive and we need to continue to ensure legal compliance and continuously drive resource efficiency. While this is an extremely important aspect, we are determined to demonstrate that we can differentiate not only on our technical and quality offerings but also in the area of sustainability.

What has been the focus of your first months with Munksjö?

The first months have been a lot about understanding where Munksjö currently stands and designing the strategy going forward. I can see that a lot has been done and there is a lot of engagement but Munksjö will become even stronger, when we harmonize our approach on sustainability.

What will be your main focus in 2016?

The main focus will be on working with our processes and procurement to increase transparency in the supply chains and continue to drive resource efficiency. The next step will be to see how we can better serve our customers in the area of sustainability.

Our employees are our key to success

To be able to continue being a world-leading supplier of advanced paper products Munksjö's employees are an important asset. That's why competence development, strong leadership and working environments are core issues for the company. To be even more successful Munksjö is now taking further steps to develop the people management agenda.

Building the strategic platform

Focus in 2015 has been to build the platform for people management. New roles and new capabilities have been introduced within Human Resources and a strategic people agenda has been developed. The ambition is to increase the collaboration in the group, to improve resource utilisation and to offer new development opportunities and career paths to the employees.

The main strategic focus for 2016 is to further establish a common culture, which includes a health and safety mindset in everything we do, to strengthen our leadership and to attract, develop and retain employees.

Competence development and innovation

To deliver on quality demands and growth ambitions as well as maintaining a leading market position requires continuous competence development and innovation. In addition to local trainings, Munksjö has been performing group initiatives to develop the employees and to enhance the innovation power within the company.

An example of this is the M+ program, a talent development program for managers and high potentials. As a part of the program the participants performed innovation driven projects in cross-organisational teams, also known as "The Munksjö Challenge". The result has been beyond expectations. Several of the projects' outcomes are now being further developed together with the R&D

department according to normal product development procedures, and with the potential to be found in the Munksjö product portfolio in the future.

A second program, the M++ program, was initiated at the end of 2015. This program targets senior leaders in the organization.

Focus in 2015 has also been on harmonizing trainings and to build core group trainings. Examples are the Group Compliance training which all local management teams and key employees have attended, as well as a group project methodology which started to be rolled out at the end of the year.

Attracting the next generation of employees

To secure strategic recruitment of future employees, Munksjö's local sites have strong collaborations with local schools and communities, stretching from jointly development of educational programs to offering internships and job interview training to students. Being a local employer of choice is important for Munksjö's success and a strategic area for the work going forward.

Diversity – part of our culture

Munksjö's corporate culture is based on a non-discriminatory environment where competence and responsibility are highlighted and seen as a major contributor to the company's positive development. Women and men of different ages, origin, backgrounds and experiences shall be given the same development opportunities within the company.

Share of women and men, %

	Total	Board	Key Management
Men	84	67	64
Women	16	33	36

Age distribution, %

	Total	Board	Key Management
–29	10	0	0
30–49	52	33	27
50–	38	67	73

The year in numbers

At the end of the year, Munksjö had 2,900 (2,905) employees of which 2,774 (2,765) were full-time employees. The average age of Munksjö's employees is 45 years with an average term of employment of 17 years. Staff turnover for the Group as a whole is approximately 2.4 per cent. Absence due to illness was 3.3 (4.3) per cent in 2015.

Encouraging safety through Munksjö Awards

Every year Munksjö acknowledges mills for good performance and practices within safety. In 2015 three safety prizes were awarded.

- With more than three years without any accidents Jacarei, Brazil, was awarded for the highest number of working days without any lost time accidents (LTA). The achievement is due to a consistent safety management system and the ambition to continuously improve.
- Tolosa, Spain won the prize for the greatest improvement on safety. Through commitment and cooperation the team managed to reduce the accident frequency rate by 71 per cent in 11 months.
- The business area Decor was awarded for its reporting procedure for near misses at the mills Dettingen and Unterkochen in Germany, and Tolosa in Spain. Near miss reporting is a noble tool to detect and subsequently mitigate hazards. The simplicity, and yet transparent process conveys a strong message within Decor to all employees about this fact.

Health and safety – a zero accident target

A work environment free from accidents and work related absenteeism for Munksjö's own employees, sub-contractors and visitors is of utmost importance for Munksjö. The target is zero lost time accidents.

Internal communication and transparency

Transparency and sharing of good practices have been the leading words in Munksjö's health and safety work in 2015. During the year Munksjö has increased the internal knowledge sharing between sites through quarterly safety meetings and cross audits in each business area. Tools have been training and regular internal communications on all incidents. Also, the internal health and safety network has been strengthened, and is coordinated by the Vice President Health & Safety.

Munksjö also introduced common signage at all sites in two important communications. *Safety Rules*, communicating the basic rules such as wearing appropriate PPE (Protective Personal Equipment); and *Life Saving Rules*, communicating procedures needed to diminish the risk for a fatal accident.

Behaviour based safety training

Accidents causing absence (LTAs) have decreased during 2015. Accidents are mainly behaviour related and Munksjö continues to work with its Behaviour Based Safety (BBS) training that is of paramount importance to further decrease accidents. All sites have been introduced to the BBS training during 2015, and that will continue in 2016. BBS is a bottom-up approach with top-down support from safety leaders. Interventions are employee focused and often imply one-to-ones or observations of employees performing routine work tasks, setting goals carefully and giving timely feedback on safe or unsafe behaviour, coaching and mentoring.

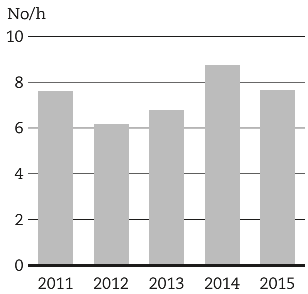
In 2016 Munksjö will more closely monitor the number of hours of training. The aim is to increase the level of compulsory safety training, tailored to specific needs of each employee. In 2015 employees received 23,719 hours of safety training.

Certification is also adding to a safe work environment. In 2015 the international occupational health and safety management standard OHSAS 18001:2007 was implemented in two additional mills; Billingsfors and Aspa Bruk in Sweden, making a total of 10 certified mills. The plan is that all 12 mills should be certified according to OHSAS 18001:2007 in 2016.

Health activities

Munksjö also supports its employees to be active and participate in health activities. Local mills sponsor local activities and sport events. In addition to the local arrangements, cross site arrangements are also organised, allowing employees to meet and culture to spread.

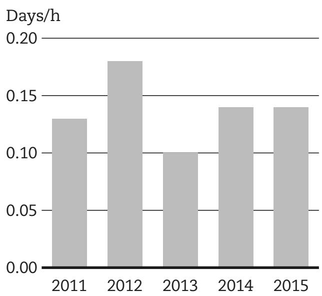
Accident frequency rate[1)]



The accident frequency rate decreased in 2015 to 7.6 (8.8) compared with last year.

[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

Accident severity rate[2)]



Accident severity rate in 2015 remained at the same level, 0.14, as last year.

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

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

Munksjö as an investment

Munksjö has an on-going and active dialogue with representatives of the capital market. The disclosure to and communication with the capital market aims to ensure an increased understanding of Munksjö's business operations through transparency and clear messages. Munksjö targets to maintain a long-term relationship with its owners and potential investors.

Market value at the end of 2015*

EUR **436.5** million

Share development on Nasdaq Helsinki 2013–2015

+44.5%

Share development on Nasdaq Stockholm 2014–2015

+10.5%

Munksjö's aim is to increase shareholder value
With an improved cash flow and increased earnings per share, Munksjö continued to create shareholder value during 2015. The strong balance sheet supports the company's strategic growth plans and the improved cash generation supports the ability to pay shareholders returns.

Share information
Munksjö's share is traded in the Mid Cap segments of Nasdaq Helsinki as of 7 June 2013 and Nasdaq Stockholm as of 8 December 2014. The purpose of the secondary listing in Stockholm was to facilitate trading in Munksjö's shares for both current and new shareholders. Munksjö's share is also traded on alternative exchanges, such as Bats Chi-X, however the trading volume on these alternative exchanges during 2015 was marginal.

Munksjö's registered share capital is EUR 15,000,000 and it consists of 51,061,581 shares. Until 2 December 2013 the amount of shares was 38,769,590.

Investor relations activities in 2015
The Investor Relations function (IR), which is part of the Communications function, works in close co-operation with the functions for Strategic development, Finance and Treasury. Communication with representatives of the debt market is primarily carried out by the Treasury function, but the Investor Relations function is also involved on a regular basis.

Munksjö held its second Capital Markets Day for institutional investors, analysts and representatives of the media on 26 November 2015 at World Trade Center in Stockholm.

* Adjusted with the shares held by Munksjö

Share development 2013–2015

	Nasdaq Helsinki[1]			Nasdaq Stockholm[1]	
	2015	2014	2013	2015	2014
Share price at the end of the period, EUR/SEK	8.60	8.95	5.40	84.25	85.50
Change from previous year	–3.9%	65.7%	–	–1.5%	–
Volume-weighted average share price, EUR/SEK	9.18	6.92	4.89	87.18	77.77
Highest share price in the period, EUR/SEK	12.49	9.03	6.10	119.00	86.25
Lowest share price in the period, EUR/SEK	7.42	5.11	4.62	70.25	76.25
Trading days	251	250	142	251	14
Trading volume	15,721,775	24,551,000	2,540,515	4,078,078	1,229,597
Average daily trading volume	62,637	98,204	17,891	16,247	87,828

[1] The trading in Munksjö's shares on Nasdaq Helsinki commenced on 7 June 2013 and on Nasdaq Stockholm on 8 December 2014.

Financial targets and dividend policy

Munksjö has three long-term financial targets, one of which is related to the dividend.

EBITDA margin: 12 per cent over a business cycle[1)]

Net debt/Equity ratio: Shall not exceed 80 per cent[2)]

Dividend policy: Payout ratio at least one third of net cash flow from operating activities[3)] after capital expenditure of operative nature[4)]

1) The EBITDA margin target for each of the business areas is described on pages 10–25.
2) Net debt/Equity ratio is interest-bearing net debt divided by total equity.
3) Calculated as an average over a three-year period to give stability in dividend payout.
4) Includes maintenance, cost improvement and efficiency improvement investments.

Analyst coverage

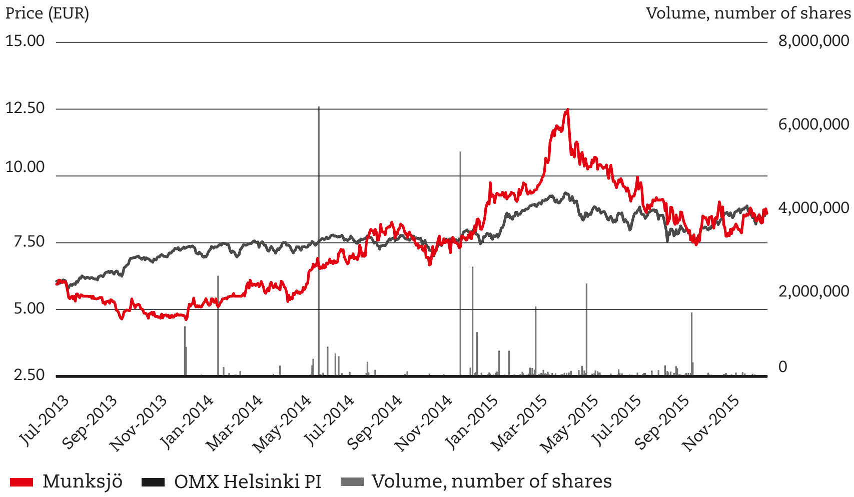
Munksjö increased its analyst coverage with two brokerage firms during 2015 and was at the end of 2015 followed by five equity analysts. A list and contact details of the analysts is available on www.munkjso.com/investors.

Share buyback

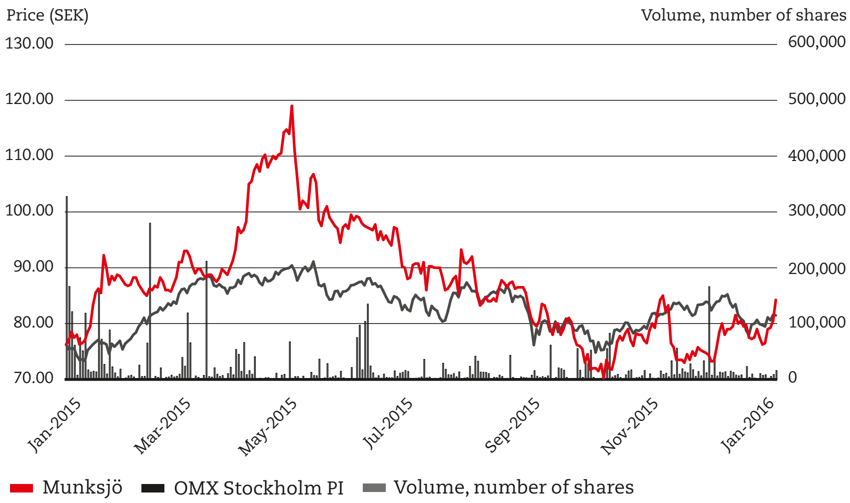
In May 2014, the Board of Directors approved a long-term share-based incentive programme for Munksjö's senior executives and other key personnel. Related to the programme, Munksjö repurchased own shares during 2015.

The repurchased shares will be used primarily for implementing share-based incentive programmes of the company, or for other purposes defined in the authorization of the Annual General Meeting. The repurchases started on 16 February and ended on 21 May. During this period, Munksjö repurchased 300,000 shares, corresponding to about 0.6 per cent of the total number of shares and votes. Munksjö did not hold any own shares before the start of the repurchases.

Price development and monthly turnover, Nasdaq Helsinki



Price development and monthly turnover, Nasdaq Stockholm



Dividend payout history

	2016	2015	2014
Return of equity per share	0.30*	0.25	0.10
Effective dividend yield**, %	3.5	2.8	1.9

* Board's proposal, subject to shareholder approval at the AGM.
** All dividend calculations are based on return of equity.

Munksjö's largest shareholders*** at the end of 2015

Name of shareholder	Share of shares and votes
Ahlström Capital Group	14.50%
Viknum AB	11.75%
Ilmarinen Mutual Pension Insurance Company	8.03%
OP Fund Management Company (Pohjola Asset Management)	4.60%
Nordea Asset Management	2.80%

*** Based on informations from Euroclear Finland and Euroclear Sweden. For a list of the twenty largest shareholders, see page 65.

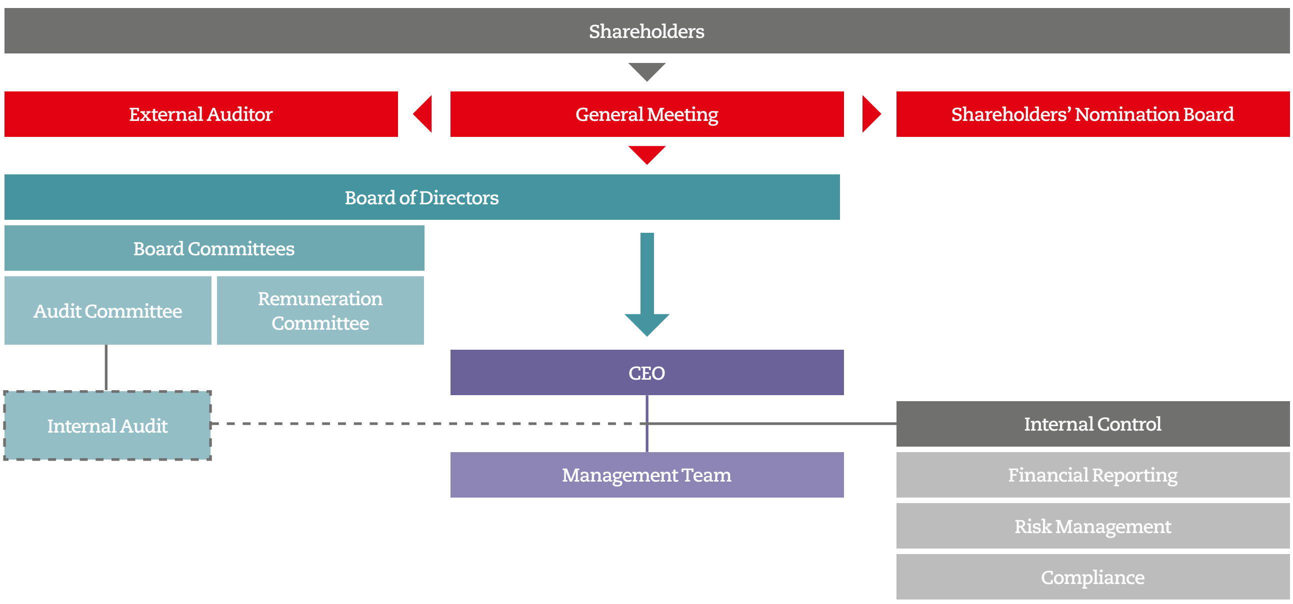
Corporate governance statement 2015

Munksjö Oyj ("Munksjö" or the "company") is a Finnish public limited liability company, the shares of which are listed on Nasdaq Helsinki and 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, as amended), 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") and, effective 1 January 2016, the Finnish Corporate Governance Code issued by the Securities Market Association in 2015 ("New Finnish Code"). The Finnish Code and New Finnish Code are 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 Revised Swedish Corporate Governance Code ("Swedish Code"), which entered into force on 1 November 2015, with the exceptions listed in the Appendix 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



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, return of equity to the shareholders, repurchase and distribution of company shares, 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 Limited Liability 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 five (5) years 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 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 15 April 2015 with 166 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 May 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 and the register of shareholders held by Euroclear Sweden. 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 AC Invest Five B.V., Kai Nahi, Kasper Kylmälä and Michael Sumelius), Alexander Ehrnrooth (appointed by Viknum AB) and Mikko Mursula (appointed by Ilmarinen Mutual Pension Insurance Company). The Chairman of the board Peter Seligson and Fredrik Cappelen 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 2015, the Nomination Board has held five (5) 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 together with an external service provider and assessed the competencies and diversity 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.

The Nomination Board decided on 13 January 2015 to make a technical change to its charter according to

The Board's annual schedule 2015–2016

JANUARY | FEBRUARY | MARCH | APRIL | MAY | JUNE | JULY

2015

- Review and approval of the financial statement bulletin
- Proposal on allocation of profits and review of the external auditors' report
- Notice to AGM, incl. Board proposals

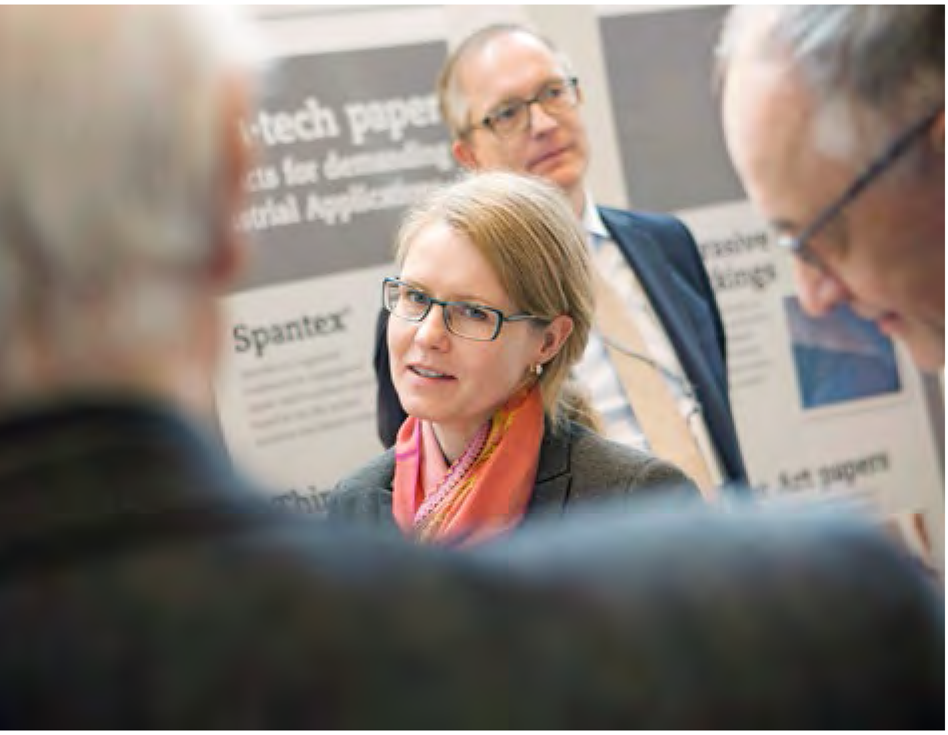
- Approval of financial statements and Board report 2014

- Organisation meeting of the new Board
- Review of Board charters and CEO Instruction

- Approval of interim report
- Board meeting dates in 2016

- Strategy
- Business plan for 2016–2018
- Management succession planning

- Approval of interim report



which when determining the three largest shareholders in the company those shares registered in Euroclear Sweden will also be taken into account.

On 26 January 2016, the Nomination Board proposed to the Annual General Meeting to be held on 6 April 2016 that the number of board members would be increased to seven (7) and that of the current members of the Board of Directors, Peter Seligson, Sebastian Bondestam, Alexander Ehrnrooth, Hannele Jakosuo-Jansson and Elisabet Salander Björklund, would be re-elected. In addition, the Nomination Board proposed that Anna Ohlsson-Leijon and Mats Lindstrand would be elected as new members of the Board of Directors. Further, the Nomination Board proposed that the Board, Board Committee and Nomination Board remuneration would remain unchanged with the exception of the vice chairman, who would receive an annual remuneration of EUR 50,000. The Nomination Board also proposed to the Annual General Meeting that a number of amendments would be made to the Nomination Board Charter, mainly as a consequence of the entry into force on 1 January 2016 of the New Finnish Code. According to the proposal, the Charter of the Nomination Board shall be amended by adding (i) a right for holders of nominee registered shares to be considered when the Nomination Board is appointed, (ii) a new duty of the Nomination Board to include a recommendation in its proposal of board members on who of the persons nominated shall be elected as Chairman of the Board of Directors, (iii) a new duty of the Nomination Board to establish its principles of diversity, (iv) a right for the Nomination Board to decide what knowledge and competencies are required by the board members in each case by removing the list of knowledge and competencies to be possessed by the board members from the Nomination Board Charter and (v) a right for the Nomination Board to receive information on factors affecting the evaluation of independence of the members of the Board of Directors. In conjunction with these amendments, the Nomination Board also proposed that some additional amendments of a mainly technical nature are made.

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

▸ Review of policies
▸ Business development

▸ Approval of interim report
▸ Board's self-assesment

▸ Annual plan (budget) 2016
▸ Bonus targets 2016
▸ Management Team salary review

AUGUST | SEPTEMBER | OCTOBER | NOVEMBER | DECEMBER | JANUARY | FEBRUARY | MARCH

2016

▸ Market report

▸ Review and approval of the financial statements bulletin
▸ Review and approval of the financial statements, Board's report and proposal on allocation of profits and review of the external auditors' report
▸ Notice to AGM, incl. Board proposals
▸ Bonus outcome 2015 for CEO and Management Team

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. In 2015, the self-assessment was done together with an external service provider, which reported its findings both to the Nomination Board and to the Board of Directors in their meetings. In addition a written report on the entire Board of Directors' performance as well as a written report on each individual's performance was submitted to each member of the Board of Directors.

Board of directors' shareholding 31 December 2015

Member	Title	Shares	Total
Peter Seligson	Chairman	312,504	529,807
Spouse		5,534	
Controlled corporations:			
Baltiska Handel A.B.		211,769	
Fredrik Cappelen	Vice chairman	7,138	7,138
Elisabet Salander Björklund	Board member	4,200	4,200
Sebastian Bondestam	Board member	1,591	77,517
Spouse and child		75,926	
Alexander Ehrnrooth	Board member	1,000	6,003,074
Controlled corporations:			
Viknum AB		6,000,000	
Vessilä Oy Ab		2,074	
Hannele Jakosuo-Jansson	Board member	1,000	1,000

Management Team's shareholding

Member	Title	Shareholding 31 December 2015
Jan Åström	President and CEO	12,833
Pia Aaltonen-Forsell	CFO	4,274
Gustav Adlercreutz	Senior Vice President and General Counsel	4,475
Anna Bergquist	Senior Vice President Strategic Development	7,181
Anna Selberg	Senior Vice President Communications	–
Åsa Jackson	Senior Vice President Human Resources	2,039
Anders Hildeman	Senior Vice President Sustainability	1,000
Daniele Borlatto	Executive Vice President and President Release Liners	4,283
Norbert Mix	President Decor	888
Dan Adrianzon	President Industrial Applications	4,275
Roland Le Cardiec	President Graphics and Packaging	4,406

The Annual General Meeting held on 15 April 2015, confirmed the number of board members to be six (6). Sebastian Bondestam, 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 their shareholdings are set forth at the end of this statement and below.

All board members are independent of the company in addition to which Sebastian Bondestam, Fredrik Cappelen, Hannele Jakosuo-Jansson and Elisabet Salander Björklund are independent of the significant shareholders 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.

In 2015, the Board convened nine (9) times, including two (2) meetings held as telephone meetings. The attendance of the individual board members is set forth in the table below.

Board Committees

The Board annually appoints an Audit Committee and Remuneration Committee and may also appoint other permanent committees if considered necessary at its organisation 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.

Board of Directors' and Committees' attendance 2015

Member	Board member since	Board	Audit Committee	Remuneration Committee
Fredrik Cappelen	2013	9 (9)		3 (3)
Sebastian Bondestam	2013	9 (9)	6 (7)	
Hannele Jakosuo-Jansson	2013	9 (9)		3 (3)
Alexander Ehrnrooth	2014	9 (9)	7 (7)	
Elisabet Salander Björklund	2013	8 (9)	7 (7)	
Peter Seligson	2012	9 (9)		3 (3)
Caspar Callerström	Resigned 2015			

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 15 April 2015, 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 to the left.

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 15 April 2015, 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 on page 41.

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 Limited Liability Companies Act and the CEO instruction, and 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 Limeted Liability Companies Act, the CEO has a right to decide himself on certain urgent matters which otherwise would have required a board decision.

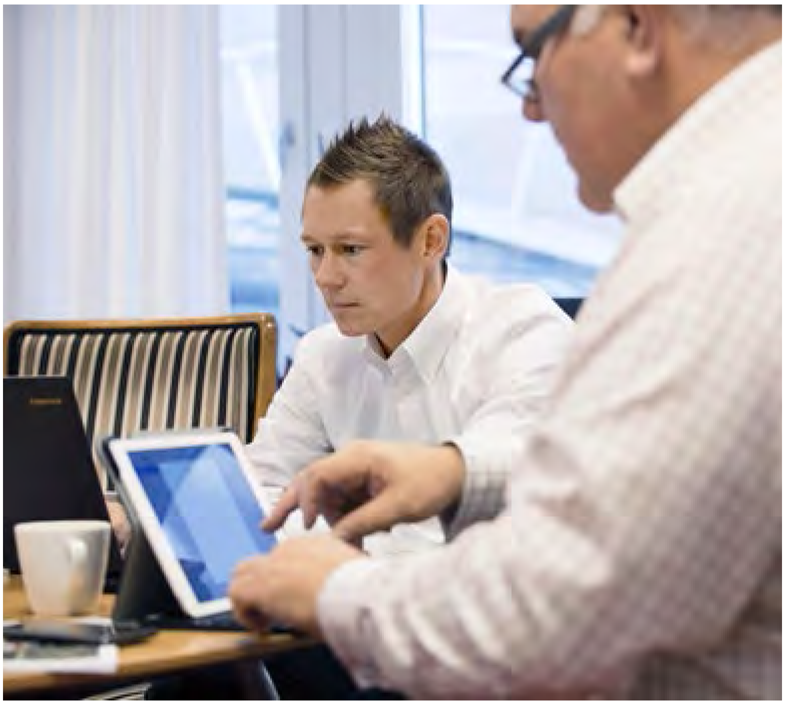
Jan Åström is the CEO of the company. Biographical details of the CEO and his shareholdings are set forth at pages 40 and 48.

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, environment, sustainability, occupational health and quality and some major projects.

At the end of 2015, the Management Team consisted of eleven 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 pages 40 and 48–49.



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 authorized 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 15 April 2015. 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.

The fees of the statutory audit in 2015 were EUR 0.5 million in total in the Group. Other fees charged amounted to EUR 0.1 million. The other fees were related to tax and other advice.

Risk management

Munksjö Group has a Risk Management Policy, which is reviewed and 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 the 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 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, earn-

ings 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 2015, the internal control activities have been focused on following up last year's review of the process flow documents as well as making an initial review of the units that were not covered last year. The Internal Control function has performed such reviews in ten (10) units during 2015.

During the year, a project has been initiated with the aim to renew the order handling and production planning as well as the financial systems in the mills. The aim over time is to convert all mills into the same platform. The first units to have the new setup will be Billingsfors and Jönköping, and the plan is to start production on the new platform in the second quarter of 2016. The remaining units will be converted during the next 3–5 years.

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 annually reviewing whether there is a need to change the way internal audit is organised in the company.

Compliance

It is the policy of Munksjö to comply throughout the organisation 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. In 2015 compliance training was held in Sweden, Brazil and China. In addition, an e-learning tool was developed.

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.

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, it is recommended that persons listed as permanent insiders shall consult with the company's Insider Officer prior to trading in the company's securities. 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.

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 1.3

The company's nomination committee[1] 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 1.4

If the ownership structure warrants it, and it is financially feasible given the financial situation of the company, the company is to offer simultaneous interpretation of the shareholders' meeting into other relevant languages than Swedish, as well as translation of all or parts of the meeting documentation. The same applies to the minutes of the meeting.

‣ The meeting is conducted in Finnish and partly in Swedish. The meeting materials are available in Finnish, Swedish and English. The minutes of the meeting are in Finnish.

Rule 2.1

The company is to have a nomination committee. 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. In its assessment of the board's evaluation and in its proposals in accordance with rule 4.1, the nomination committee is to give particular consideration to the requirements regarding breadth and versatility on the board, as well as the requirement to strive for gender balance.

The nomination committee is also to present proposals on the election and remuneration of the statutory auditor.

‣ The nomination board[1] 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

The nomination committee's proposals are to be presented in the notice of the shareholders' meeting where the elections of board members or auditors are to be held as well as on the company's website. 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. The committee is to provide specific explanation of its proposals with respect to the requirement to strive for gender balance contained in 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 statement is also to include a account of how the nomination committee has conducted its work.

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 year of birth, principal education and professional experience,
- any work performed for the company and other significant professional commitments,
- any holdings of shares and other financial instruments in the company 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 executive management, as well as of major shareholders in the company. Where circumstances exist that may call this independence into question, 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 on the company's website. 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. If the chair relinquishes the position during the mandate period, the board is to elect a chair from among its members to serve until a new chair has been 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 9.6

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 authorisation. 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 (below are only parts that are relevant for comparison):

- for the chief executive officer:
  - year of birth, 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 significant shareholdings and partnerships in enterprises with which the company has important business relations, and
  - any infringement of the stock exchange rules applicable to the company, or any breach of good practice on the securities market reported by the relevant exchange's disciplinary committee or the Swedish Securities Council during the most recent financial year.

‣ Under the Finnish Code, shareholdings in companies with which the company has significant business do not have to be reported. Infringements of the stock exchange rules applicable to the company and similar do not need to be reported according to the Finnish Code.

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 date 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 three 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 authorisation. 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, Hercculia Oy Ab
Board memberships: Ahlström 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

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; Granngården AB; Dustin AB; International Chamber of Commerce, ICC Sweden; Sanitec Oy
Board memberships: Securitas AB
Previous positions: Chairman and Board member, Munksjö AB 2005–2013; 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

Hannele Jakosuo-Jansson

Board member

Born: 1966
Citizenship: Finnish
Member of the Board since: 2013
Current position: SVP Human Resources, Neste Oil Corporation
Board memberships: Neste Jacobs
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

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

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
Board memberships: Ahlstrom Corporation since 2015; Fiskars Corporation since 2000; Belgrano Inversiones Oy since 1999
Previous positions: Board member, Wärtsilä Corporation 2010–2015
Education: M. Sc. in Economics, MBA

Independent of the company

Changes in the Board of Directors 2015

Caspar Callerström, member of the board since 2014, was not available for re-election and resigned after the Annual General Meeting on 15 April 2015.

For shareholdings see page 40.

Management Team

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

CFO

Born: 1974
Citizenship: Finnish
Previous positions: CFO, Vacon Plc., 2013–2015; Senior Vice President Finance, IT and M&A, Building and Living Business Area, Stora Enso 2012–2013; SVP Group Controller, Stora Enso 2009–2012; Various positions within Stora Enso 2000–2009; Corenso United 1997–2000
Board memberships: Helapala Oy
Education: M. Sc. in Economics

Senior Vice President and General Counsel

Born: 1957
Citizenship: Finnish
Previous positions: Senior Vice President, General Counsel, Ahlstrom Corporation 2001–2013; Various positions within Ahlstrom 1984–2001
Board memberships: Chairman, Soldino Oy; Vice Chairman, Oy The English Tearoom Ab; Board member, Mannerheim Foundation
Education: LL.M.

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

Senior Vice President Sustainability

Born: 1956
Citizenship: Swedish
Previous positions: Global Forestry Manager, IKEA, 2009–2015; Various positions, latest Senior Vice President Environment and Regulatory Affairs, SCA, 1984–2009; Associate Professional Officer, United Nations Food and Agriculture Organisation, 1989–1991
Board memberships: Chairman, Sow a Seed Foundation
Education: M. Sc. Forestry

Senior Vice President Human Resources

Born: 1964
Citizenship: Swedish
Previous positions: Senior Vice President Human Resources, ABB Sweden 2012–2015; Various positions within finance, marketing, HR within ABB 1994–2011
Board memberships: Mälardalen University
Education: M. Sc. In Business and Economics

Senior Vice President Communications

Born: 1962
Citizenship: Swedish
Previous positions: Communication Consultant and Partner, Astega Advisory AB, 2010–2015; Acting SVP Communications, SCA, 2010; VP Corporate Branding and Group Communications, SCA, 2005–2010; Communications Director, SEB Trygg Liv, 1999–2005; The Riksbank, 1995–1999
Board memberships: Astega Advisory AB; Chairman, Metalog AB
Education: M. Sc. In Business and Economics

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

President Decor

Born: 1957
Citizenship: German
Previous positions: Business Area Manager Sales and Marketing Decor, Munksjö 2011–2015; President and CEO, 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

President Industrial Applications

Born: 1960
Citizenship: Swedish
Previous positions: Group Chief Controller, Munksjö AB; Interim CEO and CFO, Munksjö Aspa Bruk AB (business area Specialty Pulp); Interim CFO, Munksjö Arches in France; employed at Munksjö since 1998; Various positions within Group Saint Gobain 1985–1998
Board memberships: –
Education: Bachelor in Business Administration and Economics and Mechanical Engineer from Technical High School

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)

Changes in the Management Team 2015

Pia Aaltonen-Forsell was appointed CFO as of 1 April 2015, succeeding Kim Henriksson, who left the company in March 2015.

Norbert Mix, former Business Area Manager Sales & Marketing Decor, was appointed President Decor as of 1 July 2015.

Christian Mandl, Business Area Manager Manufacturing Decor, left the company on 1 July 2015.

Åsa Fredriksson, Senior Vice President HR and Communications left the company on 30 September 2015.

Anders Hildeman was appointed Senior Vice President Sustainability as of 1 September 2015.

Anna Selberg was appointed Senior Vice President Communications as of 1 October 2015.

Åsa Jackson was appointed Senior Vice President Human Resources as of 1 November 2015.

For shareholdings see page 40.

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[1]. Munksjö is actively working 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 risks 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. The risk assessment process is performed by the business units, based on their objectives, and includes risk identification, risk drivers analysis, identification of risk owner and risk assessment of potential impact, likelihood, trend and acceptability. An identification of preventive actions is also included. Further comments about the risk management can be found in the section Corporate governance.

[1] Munksjö's near-term risks are described in the quarterly interim reports.

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

Demand for 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.

LIKELIHOOD:

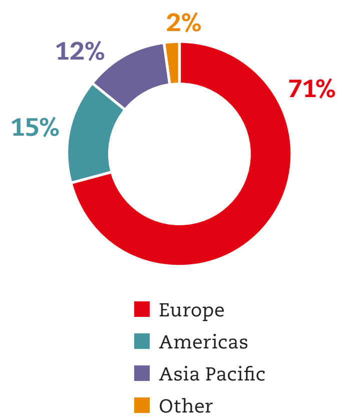
FINANCIAL IMPACT:

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 competition and consequential lower market prices can have on the operating result.

Net sales 2015



Risk of damages at the facilities

Munksjö has production facilities located in several European countries and in 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.

LIKELIHOOD:

FINANCIAL IMPACT:

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 potential improvement measures. The insurance policies also cover any loss of related contributions.

Low Medium High

Risk of failure of integration processes

Munksjö's strategy to also 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.

LIKELIHOOD:

FINANCIAL IMPACT:

In case of potential business combinations substantial integration work is needed to realise expected synergies. Munksjö has recent experience from successful integration processes and realised synergies from the integration of units from Arjo Wiggins and Ahlstrom Corporation.

Risk of customer dependence and customer credit

Munksjö's 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 fulfil their payment obligations, this can affect the Group negatively.

LIKELIHOOD:

FINANCIAL IMPACT:

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 end of 2015, accounts receivable totalled MEUR 111.1. The average credit period was 41 days. A portion of the sales, corresponding to an average of MEUR 70 of accounts receivable, has been credit insured and sold to financiers resulting in earlier payments received. The Group's total credit losses in 2015 totalled MEUR 0.9.

Customers structure and customer credit

MEUR	2015	2014	2013
Accounts receivable not due	100.7	103.1	116.5
Receivables overdue			
< 30 days	8.5	10.1	10.5
30–90 days	1.3	0.8	0.3
> 90 days	0.6	0.6	1.4
Receivables overdue	10.4	11.5	12.2
Total accounts receivable	**111.1**	**114.6**	**128.7**

Risk of variation in pulp prices

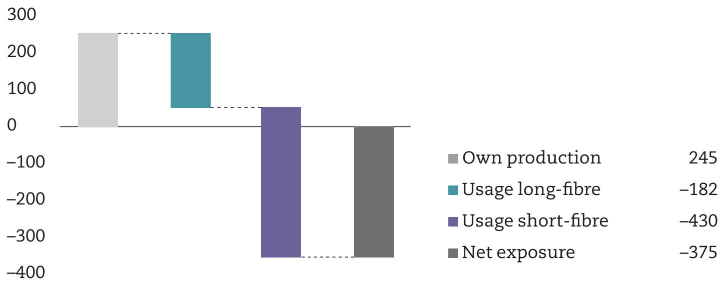
Wood pulp accounts for a significant portion of the manufacturing cost of specialty papers, and therefore, price changes affect the Group's result.

LIKELIHOOD:

FINANCIAL IMPACT:

The bulk of the wood pulp used in Munksjö's manufacturing is short-fibre pulp, which is mainly purchased from South America. In 2015, a total of 430,000 tonnes of short-fibre pulp and 182,000 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 cost for pulp in 2015 corresponded to 28% of the Group's operational costs.

Production and consumption of pulp, Ktonnes



Low Medium High

RISKS

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.

LIKELIHOOD: Medium

FINANCIAL IMPACT: Medium

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 wood suppliers and forest owners. Prices are affected by the demand from the paper and paperboard industries as these are consumers of pulp and the price of wood is affected by the price of pulp and other paper and paperboard 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 2015, 1,173,000 m^3 (1,161,000), 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.

LIKELIHOOD: Medium

FINANCIAL IMPACT: Medium

An important raw material for Munksjö is titanium dioxide, which previously demonstrated major price fluctuations, but in recent years has stabilised 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 EBITDA effect	2015
Long fibre Pulp +5%	+2.4
Short fibre pulp +5%	–11.9
Energy +5%	–4.8
Titanium dioxide +5%	–4.6

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.

LIKELIHOOD: Medium

FINANCIAL IMPACT: Medium

Munksjö has a number of facilities with its own production of energy in order to reduce dependence on external deliveries. Capital spending in internal energy efficiency and energy generation is prioritised. During 2015 the value of the energy consumed corresponded to MEUR 95.2, representing 9% of the Group's operational costs.

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.

LIKELIHOOD: Low

FINANCIAL IMPACT: Low

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 the Sustainability section about human resources.

Low | Medium | High

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.

LIKELIHOOD: Low

FINANCIAL IMPACT: Low

Munksjö acts in accordance with the labour market agreements and as a consequence the labour costs have developed accordingly. Personnel costs represent 18% of the operational costs. There is a continuous follow-up of the units' manning and 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.

LIKELIHOOD: Medium

FINANCIAL IMPACT: Low

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 target. See further descriptions in the 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.

LIKELIHOOD: Medium

FINANCIAL IMPACT: Medium

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. The Group continuously monitors developments that may change the requirements for provisions regarding environmental liabilities.

All production facilities have certified management systems for the environment and quality. 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 also the section about Sustainability.

Legal risks

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

LIKELIHOOD: Medium

FINANCIAL IMPACT: Low

Munksjö is sometimes involved in 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 2015, the results are not expected to affect the company's financial position to any significant extent.

Low Medium High

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, SEK and BRL. 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.

LIKELIHOOD: High

FINANCIAL IMPACT: Low

Munksjö's operative entities are normally 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 all exposure including indirect exposure shall be considered before hedging. If there is limited or no indirect exposure, 65-85% of the forecasted net flows in the upcoming 9-month period shall be hedged. At the end of 2015, the notional value of currency contracts not yet recognised in the income statement amounted to MEUR 96.1. The market value of outstanding forward contracts at 31 December 2015 was MEUR 1.2. 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.

LIKELIHOOD: High

FINANCIAL IMPACT: Low

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 2015 amounted to MEUR –22.3 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.

LIKELIHOOD: Low

FINANCIAL IMPACT: High

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. The aim is that not more than 50% of the total debt portfolio should mature within a 12-month period. In 2014 there was a refinancing of the Group's term loan facilities and revolving credit facility totalling MEUR 345. In December 2015 an additional facility of MSEK 570 has been agreed. Munksjö's interest-bearing net debt at 31 December was MEUR 227.4 (225.6). A consortium of three banks accounts for the loan facilities.

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.

LIKELIHOOD: Medium

FINANCIAL IMPACT: Medium

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 percentage point would be MEUR 3.2 based on liabilities of MEUR 321 at year-end. The Group's average interest rate term was approximately 16 months at year-end. At the end of 2015 MEUR 240 was hedged. For more details see note 27.

Low Medium High

Risk relating to transactions with financial counterparties

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

LIKELIHOOD: Low

FINANCIAL IMPACT: Low

To avoid this risk Munksjö's financial policy states how any excess liquidity may be invested and that careful monitoring is done. In 2015, 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.

LIKELIHOOD: Low

FINANCIAL IMPACT: Low

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.

The risk that the Group will be unable to comply with changes in tax rules

The Groups opinion regarding how to comply with the tax rules may meet different opinions from the authorities in different countries which may affect the company´s result.

LIKELIHOOD: Low

FINANCIAL IMPACT: Low

The Group´s financial function coordinates the tax issue and is seeking advice from leading tax advisors regarding complicated issues like Group structure and transfer price issues. At the moment the new global transfer price rules (BEPS) is high on the agenda.

Low Medium High

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	497,500	116,600	127,700	126,600	126,600	520,800	126,200	128,300	133,200	133,100
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	145,600	32,700	33,600	40,700	38,600	142,300	34,200	33,900	37,500	36,700
Eliminations and other	–14,100	–4,100	–3,000	–3,900	–3,100	–8,400	–2,000	–2,000	–2,500	–1,900
Group	**885,300**	**208,900**	**218,300**	**231,100**	**227,000**	**897,300**	**222,400**	**219,100**	**229,600**	**226,200**

Financial report 2015

Board of Directors' report 2015

Stable volume development, profitability affected by higher raw material prices.

Munksjö's 2015 showed stable volume development in most of its product segments during a year with global macroeconomic uncertainty, which especially impacted the operations in Brazil. The company's main markets remain in Europe, but growth in business area Decor compared to 2014 was mainly driven by selective geographical expansion and the business area reached record high delivery volumes in the fourth quarter.

During 2015, the price difference between short and long fibre pulp reached historically low levels. Munkjsö bridged the profitability gap resulting from the spread by implementing price increases in its two largest business areas. The implemented price increases had an expected full effect from the beginning of the fourth quarter, but did not on an annual basis yet compensate for the total effect of the increased raw material costs. The gap will be closed for the remaining volumes within the European paper business unit of Release Liners during the first quarter of 2016, as already negotiated terms take effect.

In the fourth quarter, longer shutdowns were implemented in particularly business area Graphics and Packaging and in the paper business unit in Brazil in order to reach the targeted inventory levels at the end of the year. The shutdowns had a negative result effect of approximately EUR 3 million in the quarter. The annual cash flow from operations remained stable.

The performance during 2015 confirmed the company's view that its strategy enables sustainable growth and that the company going forward is able to strengthen its leading positions through its value added solutions. The long-term market growth expectation remains intact at between 2–4 per cent annually, as the demand for several of the end-use applications of the product solutions is supported by global megatrends.

During 2016, Munksjö will continue its efforts and actions to achieve the profitability target, an EBITDA margin of 12 per cent at the end of the year.

Munksjö Group

Net sales were EUR 1,130.7 (1,137.3) million. EBITDA adjusted for non-recurring items decreased to EUR 93.6 (105.0) million and the adjusted EBITDA margin was 8.3% (9.2%). A higher raw material cost level resulted in a decrease of EBITDA of EUR 26 million. This negative result effect was only partially compensated for by a positive effect of EUR 14 million as a result of increased sales prices. Sales prices were impacted by implemented price increases, a more favourable currency development, a different product mix and a lower sales price for long-fibre pulp (NBSK).

Currency hedge losses of EUR 4.9 (3.6) million were recorded in segment Other.

The operating result adjusted for non-recurring items was EUR 40.0 (51.0) million. Non-recurring items amounted to EUR –7.3 (–5.6) million and were related to the restructuring actions at the production facility located in Italy, which is part of business area Release Liners, other efforts to adjust the cost structure, other reorganisation activities and environmental provisions.

The planned annual maintenance and vacation shutdowns in the second and third quarter were carried out to the same extent as in 2014. The seasonal shutdowns at the end of 2015 were slightly longer on a Group level compared to last year, as the shutdowns were longer in the business area Graphics and Packaging and the paper business unit in Brazil of business area Release Liners.

The operating result was EUR 32.7 (45.4) million and net result EUR 22.8 (7.7) million. Earnings per share increased to EUR 0.44 (0.14). Operating cash flow was EUR 55.5 (57.8) million.

The currency hedge loss of EUR 4.9 (3.6) million recorded in EBITDA was more than compensated for by exchange gains on financial assets and liabilities of EUR 9.5 (losses of 0.9) million recorded in net financial items.

Decor business area

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

The volume development was positive during January–December 2015 compared to the corresponding period last year but the annual volume growth was at the lower end of the long-term expectations. During 2015, the business area focused on expanding its geographical mix, resulting in a higher share of sales from Asia–Pacific.

Net sales were EUR 372.6 (374.7) million. The price increases implemented since the second quarter of 2015 had a positive effect on the average price in the main markets in Europe, but the average price was lower mainly due to a less favourable geographical and product mix and the selective price adjustments made during the fourth quarter of 2014.

EBITDA adjusted for non-recurring items decreased to EUR 42.6 (46.2) million and the adjusted EBITDA margin was 11.4% (12.3%). The EBITDA was affected by the lower average price, which was not fully compensated for by the higher delivery volumes.

The planned annual maintenance and vacation shutdowns in the third quarter were carried out to the same extent as in 2014. The seasonal shutdowns at the end of 2015 were carried out to about the same extent as in 2014.

The operating result was EUR 34.6 (35.8) million and the operating margin 9.3% (9.6%).

Release Liners business area

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 and the Brazilian operation, Coated Specialties, which serves the South American market with self-adhesive products and flexible packaging paper.

Total delivery volumes for the business area decreased, mainly as a result of lower volumes for the paper business unit in Brazil. The demand in the South American market was affected by the economic slowdown in Brazil.

Net sales were lower and reached EUR 437.6 (446.0) million mainly as a result of the lower delivery volumes. The average price measured in local currencies was higher than last year for all three business units.

EBITDA adjusted for non-recurring items decreased to EUR 39.5 (44.4) million and the adjusted EBITDA margin was 9.0% (9.9%). The negative profitability development was mainly a result of a less favourable price difference between short and long fibre pulp, which was not fully compensated for by the higher average price for all three business units. The currency development during 2015 had a positive impact on the result of the pulp business unit and a negative impact on the result of the paper business units.

The planned annual maintenance and vacation shutdowns in the second and third quarter and the seasonal shutdowns at the end of 2015 were carried out to the same extent as in 2014. The result effect of the maintenance shut down at the pulp production facility in Aspa, Sweden, in the second quarter of 2015, was approximately EUR –4 million.

The operating result was EUR 8.0 (15.3) million and the operating margin 1.8% (3.4%).

During the third quarter Munksjö announced a plan to further adjust the cost structure and improve the operational efficiency of Business Area Release Liners. Additional information can be found under Other issues.

Industrial Applications business area

The products of Industrial Applications include specialty papers for industrial use. 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 and construction industries, electrotechnical paper for insulation of transformers, bushings and cables, Spantex™ used mainly in the furniture industry, 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.

Total delivery volumes for the business area were stable compared to the corresponding period last year with flat demand development most of the business area's product segments.

Net sales were higher and reached EUR 166.6 (159.2) million. The average price increased mainly as a result of the favourable currency development.

EBITDA adjusted for non-recurring items increased to EUR 27.5 (24.2) million and the adjusted EBITDA margin was 16.5% (15.2%). The positive development was a result of the higher average price, which more than compensated for the effect of the higher raw material costs.

The planned annual maintenance and vacation shutdowns in the third quarter and the seasonal shutdowns at the end of 2015 were carried out to the same extent as in 2014.

The operating result was EUR 19.6 (16.3) million and the operating margin 11.8% (10.2%).

Graphics and Packaging business area

The products of Graphics and Packaging include flexible packaging paper, metallizing base paper and graphics and 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. Graphics and industrial papers refer mainly to uncoated papers for repositionable notes, interleaving paper, envelope windows and other graphic papers.

Total delivery volumes decreased due to the changes in the product mix implemented as part of the on-going programme aiming at a substantial improvement in the business area's financial result and increased competition in certain product segments, mainly coated papers.

Net sales were higher and reached EUR 175.7 (172.8) million. The average price increased mainly as a result the favourable currency development, the continued adjustment of the product mix and price increases made during 2014.

EBITDA adjusted for non-recurring items decreased to EUR 0.3 (4.5) million and the adjusted EBITDA margin was 0.2% (2.6%). The effect of the increased average price did not compensate for the effect of the lower volumes and increased raw material costs, driven by the higher short fibre pulp (BHKP) price.

The planned annual maintenance and vacation shutdowns in the second and third quarter were carried out to about the same extent as in 2014. The seasonal shutdowns at the end of 2015 were, according to plan, prolonged compared to 2014 in order to control inventory levels.

The operating result was EUR –8.4 (–1.9) million and the operating margin –4.8% (–1.1%).

The programme aiming at a substantial improvement in the financial result launched in the third quarter of 2013 is progressing according to plan, with the exception of the coated paper business, where the measures intended to strengthen the business area's competitiveness by adjusting the product mix are delayed due to the above described increased competition. The aim with the programme going forward is, as previously communicated, to achieve the business area's EBITDA target of 9–10 per cent at the end of 2016.

Balance sheet, financing, cash flow and taxes

Munksjö has a EUR 345 million term loan and revolving credit facilities agreement, with a maturity of five years since September 2014, and a SEK 570 million term loan signed and implemented in December 2015, with a maturity of five years. The interest payable under both agreements depends on the ratio of consolidated net debt to consolidated EBITDA. At the end of the fourth quarter of 2015, the weighted average interest rate was approximately 2.7 per cent (end of the third quarter 2015: 2.4 per cent; end of the fourth quarter 2014: 2.7 per cent).

Interest-bearing net debt amounted to EUR 227.4 million at 31 December 2015 (30 September 2015: 264.1; 31 December 2014: 225.6) resulting in a net debt/equity ratio of 56.7% (30 September 2015: 68.1%; 31 December 2014: 54.5%). The decrease in working capital in the fourth quarter of 2015 had a positive impact on net debt.

Shareholders' equity at 31 December 2015 amounted to EUR 401.3 million (30 September 2015: 387.7; 31 December 2014: 413.6) and total assets decreased to EUR 1,173.4 million (30 September 2015: 1,136.5; 31 December 2014: 1,179.5). The most significant items affecting total equity were the profit for the period, the translation of subsidiary equity to euro mainly related to paper business unit in Brazil and the return of equity to shareholders.

Net financial items

Net financial items for January–December 2015 amounted in total to EUR –4.7 (–28.5) million, of which EUR 9.9 (14.0) million is interest rate expenses, EUR 1.4 (1.9) million is other finance costs and the rest is mainly items not affecting the cash flow, including EUR 0.7 (9.0) million of amortisation of capitalised bank fees and foreign exchange gains on financial assets and liabilities of EUR 9.5 (–0.9) million. Of the amortised bank fees in 2014, EUR 7.1 million were expensed in connection with the re-financing made in September 2014. The net financial items for the period include realised interest rate swaps of EUR –0.7 (–0.3) million. At the end of 2015, the fair value of unrealised interest rate swaps amounted to EUR –1.8 (–1.2) million.

Hedging

At the end of the year the fair value of unrealised hedges excluding interest rate swaps amounted to EUR 0.5 (–3.1) million. The operating result for January–December 2015 includes realised hedges of EUR –5.5 (–4.2) million, mainly as a result of currency-related hedge losses. Munksjö had no outstanding pulp hedging contracts from 1 January 2015 onwards. Hedging activities are managed centrally and reported in segment Other.

Cash flow
The cash flow from operating activities in January–December 2015 amounted to EUR 55.5 (57.8) million. The strong cash flow in the last quarter of the year was mainly a result of the decrease in working capital. Net working capital remained stable compared to the end of last year. The operating cash flow in 2015 was affected by EUR 6.7 (16.2) million relating to the settlement of provisions recorded in previous periods and payments of EUR 13.4 (13.9) million of income taxes.

Capital expenditure
The cash flow related to capital expenditure for January–December 2015 amounted to EUR –39.8 (–35.1) million. Munksjö's capital expenditure in 2015 was of operative nature and includes maintenance, cost improvement and efficiency improvement investments.

The largest investment in the reporting period was related to the maintenance shut down at the pulp production facility in Aspa, Sweden. Other investments included e.g. a new calender at the production facility in Dettingen in Germany to sustain Munksjö's quality leadership within decor paper and a new crepe machine at the production facility in Jönköping in Sweden in order to sustain Munksjö's leading market position within electrotechnical paper. The rest was mainly related to smaller investments for maintenance.

Taxes
The income tax charge for the reporting period was EUR –5.2 (–9.2) million representing an effective rate of 18.6% (54.4%). The effective tax rate is the statutory corporate tax rate as adjusted for non-deductible expenses, income not subject to income tax and prior year adjustments. The lower effective tax rate in 2015 was mainly due to the reversal of valuation allowances on deferred tax assets related to tax losses. The effective rate in 2014 was affected by losses where no tax assets were recognised and prior period adjustments. The effective tax rate in 2015 excluding prior year adjustments and reversal of valuation allowance would have been approximately 29%.

Total cash taxes paid for the year amounted to EUR 13.4 (13.9) million of which EUR 7.1 million is related to 2015 and the remainder to earlier years. The net current tax asset at 31 December 2015 amounted to EUR 2.6 (–6.0) million, which will be settled within the next twelve months.

Employees
At the end of December 2015, Munksjö had 2,900 (2,905) employees. The total number of employees at the end of the reporting period is a net effect of redundancies resulting from the integration actions following the business combination after its completion in 2013, the reorganisation of the sales organisation and new recruitments. New recruitments were made during 2015 with the aim to strengthen certain functions and to prepare for coming retirements.

Of Munksjö's total number of employees at the end of the year 38% (38%) were employed in France, 22% (21%) in Sweden, 16% (16%) in Germany, 9% (9%) in Italy, 8% (9%) in Brazil, 6% (6%) in Spain and 1% (1%) in other countries. For more information about Munksjö's employees see pages 31–33.

Share-based incentive programmes
In May 2014, the Board of Directors of Munksjö Oyj approved a long-term share-based incentive programme for Munksjö's senior executives and other key personnel. At the end of 2015, 35 senior executives and other key personnel had enrolled to the programme. Additional information related to the repurchase of own shares related to the share-based incentive programmes can be found under Shares and shareholders. The total cost for the programme will be recognised over the vesting period which commenced in July 2014 and ends on 31 December 2016. The personnel expense related to the incentive programme in January-December 2015 was EUR 0.9 (0.6) million.

Munksjö reorganised its sales organisation
On 10 December 2014 Munksjö announced a plan to simplify its sales organisation by reorganising certain sales functions. The reorganisation was 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 improves profitability and made the supply chain process more efficient.

The consultation and approval processes have now been completed and the reorganisation and its implementation is continuing according to plan. The annual savings will amount to the expected EUR 1–1.5 million, of which a majority were realised during 2015. The remaining cost savings will be achieved gradually during 2016.

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. At the end of 2015, Munksjö introduced a target for the share of new products of net sales. The share should be at least 15 per cent and the target is calculated as an average over the last three years.

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 50–55 and on www.munksjo.com.

Shares and shareholders
The Munksjö Oyj share is traded on Nasdaq Helsinki, Finland under the trading symbol MUNK1 and as of 8 December 2014 also on Nasdaq Stockholm under the trading symbol MUNK1S. The share capital amounts to EUR 15,000,000 and the total number of shares as of 2 December 2013 amounts to 51,061,581. All shares carry one vote each and have equal rights.

On 31 December 2015, Munksjö held 300,000 own shares, corresponding to about 0.6 per cent of the total number of shares and votes. In 2014, Munksjö did not hold any own shares.

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 15 April 2015. The AGM adopted the Financial Statements for 2014 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2014.

The AGM resolved that no dividend will be paid for the fiscal year 2014 and 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 was paid to a shareholder who on the record date of the payment 17 April 2015 was registered in the shareholder register of the company held by Euroclear Finland Ltd. The return of equity was paid to shareholders on 24 April 2015.

The AGM resolved that the number of Board members is six. The AGM resolved that Sebastian Bondestam, Fredrik Cappelen, Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Elisabet Salander Björklund and Peter Seligson were re-elected. The Board members were elected for the period ending at the close of the next Annual General Meeting.

The AGM resolved to re-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 authorized the Board of Directors to resolve to repurchase and to distribute a maximum of 4,000,000 of the company's own shares as well as to accept them as pledge in one or more instalments. The authorizations 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 Annual General Meeting but will, however, expire at the close of the next Annual General Meeting, 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 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.

Repurchase of own shares related to the share-based incentive programmes

The Board of Directors in February 2015 decided to utilise the authorization given by the Annual General Meeting held on 2 April 2014, and repurchase a maximum of 300,000 own shares. The repurchases continued after the publication of the interim report for January-March 2015, based on the authorisation given by the Annual General Meeting, held on 15 April 2015. The repurchased shares will be used primarily for implementing share-based incentive programmes of the company, or for other purposes defined in the authorization of the Annual General Meeting.

In May 2014, the Board of Directors approved a long-term share-based incentive programme for Munksjö's senior executives and other key personnel. 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 repurchases started on 16 February 2015 and ended on 21 May 2015. During this period, Munksjö repurchased 300,000 shares, corresponding to about 0.6 per cent of the total number of shares and votes. The shares were acquired through public trading on Nasdaq Helsinki at the market price prevailing at the time of repurchase. Munksjö did not before the start of the repurchases hold any own shares.

Share development and shareholders

During January–December 2015, that consisted of 251 (250) trading days, the trading volume on Nasdaq Helsinki was 15,721,775 (24,551,000) shares, equivalent to a turnover of EUR 147,080,437 (167,525,209). The daily average trading volume during the reporting period was 62,637 (98,204) shares and the volume-weighted average share price was EUR 9.18 (6.92). The highest share price in 2015 was EUR 12.49 (9.03) and the lowest EUR 7.42 (5.11). On the last trading day of the reported trading period, 30 December 2015, the share price was EUR 8.60 (30 December 2014: 8.95) and the corresponding market capitalisation was EUR 436.5 million (30 December 2014: 457.0). The market capitalisation in 2015 is adjusted with the shares held by the company at the end of the year. In 2014, Munksjö did not hold any own shares.

The trading in Munksjö Oyj shares on Nasdaq Stockholm commenced on 8 December 2014 and hence the comparative figure only comprises 14 trading days. During January-December 2015, that consisted of 251 trading days, the trading volume on Nasdaq Stockholm was 4,078,078 (1,229,597) shares, equivalent to a turnover of SEK 355,603,131 (95,620,490). The daily average trading volume was 16,247 (87,828) shares and the volume-weighted average share price was SEK 87.18 (77.77). The highest share price in 2015 was SEK 119.00 (86.25) and the lowest SEK 70.25 (76.25). On the last trading day of the year, 30 December 2015, the share price was SEK 84.25 (30 December 2014: 85.50).

At the end of December 2015, Munksjö had 10,548 (11,258) shareholders in the register maintained by Euroclear Finland Ltd. The share turnover during 2015 for both exchanges was 39.0 (50.5) per cent of the total amount of shares. 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.

Capital Markets Day

Munksjö hosted a Capital Markets Day in Stockholm on 26 November 2015. The event provided further information about Munksjö's strategy, profitability improvement measures and growth drivers. Munksjö's ambition is to further grow the business over the coming years both organically and strategically. The focused strategy enables strong market positions and Munksjö strengthens these positions through sustainable value added solutions. The target to reach the EBITDA margin of 12 per cent at the end of 2016 remained unchanged.

The drivers for the profitability improvement remained unchanged and include increased operational efficiency, profitable growth, product and service quality leadership and utilising the position as a market and innovation leader. Within operational efficiency, the majority of the planned actions include measures to adjust our cost structure.

The EBITDA targets per business area are; 15–16 per cent for Decor, 12–13 per cent for Release Liners, 15–16 per cent for Industrial Applications and 9–10 per cent for Graphics and Packaging.

Flagging notifications

During January–December 2015, Munksjö received two announcements about major changes with regards to the holdings of the largest shareholders. 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.

Change in the holdings of Lannebo Fonder AB
On 8 May 2015, Munksjö received an announcement referred to in Chapter 9, Section 5 of the Securities Markets Act, according to which Lannebo Fonder AB's holding in Munksjö had fallen below the threshold of 5 per cent. According to the announcement, the direct holding of Lannebo Fonder AB had on 6 May 2015 decreased to 2,465,116 shares, corresponding to 4.83 per cent of Munksjö's shares and voting rights.

Change in the holding of Ahlstrom Corporation
On 11 May 2015, Munksjö received an announcement referred to in Chapter 9, Section 5 of the Finnish Securities Markets Act from Ahlstrom Corporation. According to the announcement, the direct holding of Ahlstrom Corporation had on 11 May 2015 fallen below the threshold of 5 per cent and had decreased to 1,300,981 shares, corresponding to 2.55 per cent of Munksjö's shares and voting rights.

Nomination Board appointed

Munksjö's Nomination Board was appointed in June 2015. The 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 following three persons have been appointed as representatives in the Nomination Board:

- Thomas Ahlström (Ahlström Capital Oy and others),
- Alexander Ehrnrooth (Viknum AB) and
- Mikko Mursula (Ilmarinen Mutual Pension Insurance Company).

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 Fredrik Cappelen 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 Annual General Meeting the largest on the basis of the shareholders' register of Munksjö held by Euroclear Finland Ltd and the register of shareholders held by Euroclear Sweden AB. The Nomination Board has been appointed by one group of shareholders, as described below, Viknum AB and Ilmarinen Mutual Pension Insurance Company.

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 Annual General Meeting. Munksjö has been informed that such an agreement has been made by AC Invest Five B.V. (a fully owned subsidiary of Ahlström Capital Oy), Kai Nahi, Kasper Kylmälä, Michael Sumelius and Carl Ahlström.

The Nomination Board prepares proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the members of the Board committees and the Nomination Board.

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.

Munksjö further adjusts the cost structure
On 10 September 2015 Munksjö announced a plan to further adjust its cost structure. The plan includes restructuring actions that required personnel negotiations at the production facility located in Mathi, close to Turin in Italy. With the restructuring, Munksjö aims to further adjust the cost structure and improve the operational efficiency of Business Area Release Liners. The production facility in Mathi is a shared site with Ahlstrom Corporation.

The restructuring was subject to consultation and approval processes in accordance with local legislation. This processes has now been concluded and the headcount reduction related to the restructuring project will be 37 employees. Munksjö currently has around 270 employees in Italy.

The expected annual cost savings of the restructuring amount to approximately EUR 2.0–2.5 million and Munksjö expects to attain the full profitability effect of the planned cost savings gradually during 2016.

Appointments and changes in the Management Team
On 9 February 2015, Munksjö announced that Pia Aaltonen-Forsell had been appointed Chief Financial Officer (CFO) and member of Munksjö's Management Team. She joined Munksjö on 1 April 2015 and reports to President and CEO Jan Åström.

On 30 March 2015, Munksjö announced that Norbert Mix had been appointed President Decor as of 1 July 2015. He continues to report to President and CEO Jan Åström. Christian Mandl (b. 1949), Business Area Manager Manufacturing Decor and member of the Management Team, retired as planned on 1 July 2015.

On 15 June 2015, Munksjö announced that Åsa Fredriksson, Senior Vice President Human Resources and Communications, would continue her career outside the company. She left Munksjö at the end of September. On 22 July 2015, Munksjö announced that Åsa Jackson had been appointed Senior Vice President Human Resources (SVP HR) and member of Munksjö's Management Team. Åsa Jackson joined Munksjö on 31 October 2015, and she reports to Jan Åström, President and CEO.

On 1 September 2015 Munksjö announced that Anders Hildeman had been appointed Senior Vice President Sustainability and member of Munksjö's Management Team. He assumed his position on 1 September 2015 and reports to Jan Åström, President and CEO.

On 9 September 2015 Munksjö announced that Anna Selberg had been appointed Senior Vice President Communications and member of Munksjö's Management Team. She assumed her position on 1 October 2015 and reports to Jan Åström, President and CEO.

Munksjö is organised in four business areas: Decor, Release Liners, Industrial Applications and Graphics and Packaging. In addition there are seven group functions: Finance, Communications, Strategic Development, Human Resources, Legal, Sustainability and Sales Offices. Munksjö's management Team has eleven members;

- Jan Åström, President and CEO
- Pia Aaltonen-Forsell, Chief Financial Officer
- Gustav Adlercreutz, Senior Vice President and General Counsel
- Anna Bergquist, Senior Vice President Strategic Development
- Anders Hildeman, Senior Vice President Sustainability
- Anna Selberg, Senior Vice President Communications
- Åsa Jackson, Senior Vice President Human Resources
- Dan Adrianzon, President Industrial Applications
- Daniele Borlatto, Executive Vice President and President Release Liners

- Norbert Mix, President Decor
- Roland Le Cardiec, President Graphics and Packaging

Outlook

The demand outlook in 2016 for Munksjö's specialty paper products is expected to remain stable and reflect the seasonal pattern.

The price increases communicated in the second and third quarter of 2015 have had a full effect from the beginning of the fourth quarter of 2015, and the remaining increases in the European paper business unit of business area Release Liners have a full effect from the first quarter of 2016.

The EBITDA margin adjusted for non-recurring items in 2016 is expected to improve compared with 2015 driven by the on-going profitability improvement plan including increased operational efficiency, profitable growth, product and service quality leadership and utilising the position as a market and innovation leader.

The annual maintenance and vacation shutdowns in the second and third quarter as well as the seasonal shutdowns at the end of 2016 are expected to be carried out to about the same extent as in 2015. The next maintenance shut down at the pulp production facility in Aspa in Sweden will be carried out in the third quarter of 2016.

The cash flow effect of capital expenditure for fixed assets for 2016 is expected to be EUR 35–40 million.

Annual General Meeting 2015

The company's Annual General Meeting will be held on Wednesday, 6 April 2016 at 1 p.m. EET at the Finlandia Hall in Helsinki. The notice to convene the Annual General Meeting is given as a separate stock exchange release.

The Board of Director's proposal to pay dividend

There are no distributable retained earnings in the balance sheet as of 31 December 2015 and the Board of Directors proposes that no dividend will be paid for the fiscal year 2015.

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 2015 adopted by the AGM, the amount of return being EUR 0.30 per share. The return of equity shall be paid to a shareholder who on the record date of the payment 8 April 2016 is registered in the shareholders' register of the company held by Euroclear Finland Ltd or in the separate register of shareholders maintained by Euroclear Sweden AB for Euroclear Sweden AB registered shares. The return of equity payable for Euroclear Sweden AB registered shares will be forwarded by Euroclear Sweden AB. The Board proposes that the return of equity shall be paid to the shareholders on 19 April 2016.

Consolidated key ratios

	2015	2014	2013	2012
Margins (adjusted)				
EBITDA margin, %	8.3	9.2	6.4	7.0
Operating margin, %	3.5	4.5	1.8	2.8
Return (12 months continuous)				
Return on operating capital, % (adjusted)	5.9	7.3	2.8	3.9
Return on shareholders' equity, %	5.7	1.8	–10.8	–5.1
Capital structure at period's end				
Operating capital, MEUR	651.9	673.2	694.8	413.0
Shareholders' equity, MEUR	401.3	413.6	423.8	199.5
Interest-bearing net debt, MEUR	227.4	225.6	229.3	217.3
Debt/equity ratio, %	56.7	54.5	54.1	108.9
Equity/assets ratio, %	34.2	35.1	35.6	29.4
Capital expenditure, MEUR	39.8	35.1	22.6	14.8
Employees, FTE	2,774	2,765	2,216	1,679
Share information*				
Earnings per share, EUR	0.44	0.14	–1.97	–0.89
Dividend per share	0.30**	0.25	0.10	n/a
Effective dividend yield, %	3.5	2.8	1.9	n/a
Price earnings ratio	19.5	63.9	n/a	n/a
Dividend per earnings, %	68	179	n/a	n/a
Shareholders' equity per share, EUR	7.9	8.1	8.3	16.2
Average number of shares	50,818,260	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 2015*		Number of shares and votes	%
1	Ahlström Capital Group	7,396,480	14.49
	Ac Invest Five B.V.	*7,396,480*	*14.49*
2	Viknum AB	6,000,000	11.75
3	Ilmarinen Mutual Pension Insurance Company	4,101,899	8.03
4	OP Fund Management Company (Pohjola Asset Management)	2,350,343	4.60
5	Nordea Asset Management	1,382,909	2.71
6	Varma Mutual Pension Insurance Company	814,676	1.60
7	Huber Mona	692,767	1.36
8	Sp-Fund Management	581,605	1.14
9	Tracewski Jacqueline	540,047	1.06
10	Seligson Peter	524,273	1.03
	Seligson Peter	*312,504*	*0.61*
	Baltiska Handels A.B.	*211,769*	*0.41*
11	Handelsbanken Asset Management	475,731	0.93
12	Nahi Kaj Anders Bertel	455,087	0.89
13	Nordea Life Assurance Finland Ltd.	440,692	0.86
14	SEB Finlandia Investment Fund	421,766	0.83
15	Emmett Linda	391,629	0.77
16	Sumelius John Michael	384,684	0.75
17	Studer Anneli	380,021	0.74
18	Lund Niklas Roland	376,739	0.74
19	Gullichsen Johan Erik	358,062	0.70
20	Kylmälä Tauno Kim Toivo	355,271	0.70
20	**Largest shareholders, total**	**28,424,681**	**55.68**

* The list of Munksjö Oyj´s largest shareholders is based on the information given by Euroclear Finland Ltd and Euroclear Sweden Ltd. Munksjö received an announcement on 8 May 2015, according to which Lannebo Fonder AB's holding in Munksjö was 4.83 per cent.

Shareholders by sector as at 31 December 2015*	Number of shareholders	Share of shareholders, %	Number of shares	Share of shares, %
Households	9,949	94.3	13,018,831	25.5
Public sector institutions	8	0.1	4,968,442	9.7
Financial and insurance institutions	29	0.3	4,927,635	9.7
Corporations	399	3.8	1,738,597	3.4
Non-profit institutions	70	0.7	406,935	0.8
Foreign and nominee registered owners	93	0.9	26,001,141	50.9
Total	**10,548**	**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 2015*	Number of shareholders	Share of shareholders, %	Number of shares	Share of shares, %
1 – 100	6,658	63.1	261,354	0.5
101 – 500	2,714	25.7	574,997	1.1
501 – 1,000	536	5.1	369,755	0.7
1,001 – 5,000	386	3.7	776,196	1.5
5,001 – 10,000	67	0.6	502,326	1.0
10,001 – 50,000	73	0.7	1,588,360	3.1
50,001 – 100,000	51	0.5	3,511,242	6.9
100,001 – 500,000	50	0.5	11,964,754	23.4
500,001 –	13	0.1	31,512,597	61.7
Total	**10,548**	**100**	**51,061,581**	**100.0**
of which nominee registered	10	0.1	9,858,836	19.3

* 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	2015	2014	2013
Net sales	4	1,130.7	1,137.3	863.3
Other income		11.6	11.4	6.9
Total income		**1,142.3**	**1,148.7**	**870.2**
Changes in inventories		1.0	1.1	2.2
Materials and supplies		–573.9	–557.2	–447.7
Other external costs	5	–283.6	–292.7	–255.5
Personnel costs	7	–199.5	–200.5	–163.6
Depreciation and amortisation	11	–53.6	–54.0	–39.3
Share of profit in associated companies	17	0.0	0.0	0.3
Operating profit		**32.7**	**45.4**	**–33.4**
Financial income	12	10.5	6.4	1.0
Financial costs	12	–15.2	–34.9	–23.9
Net financial expense		**–4.7**	**–28.5**	**–22.9**
Profit/(loss) before tax		**28.0**	**16.9**	**–56.3**
Taxes	13	–5.2	–9.2	–1.1
Net profit/(loss) for the year		**22.8**	**7.7**	**–57.4**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations		–22.3	–5.7	–1.0
Change in cash flow hedge reserve	27	–3.2	–7.3	–2.8
Cash flow hedge transferred to this year's result	27	6.2	4.5	1.0
Items that will not be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans	10	1.0	–6.3	1.8
Tax attributable to other comprehensive income		–1.0	2.1	0.2
Total comprehensive income, net of tax		**3.5**	**–5.0**	**–58.2**
Profit attributable to:				
Parent company shareholders		22.4	7.0	–57.7
Non-controlling interests		0.4	0.7	0.3
Total comprehensive income attributable to:				
Parent company's shareholders		3.1	–5.7	–58.5
Non-controlling interests		0.4	0.7	0.3
Earnings per share				
Basic earnings per share, EUR	14	0.44	0.14	–1.97
Diluted earnings per share, EUR	14	0.44	0.14	–1.97

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

Consolidated statement of financial position

MEUR	Note	2015-12-31	2014-12-31	2013-12-31
ASSETS				
Non-current assets				
Tangible assets	16	430.0	446.4	459.2
Goodwill	15	223.9	226.7	226.6
Other intangible assets	15	46.6	55.2	56.4
Associated companies	17	2.3	2.2	2.4
Other non-current assets		3.6	3.9	4.1
Deferred tax assets	13	51.8	60.2	54.6
Total non-current assets		**758.2**	**794.6**	**803.3**
Current assets				
Inventory	19	155.4	152.2	146.6
Accounts receivable	23, 27	111.1	114.6	128.7
Other current assets	20	38.3	31.8	27.3
Current tax asset		5.3	2.2	0.4
Cash and cash equivalents	21	105.1	84.1	83.1
Total current assets		**415.2**	**384.9**	**386.1**
TOTAL ASSETS		**1,173.4**	**1,179.5**	**1,189.4**

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

Consolidated statement of financial position, cont.

MEUR	Note	2015-12-31	2014-12-31	2013-12-31
EQUITY AND LIABILITIES				
Equity				
Attributable to parent company's shareholders				
Share capital	22	15.0	15.0	15.0
Reserve for unrestricted equity		269.3	282.0	287.1
Other reserves		363.5	386.5	394.4
Retained earnings		–250.6	–273.9	–276.3
		397.2	**409.6**	**420.2**
Non-controlling interests		4.1	4.0	3.6
Total equity		**401.3**	**413.6**	**423.8**
Non-current liabilities				
Non-current borrowings	24	313.5	271.7	270.8
Other non-current liabilities		1.7	1.0	0.1
Pension obligations	10	52.4	51.0	45.9
Deferred tax liabilities	13	74.1	84.7	85.0
Non-current provisions	25	23.9	23.5	36.1
		465.6	**431.9**	**437.9**
Current liabilities				
Current borrowings	24	22.5	41.6	45.0
Accounts payable		165.9	164.3	167.4
Liabilities to associated companies		8.0	8.3	8.4
Accrued expenses and deferred income	26	94.5	100.0	89.1
Current tax liabilities	13	2.7	8.2	8.3
Other current liabilities		12.9	11.6	9.5
		306.5	**334.0**	**327.7**
Total liabilities		**772.1**	**765.9**	**765.6**
TOTAL EQUITY AND LIABILITIES		**1,173.4**	**1,179.5**	**1,189.4**

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	Treasury shares	Foreign currency translation reserve	Hedging reserve	Retained earnings	Total	Non–controlling interest	TOTAL EQUITY
	Attributable to owners of the parent									
Balance at 1 January 2013	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**	**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**	**0.0**	**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**	**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**	**0.0**	**1.4**	**–3.4**	**–273.9**	**409.6**	**4.0**	**413.6**
Profit/(loss) for the year	–	–	–	–	–	–	22.4	22.4	0.4	22.8
Other comprehensive income before tax	–	–	–	–	–22.3	3.0	1.0	–18.3	–	–18.3
Tax on other comprehensive income	–	–	–	–	–	–0.6	–0.4	–1.0	–	–1.0
Total comprehensive income for the year	**0.0**	**0.0**	**0.0**	**0.0**	**–22.3**	**2.4**	**23.0**	**3.1**	**0.4**	**3.5**
Purchase of Munksjö shares	–	–	–	–3.1	–	–	–	–3.1	–	–3.1
Return of capital and dividends	–	–12.7	–	–	–	–	–	–12.7	–0.3	–13.0
Employee share incentive plan	–	–	–	–	–	–	**0.3**	**0.3**	–	**0.3**
BALANCE AT 31 DECEMBER 2015	**15.0**	**269.3**	**388.5**	**–3.1**	**–20.9**	**–1.0**	**–250.6**	**397.2**	**4.1**	**401.3**

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

Consolidated statement of cash flows

MEUR	Note	2015	2014	2013
Operating activities				
Profit/(loss) before tax		28.0	16.9	–56.3
Adjustment for:				
Depreciation	15, 16	53.6	54.0	39.3
Net financial expense		4.7	28.5	22.9
Interest paid		–11.6	–17.0	–12.3
Tax paid		–13.4	–13.9	–6.4
Net cash generated from operating activities before changes in working capital		**61.3**	**68.5**	**–12.8**
Cash flow from changes in working capital				
Changes in inventories		–3.2	–5.6	4.4
Changes in operating liabilities		0.1	–14.9	26.0
Changes in operating receivables		–2.7	9.8	28.1
Net cash generated from operating activities		**55.5**	**57.8**	**45.7**
Investing activities				
Acquisition of subsidiaries, net of cash acquired	3	–	–	9.1
Purchase of tangible fixed assets	16	–39.3	–33.1	–21.0
Purchase of intangible fixed assets	15	–0.5	–2.0	–1.6
Cash flow used in investing activities		**–39.8**	**–35.1**	**–13.5**
Financing activities				
Return of equity and dividends		–13.0	–5.4	–11.9
Proceeds from share issue, net of costs		–	–	121.9
Purchase of own shares		–3.1	–	–
Proceeds from borrowings, net of costs		61.1	291.8	306.6
Repayment of acquired entities borrowings to Ahlstrom		–	–	–154.3
Repayment of borrowings		–39.0	–307.4	–277.5
Working capital compensation from Ahlstrom		–	–	9.5
Cash flow from financing activities		**6.0**	**–21.0**	**–5.7**
CASH FLOW FOR THE YEAR		**21.7**	**1.7**	**26.5**
Cash and cash equivalents at the beginning of the year		**84.1**	**83.1**	**57.1**
Cash flow for the year		21.7	1.7	26.5
Exchange gains/(losses) on cash and cash equivalents		–0.7	–0.7	–0.5
CASH AND CASH EQUIVALENTS AT YEAR-END	21	**105.1**	**84.1**	**83.1**

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 Eteläesplanadi 14, 00130 Helsinki. The Financial Statements for 2015 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 11 February 2016 and are expected to be adopted by the AGM on 6 April 2016.

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 2014 Annual Report.

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, however current expectation is that the new standard will not have a significant impact.

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, however current expectation is that the new standard will not have a significant impact.

IFRS 16 Leasing was issued in January 2016. The new standard introduces a single lease accounting model. All leases should be recognized on-balance sheet as a right-of-use asset and lease liability. The Group is currently assessing the full impact of IFRS 16, and the expectation is that the new standard will have a significant impact on net debt, depreciation and leasing interest.

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.

Cont. note 1

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 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. 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

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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.

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.

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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 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

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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:

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. Emission rights are initially recorded at fair value when the Group obtains control and are subsequently measured at cost on a FIFO basis. Emission obligations are measured at the carrying value of the emission rights. If there are insufficient emission rights the obligation is measured at fair value. The Group presents emission rights and obligations on a net basis.

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

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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.

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

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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 2015 amounted to EUR 223.9 million, see note 15.

Tangible and other intangible assets

The Group has tangible and other intangible assets amounting to EUR 476.6 million. The assets are tested for impairment when there is a triggering event. During 2015 certain assets in the Graphic and Packaging Business Area were tested for impairment. The recoverability of these assets is based on market assumptions and managements estimate of future cash flows. Changes in assumptions and failure to meet certain earnings targets could result in impairment.

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 52.4 million as of 31 December 2015, 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 51.8 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 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.

Cont. note 3

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 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 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 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 and the Brazilian operation, Coated Specialties, which serves the South American market with self-adhesive products and flexible packaging paper.

Business area Industrial Applications

The products of Industrial Applications include specialty papers for industrial use. Examples are 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™ used mainly in the furniture industry, 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 and 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. Graphics and industrial

Cont. note 4

papers refer mainly to uncoated papers for repositionable notes, 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	2015	2014	2013
Head office costs	–12.2	–12.9	–9.4
Hedging	–5.5	–4.2	–0.8
Business combination transaction costs (note 3)	–	–	–13.4
Osnabrück commitments (note 3)	–	–0.7	–13.5
EU commission response	–	–1.4	–
Change in environmental provision	–2.4	–	–
Restructuring and other exceptional costs	–1.0	–0.9	–3.0
	–21.1	**–20.1**	**–40.1**

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 **2015**	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Other and eliminations	Group
Net sales, external	369.1	428	164.8	173.6	–4.8	1,130.7
Net sales, internal	3.5	9.6	1.8	2.1	–17.0	0.0
Net sales	**372.6**	**437.6**	**166.6**	**175.7**	**–21.8**	**1,130.7**
Operating profit	**34.6**	**8.0**	**19.6**	**–8.4**	**–21.1**	**32.7**
Net financial expense						–4.7
Tax						–5.2
Profit/loss for the year						**22.8**
Other information						
Additions to fixed assets	11.6	13.5	9.1	4.3	2.9	41.4
Depreciation and amortisation	8.0	28.1	7.9	8.2	1.4	53.6
Average number of employees	855	859	574	428	58	2,774

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

Net sales per market, MEUR	2015	2014	2013
Germany	192.4	193.5	146.9
Italy	85.4	85.9	65.2
Spain	86.7	87.2	66.2
Poland	72.0	72.4	55.0
Netherlands	55.8	56.1	42.6
France	61.2	61.5	46.7
Rest of EU	164.5	165.5	125.6
Turkey	51.6	51.9	39.4
Rest of Europe	30.5	30.7	23.3
United States of America	58.2	58.5	44.4
Brazil	78.8	79.3	60.2
Rest of Americas	31.2	31.4	23.8
China	47.2	47.5	36.0
Korea	21.1	21.2	16.1
India	20.7	20.8	15.8
Rest of Asia Pacific	52.3	52.6	39.9
Africa and middle east	21.3	21.4	16.3
Group total	**1,130.7**	1,137.3	863.3

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

Operating capital per country, MEUR	2015	2014	2013
Germany	176.1	181.6	188.1
Sweden	140.5	135.4	131.2
France	142.1	133.6	156.8
Italy	96.7	113.4	111.6
Brazil	54.9	71.8	70.0
Spain	39.6	43.6	43.7
Other	2.0	–6.2	–6.6
Group total	**651.9**	**673.2**	**694.8**

Tangible and intangible fixed assets per country, MEUR	2015	2014	2013
Germany	190.5	188.4	190.3
France	128.0	161.1	157.8
Italy	154.8	133.0	137.4
Sweden	138.2	123.4	130.7
Brazil	53.5	76.1	78.6
Spain	33.2	33.7	33.9
Other	2.3	12.6	13.5
Group total	**700.5**	**728.3**	**742.2**

Note 5 Other external costs

Group, MEUR	2015	2014	2013
Delivery costs	–48.1	–47.9	–39.5
Energy costs	–95.2	–104.3	–73.4
Repair, maintenance and development costs	–43.0	–43.6	–33.7
Other production costs	–43.7	–44.2	–32.8
Leasing and rental costs	–8.5	–6.2	–5.8
Other	–45.0	–46.5	–70.3
Other external costs	**–283.5**	**–292.7**	**–255.5**

Non-recurring items included in Other external costs

Group, MEUR	2015	2014	2013
Business combination transaction costs (note 3)	–	–	–13.4
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	–4.9	–4.2	–
Environmental provisions	–2.4	–	–6.3
EU Commission	–	–1.4	–
Other costs	–	–0.3	–2.5
	–7.3	**–5.6**	**–49.1**

In 2015 non-recurring items amounted to EUR 7.3 million. Of these costs, EUR 4.9 million were related to the restructuring of the Mathi mill in Italy and other efforts to adjust the cost structure of the group. An additional provision was recorded during 2015 in respect of a change in estimate of a historical environmental liability of EUR 2.4 million.

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.

Note 6 Remuneration to auditors

The annual general meeting held in 2015 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.

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.

MEUR	2015	2014	2013
KPMG			
Audit fees	0.5	0.4	–
Audit-related fees	–	–	–
Tax service fees	–	–	–
Other fees	0.1	0.1	–
Total	**0.6**	**0.5**	**–**
Ernst & Young			
Audit fees	–	–	0.3
Audit-related fees	–	–	0.3
Tax service fees	–	–	0.0
Other fees	–	–	0.0
Total	–	–	**0.6**
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

Average number of employees	2015 Number	2015 Men %	2014 Number	2014 Men %	2013 Number	2013 Men %
France	1,031	84	1,040	85	812	86
Sweden	582	82	563	83	562	83
Germany	435	85	463	84	458	85
Italy	260	82	262	82	170	79
Brazil	252	88	233	89	19	95
Spain	157	91	162	89	162	88
Other	57	55	42	54	33	66
Average number of employees	**2,774**		**2,765**		**2,216**	

Board and key management	2015	2014	Munksjö Oyj 27 May to 31 Dec 2013	Munksjö Oyj 1 Jan to 26 May 2013
Board members	6	7	6	8
Women %	33	29	33	25
Men %	67	71	67	75
CEO and key management	11	10	10	12
Women %	36	20	20	17
Men %	64	80	80	83

Personnel costs, MEUR	2015 Board and CEO	2015 Bonus to CEO	2015 Other employees	2014 Board and CEO	2014 Bonus to CEO	2014 Other employees	2013 Board and CEO	2013 Bonus to CEO	2013 Other employees
Board and CEO*	0.9	0.2		0.8	0.1		0.7	0.5	
France			64.3			65.6			48.0
Sweden			29.1			28.6			29.6
Germany			28.3			28.9			27.7
Spain			8.0			8.4			8.7
Italy			13.7			13.3			8.6
Brazil			7.2			8.7			0.3
Other			3.1			2.8			1.8
Salaries and other fees	**0.9**	**0.2**	**153.7**	**0.8**	**0.1**	**156.3**	**0.7**	**0.5**	**124.7**
Total salaries and other fees			154.8			157.2			125.9
Social security fees			41.2			40.0			33.9
Share based incentive plan			0.9			0.6			
Other personnel costs			2.6			2.7			3.8
			199.5			**200.5**			**163.6**
Of which are pension fees for CEO			0.2			0.2			0.2
Of which are pension fees for other employees			10.7			9.9			8.9

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

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 15 April 2015, an annual fee of EUR 80,000 will be paid to the Chairman of the Board, and annual fees of EUR 40,000 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 12,000 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 of the Nomination board will receive EUR 6,000 and the ordinary members EUR 3,000.

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

Cont. note 8

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		2015	2014[2)]	27 May to 31 Dec 2013[1)]
Peter Seligson	Chairman	86	77	46
Fredrik Cappelen		44	39	24
Elisabet Salander Björklund		50	44	26
Sebastian Bondestam		45	41	24
Hannele Jakosuo-Jansson		42	38	22
Alexander Ehrnrooth	Member since 2014	45	31	–
Caspar Callerström	Member since 2014	9	28	4[3)]
Jarkko Murtoaro	Resigned 2014	–	–	–[4)]
Thomas Ahlström (not a board member)	Chairman of nomination board	4		
Mikko Mursula (not a board member)	Nomination board	2		

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.

Munksjö AB

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

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 2014 long term incentive plan as described in note 9. No awards vested during 2015 and the first settlement will occur in 2017. The cost recognised in the 2015 income statement for the CEO and key management amounted to EUR 0.2 (0.1) million and MEUR 0.5 (0.1) million respectively. There was no new long term incentive plan during 2015.

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		561	222	1	182	966
Other senior executives of Munksjö Oyj		1,778	567	64	450	2,859
Total 2015		**2,339**	**789**	**65**	**632**	**3,825**
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**

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 250 million 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 potential shares granted amounted to 417,474 of which 15,245 were forfeited during 2014 and a further 27,424 during 2015. An additional 52,301 shares were granted during 2015 leaving a closing balance of 427,106 (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 2,448,738 (2,999,977). The total cost recognised in the income statement in 2015 amounted to EUR 0.9 (0.6)million. At 31 December 2015, the cash settled liability amounted to EUR 0.6 (0.4) million and the amount recognised in equity amounted to EUR 0.3 (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, 16.8, 14.9, 6.2 and 2.2 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. Munksjö also has defined contribution pension plans.

A certain part of the pension obligations for salaried employees in Sweden are insured through Alecta. For the majority of the earned pension benefits, Alecta has no information in terms of the distribution of the earned benefits according to an individual's various employers. All of the earned benefits are, instead, registered with the final employer. Consequently, Alecta lacks the possibility of establishing an exact distribution of assets and provisions to the respective employers, 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 collective funding ratio, amounted to 148% (144%, 148%). 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 6.2, 8.1 and 0.2 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 equity and debt instruments amounting to EUR 3.8 million and EUR 2.4 million respectively.

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	2015	2014	2013
Present value of unfunded defined benefit obligations	37.0	36.0	33.0
Present value of funded or partially funded defined benefit obligations	29.9	32.1	28.9
Fair value of plan assets	–14.5	–17.1	–16.0
Pension liabilities for the period	**52.4**	**51.0**	**45.9**

Amounts recognised in the consolidated statement of comprehensive income:

MEUR	2015	2014	2013
Service costs for the period	2.6	1.8	2.7
Interest expense and income	1.1	1.4	1.5
Pension costs recognised in net profit/(loss) for the period	**3.7**	**3.2**	**4.2**
Actuarial gains (–) and losses (+) recognised in other comprehensive income	–1.0	6.3	–1.8
Total pension costs recognised in total comprehensive income	**2.7**	**9.5**	**2.4**

Changes to defined benefit obligations:

MEUR	2015	2014	2013
At 1 January	68.1	61.9	42.5
Interest costs	1.5	1.9	1.9
Current year service costs	2.6	1.8	2.7
Benefits paid	–5.9	–4.3	–3.6
Business combinations	0.0	0.0	20.5
Settlements	0.0	0.0	–0.3
Reclassification from other liabilities	1.2	–	–
Actuarial gains and losses for obligations	–1.5	6.3	–1.3
Exchange rate translation	0.9	0.5	–0.5
At 31 December	**66.9**	**68.1**	**61.9**

The fair value of plan assets:

MEUR	2015	2014	2013
At 1 January	17.1	16.0	6.8
Interest income	0.4	0.5	0.4
Employer contributions	–	1.0	0.6
Business combinations	–	0.0	9.2
Benefits paid	–3.4	–1.4	–1.2
Actuarial gains and losses	–0.5	0.0	0.5
Exchange rate translation	0.9	1.0	–0.3
At 31 December	**14.5**	**17.1**	**16.0**

Cont. note 10

The major categories of plan assets:

MEUR	2015	2014	2013
Shares	3.8	4.4	3.7
Bonds	2.5	3.6	2.7
Endowment insurance	8.0	8.8	9.3
Cash in escrow	0.2	0.3	0.3
Total	**14.5**	**17.1**	**16.0**

Key actuarial assumptions used to calculate the defined-benefit plan obligations:

Discount rate, %	2015	2014	2013
Sweden	3.00	2.75	3.75
Germany	2.00	1.70 to 1.90	3.00 to 3.20
France	2.00	1.75 to 2.00	3.00 to 3.30
Italy	1.95	1.90	3.25
US	4.25	4.00	4.50

Expected future salary increases, %	2015	2014	2013
Sweden	3.00	3.00	3.00
Germany	2.50	2.50	2.50
France	1.30	2.50 to 3.00	3.00 to 3.50
Italy	n/a	n/a	n/a
US	n/a	n/a	n/a

Expected future pension increases, %	2015	2014	2013
Sweden	1.50	1.50	2.00
Germany	2.00	1.75	2.00
France	0.90	2.00	2.00
Italy	1.75	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	–3.0	3.3
Salary growth rate	0.5	1.3	–1.1
Pension growth rate	0.5	1.4	–1.3
	Year	MEUR	MEUR
Life expectancy	1	1.1	–1.1

Note 11 Depreciation and amortisation

MEUR	2015	2014	2013
Machinery and equipment	–43.4	–42.3	–30.3
Industrial buildings	–5.5	–6.3	–5.8
Other intangible fixed assets	–4.7	–5.4	–3.2
Total depreciation and amortisation	**–53.6**	**–54.0**	**–39.3**

Note 12 Net financial items

MEUR	2015	2014	2013
Interest income from loans and receivables	0.5	0.3	0.3
Exchange rate gains[2)]	10.0	6.1	0.7
Financial income	**10.5**	**6.4**	**1.0**
Interest expense from borrowings	–9.7	–14.0	–12.5
Realised interest rate swaps[1)]	–0.7	–0.3	–0.2
Unwinding of discount on provisions	–2.2	–2.5	–1.6
Amortisation of capitalised bank fees	–0.7	–9.0	–4.0
Exchange rate losses[2)]	–0.5	–7.0	–4.4
Other financial costs	–1.4	–2.1	–1.2
Financial costs	**–15.2**	**–34.9**	**–23.9**
Net financial expense	**–4.7**	**–28.5**	**–22.9**

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

2) 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	2015	2014	2013
Profit/loss before taxes	**28.0**	**16.9**	**–56.3**
Current tax income/expense			
Current tax on profits for the year	–4.6	–12.0	–10.0
Adjustments in respect of prior years	–0.2	–1.0	–2.3
	–4.8	**–13.0**	**–12.3**
Deferred tax:			
Relating to recognition and use of tax loss carry forwards	–3.1	–0.7	6.3
Relating to recognition and reversal of temporary differences	2.7	4.5	4.9
	–0.4	**3.8**	**11.2**
Total tax expense	**–5.2**	**–9.2**	**–1.1**

Reconciliation of effective tax rate

MEUR	2015	2014	2013
Profit/loss before taxes	**28.0**	**16.9**	**–56.3**
Finnish income tax	–5.6	–3.4	13.8
Effect of other tax rates for foreign subsidiaries	–0.6	–2.5	–4.5
Effect of change in deferred tax rate[1)]	–	–	–
Taxes from prior years	0.8	1.0	2.3
Reversal of valuation allowance on deferred tax asset on losses	1.9	–	–
Tax losses carry forward not capitalised	–	–3.9	–3.8
Non–deductible expenses and tax exempt income	–1.7	–0.4	–8.9
Tax in consolidated statement of comprehensive income	**–5.2**	**–9.2**	**–1.1**

[1)] 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 **2015**	Translation Difference	Business combination	Recognised in profit/loss	Recognised in other comprehensive income	Closing balance **2015**
Receivables	–0.2	–	–	–	–	–0.2
Loss carry forwards	–36.5	–0.3	3.5	2.2	–	–31.1
Untaxed reserves	14.8	0.3	–	–2.3	–	12.8
Tangible asset	30.8	–3.2	–3.5	8.5	–	32.6
Other	15.6	–0.4	–	–8.0	1.0	8.2
Net deferred tax liability	**24.5**	**–3.6**	**0.0**	**0.4**	**1.0**	**22.3**
Liabilities						74.1
Assets						–51.8
						22.3

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

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 120.7 (149.2, 163.4) 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 31.1 (36.5, 38.3) 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 16.6 (22.1, 26.8) million.

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.

	2015	2014	2013
Earnings attributable to the parent company's shareholders, MEUR	22.4	7.0	–57.7
Weighted average number of shares before dilution	50,818,260	51,061,581	29,228,454
Dilution effect from share based incentive plan	100,051	29,832	–
Weighted average number of shares after dilution	50,918,311	51,091,413	29,228,454
Basic earnings per share, EUR	**0.44**	**0.14**	**–1.97**
Diluted earnings per share, EUR	**0.44**	**0.14**	**–1.97**

Note 15 Intangible assets

2015, MEUR	Total	Goodwill	Customer relationships	Patents and trademarks	Software	Other
Accumulated acquisition value						
Opening	297.6	226.7	34.2	5.3	7.1	24.3
Additions	0.5	–	–	0.4	–	0.1
Reclassification	0.2	–	–	–	0.2	–
Exchange differences	–7.4	–2.8	–2.4	–	0.1	–2.3
Closing	**290.9**	**223.9**	**31.8**	**5.7**	**7.4**	**22.1**
Accumulated amortisation						
Opening	15.7	0.0	3.6	4.2	3.4	4.5
Amortisation	4.7	–	2.5	0.3	0.9	1.0
Exchange differences	0.0	–	–0.4	–	–	0.4
Closing	**20.4**	**0.0**	**5.7**	**4.5**	**4.3**	**5.9**
Net book value at year end	**270.5**	**223.9**	**26.1**	**1.2**	**3.1**	**16.2**

Cont. note 15

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**

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**

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% (9%, 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. According to the result of the impairment testing of goodwill, there is no impairment.

Allocation of goodwill by business area, MEUR	2015	2014	2013
Decor	142.1	141.8	141.8
Release Liners	68.0	71.1	71.0
Industrial Applications	13.8	13.8	13.8
Group total	**223.9**	**226.7**	**226.6**

The recoverable amount of the Decor business area exceeded the carrying value of EUR 207 million. A sensitivity analysis shows that if the pre-tax discount rate increased from the testing rate to 12% or if the EBITDA margin in the terminal year was below approximately 6.6% impairment would be triggered.

The recoverable amount of the Release Liners business area exceeded the carrying value of EUR 82 million. A sensitivity analysis shows that if the pre tax discount rate increased from the testing rate to 8.7% or if the EBITDA margin in the terminal year was below 7.2% 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

2015, MEUR	Total	Machinery & Equipment	Buildings	Land and land improvements	Construction in progress
Accumulated acquisition value					
Opening	1,172.2	943.0	164.9	44.7	19.6
Additions	40.9	17.2	0.7	–	23.0
Disposals	–13.5	–13.4	–0.1	–	–
Reclassifications	–0.2	21.0	5.6	–4.1	–22.7
Exchange differences	–8.2	–8.0	–0.8	0.6	–
Closing	**1,191.2**	**959.8**	**170.3**	**41.2**	**19.9**
Accumulated depreciation according to plan					
Opening	725.8	612.5	104.7	8.3	0.3
Depreciation	48.9	43.4	5.5	–	–
Disposals	–13.5	–13.4	–0.1	–	–
Exchange differences	0.0	0.2	–	–0.2	–
Closing	**761.2**	**642.7**	**110.1**	**8.1**	**0.3**
Net book value	**430.0**	**317.1**	**60.2**	**33.1**	**19.6**

Additions for January–December 2015 were mainly related to investments for maintenance. Tangible assets are tested for impairment when there is a triggering event. During 2015 certain assets in the Graphic and Packaging Business Area were tested for impairment. The recoverability of these assets is based on market assumptions and managements estimate of future cash flows. No impairment has been recorded however the testing is sensitive to changes in EBITDA margin and discount rate as the difference between asset carrying values and recoverable amount is low.

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.

Cont. note 16

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.

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	2015	2014	2013
Book value at the beginning of the year	2.2	2.4	2.2
Share of earnings for the year	0.0	0.0	0.3
Exchange differences	0.1	–0.2	–0.1
Book value at the end of year	**2.3**	**2.2**	**2.4**

The carrying value of the associated company Sydved AB has no goodwill included. The Group's liabilities to Sydved amounted to EUR 8.0 (8.3, 8.4) million.

Share of Sydved AB's assets, equity, net sales and profit before tax, MEUR	2015	2014	2013
Assets	16.8	12.8	12.4
Equity	2.2	2.2	2.3
Net sales	90.9	97.0	99.0
Profit before tax	0.0	0.0	0.3

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. 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 (1.8, 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	2015	2014	2013
Assets	12.4	12.4	13.4
Equity	12.3	12.1	12.2
Net sales	1.6	1.4	0.0
Profit before tax	0.3	0.0	0.0

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

Note 19 Inventories

MEUR	2015	2014	2013
Materials and supplies	21.0	21.8	17.9
Work in progress	9.8	7.0	7.0
Finished products	93.3	93.4	91.5
Consumables and spare parts	31.3	30.0	30.2
Total inventories	**155.4**	**152.2**	**146.6**

Operating costs include impairment losses of inventories amounting to EUR 0.9 (0.5, 0.6) million.

Note 20 Other current assets

MEUR	2015	2014	2013
Value added tax	13.9	9.2	7.1
Escrow cash account	1.5	1.3	1.2
Prepaid expenses	7.4	8.7	8.2
Fair value of unrealised hedges (note 27)	1.2	0.1	0.9
Other	14.2	12.5	9.9
Total	**38.3**	**31.8**	**27.3**

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	2015	2014	2013
Cash in banks	105.1	84.1	83.1
	105.1	**84.1**	**83.1**

Bank deposits earn variable interest based on the bank's daily deposit rate. The fair value for cash and cash equivalents is EUR 105.1 (84.1, 83.1) million.

	2015	2014	2013
The total credit limit for the Munksjö Group amounts to:	390.3	345.0	355.0
Of which, the following was utilised at the closing date:	321.0	295.0	305.0

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

2015 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	–	–	111.1	–	111.1	111.1
Currency derivative asset (Other current assets)	1.2	–	–	–	1.2	1.2
Escrow cash account (Other current assets)	–	–	1.5	–	1.5	1.5
Cash and cash equivalents	–	–	105.1	–	105.1	105.1
Total	**1.2**	**0.0**	**217.7**	**0.0**	**218.9**	**218.9**
Interest-bearing liabilities**	–	–	–	334.3	334.3	334.3
Interest rate swaps	1.8	–	–	–	1.8	1.8
Accounts payable*	–	–	–	183.0	183.0	183.0
Pulp derivative liability (accrued expenses)	–	–	–	–	0.0	0.0
Electricity derivative liability (accrued expenses)	0.7	–	–	–	0.7	0.7
Currency derivative liability (accrued expenses)	–	–	–	–	0.0	0.0
Total	**2.5**	**0.0**	**0.0**	**517.3**	**519.8**	**519.8**

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	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	–	–	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**

* 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

In December 2015, Munksjö Oyj entered into a new SEK 570 million term loan agreement with a maturity of 5 years. The new loan will increase operating flexibility and adjust the debt portfolio to the Group's operating structure. In September 2014 Munksjö entered into a EUR 345 million term loan and revolving credit facilities agreement with a maturity of five years. The facilities consist of EUR 275 million term loan facilities and EUR 70 million revolving credit facility. At 31 December 2015, EUR 321 million of the total facilities of EUR 390 million had been utilised. EUR 80 million of the term loan facility has bi-annual repayments of EUR 8 million commencing March 2015 and finishing September 2019. EUR 195 million is repayable in September 2019 and EUR 62 million in January 2021. 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 EUR 5 million of reduced financial expenses on an annual basis. The financing replaced the company's previous EUR 365 million financing agreement signed in May 2013. At the end of the fourth quarter of 2015, the weighted average interest rate was approximately 2.7% (2.7%, 4.2%).

Interest-bearing net debt amounted to EUR 227.4 million at 31 December 2015 (225.6, 229.3), resulting in a gearing of 56.7% (54.5%, 54.1%). According to Munksjö's financial covenants for 2015, 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 EUR 365 million Term and Revolving Facilities Agreement. The facilities consisted of EUR 295 million term loan facilities to provide financing for the repayment of certain existing loans of Munksjö AB to credit institutions, and for the repayment of the debt assumed by Munksjö Oyj towards Ahlstrom Corporation in connection with the LP Europe demerger, and EUR 70 million revolving credit facility to provide working capital financing for Munksjö Oyj and its subsidiaries.

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

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

Summary of financing activities	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	2015	2014	2013
within 1 year	21.1	41.6	45.0
between 1–2 years	21.4	17.7	20.7
between 2–3 years	16.8	20.9	20.7
between 3–4 years	212.0	17.0	21.6
between 4–5 years	1.4	212.0	205.0
after 5 years	63.3	4.1	2.8
Total interest-bearing liabilities	**336.0**	**313.3**	**315.8**

MEUR	2015	2014	2013
Syndicated EUR loans	259.0	275.0	285.0
Syndicated SEK loans	62.1	–	–
Syndicated EUR revolver loans	0.0	20.0	20.0
Financial leases	8.4	10.1	7.8
Other interest-bearing liabilities	6.5	8.2	3.0
Total	**336.0**	**313.3**	**315.8**

Cont. note 24

The Munksjö Group has, as the lessee, signed financial and operational leasing contracts.

Future operating lease commitments:

	2015		2014		2013	
Operational leasing, MEUR	Future minimum leasing fees	Of which, premises	Future minimum leasing fees	Of which, premises	Future minimum leasing fees	Of which, Premises
Within 1 year	8.4	0.9	7.4	0.9	5.6	0.9
2–5 years	20.5	1.5	17.9	1.5	14.9	1.7
More than 5 years	0.6	–	0.1	0.0	1.0	0.0
Total	**29.5**	**2.4**	**25.4**	**2.4**	**21.5**	**2.6**

Of the total future obligations of EUR 29.5 million, some EUR 6.5 million 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 EUR 9.2 (7.3, 6.7) million.

Future financial lease commitments:

Financial leasing, MEUR	Within 1 year	2–5 years	More than 5 years	Total
2015				
Minimum lease payments	1.9	6.2	1.4	9.5
Interest	–0.3	–0.7	–0.1	–1.1
Present value of minimum lease payments	**1.6**	**5.5**	**1.3**	**8.4**
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**

Assets in the consolidated statement of financial position as at 31 December under financial leasing consisted of machinery and buildings with a net book value of EUR 5.2 (6.6, 7.8) million.

Note 25 Provisions

MEUR	Restructuring	Environmental reserves	Other	Total
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**
Unwinding of discount	0.0	0.6	0.5	1.1
Provisions made during the year	3.9	2.4	0.5	6.8
Provisions used during the year	–4.2	–1.0	–1.5	–6.7
Provisions reversed	–0.2	–0.1	–0.1	–0.4
Reclassification	0.0	0.2	–0.2	0.0
Exchange differences	0.0	0.6	–1.0	–0.4
Closing balance on December 31, 2015	**4.8**	**13.8**	**5.3**	**23.9**

Restructuring provisions consisted mainly of employee related redundancy and early retirement provisions. The restructuring provision made in 2015 related mainly to the reorganisation in the Mathi mill in Italy and other efforts to adjust the cost structure of the group. 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.

An additional environmental provision of EUR 2.4 million was recorded during 2015 in respect of a change in estimate of a previously recorded liability. 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	2015	2014	2013
Accrual for invoices not yet received	32.6	34.4	34.5
Accrued wages and salaries	11.3	13.5	10.7
Accrued vacation pay	12.8	12.6	12.4
Accrued social security costs	9.7	10.3	10.7
Accrued customer bonus	7.0	7.6	8.1
Current derivatives liabilities	0.7	3.2	2.2
Other	20.4	18.4	10.5
Total accrued expenses	**94.5**	**100.0**	**89.1**

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 exposure in foreign currencies according to the financial policy. The policy states that all exposure including indirect exposure, shall be considered before hedging. If there is limited or no indirect exposure, 65–85% of the net flows in the upcoming 9–month period shall be hedged. At the end of 2015, the currency contracts that had not yet been recognised as income amounted to EUR 1.2 million. The currency forward contracts are usually entered into on a monthly basis, with a maturity of nine months.

Cont. note 27

Cash flows by currency before financing activities

2015, MEUR	SEK	USD	EUR	BRL	Other
Net sales 2015	42	170	850	60	9
Net expenses 2015	–180	–105	–750	–75	–4
Exposure	**–138**	**65**	**100**	**–15**	**5**

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**

Notional amounts of derivative instruments

MEUR	2015	2014	2013
Currency derivatives	96.1	89.3	77.7
Electricity derivatives	2.0	2.8	3.8
Pulp derivatives	–	–	25.8
Interest rate derivatives (see below)	240.0	240.0	200.0

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 69.3 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 EUR 3.2 million, calculated based on liabilities of EUR 321 million at year-end. The Group had an average fixed interest term of 16 months at year-end.

At the end of 2015, Munksjö held interest rate swaps of EUR 240 (240, 200) million 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 –0.8
Interest +2%	MEUR –1.6

Price risk
During 2015 Munksjö stopped hedging its electricity consumption in the Swedish entities, however thera are outstanding contracts with Statkraft that extend to 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. 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 2015 profit before tax for price changes from total pulp, energy and titanium dioxide purchases.

MEUR	
Long fibre pulp +5%	+2.4
Short fibre pulp +5%	–11.9
Energy +5%	–4.8
Titanium dioxide +5%	–4.6

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 71%, 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 111.1 (114.6, 128.7) million. The total credit losses recorded in 2015 amounted to EUR 0.9 (0.4, 1.5) 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	2015	2014	2013
Accounts receivable not due	100.7	103.1	116.5
Receivables overdue			
< 30 days	8.5	10.1	10.5
30–90 days	1.3	0.8	0.3
> 90 days	0.6	0.6	1.4
Receivables overdue	**10.4**	**11.5**	**12.2**
Total accounts receivable	**111.1**	**114.6**	**128.7**

Financial instruments

The currency and electricity hedges made negative contributions as the Swedish krona became weaker, the US dollar stronger 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	2015	2014	2013
Opening net liability	–4.3	–1.5	0.3
Changes in fair value	–3.2	–7.3	–2.8
Realised hedges	6.2	4.5	1.0
Closing net liability	**–1.3**	**–4.3**	**–1.5**
Deferred tax	0.3	0.9	0.3
Hedging reserve net of tax in equity	**–1.0**	**–3.4**	**–1.2**

MEUR	Bank[1)]	Asset	Liability	Netting	Balance Sheet Presentation
Currency derivatives	A	1.1	–	1.1	Current Assets
Interest rate swaps	A	–	–0.7	–0.7	Current Borrowings
Electricity derivatives	B	–	–0.7	–0.7	Current Liabilities
Interest rate swaps	C	–	–1.1	–1.1	Current Borrowings
Currency derivatives	D	0.1	–	0.1	Current Assets
Total		**1.2**	**–2.5**	**–1.3**	

1) Counterparty for the derivatives

Fair value measurement, per level

The table shows derivative instruments valued at fair value. 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
2015				
Currency derivatives	–	1.2	–	1.2
Electricity derivatives	–	–0.7	–	–0.7
Pulp derivatives	–	–	–	0.0
Interest rate swaps	–	–1.8	–	–1.8
Total	**0.0**	**–1.3**	**0.0**	**–1.3**

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**

Realised hedging, MEUR	2015	2014	2013
Currency derivatives	–4.9	–3.6	–0.2
Electricity derivatives	–0.6	–0.6	–0.4
Pulp derivatives	0.0	–	–0.2
Interest rate swaps	–0.7	–0.3	–0.2
Total	**–6.2**	**–4.5**	**–1.0**

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

Maturity of derivatives, MEUR	Balance as at 31 December **2015**	6 months	6–12 months	More than 1 year
Currency derivatives	1.2	1.0	0.2	–
Electricity derivatives	–0.7	–0.3	–0.3	–0.1
Interest rate swaps	–1.8	–0.6	–0.4	–0.8
Total	**–1.3**	**0.1**	**–0.5**	**–0.9**

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 2015 was 56.7%.

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	8428608	London, England	100	100
Munksjö Poland sp. Z o.o.	419368	Warsaw, Poland	100	100
Munksjo India Private Limited	U21020DL2013FTC252459	New Delhi, India	100	100
Munksjö Aspa Bruk AB	556064-6498	Askersund, Sweden	100	100
Munksjö Paper AB	556117-9044	Jönköping, Sweden	100	100
Munksjö Electrotechnical Paper AB (dormant)	556718-4923	Jönköping, Sweden	100	100
Munksjö Paper S.P.A.	2666640129	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 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
Munksjö Italia S.p.A.	8118010159	Turin, Italy	100	100
Munksjö France Holding 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 Arches S.A.S.	428 720 668	Arches, 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 2015, Munksjö France Holding S.A.S. merged with Munksjö LabelPack S.A.S. which changed its name to Munksjö France Holding S.A.S. Munksjö Turkey Paper Products Trading Ltd, a sales company in Turkey, was liquidated and Munksjö Italia SRL in Italy was merged with Munksjö Italia S.p.A.

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	2015	2014	2013
Property mortgages for other commitments	60.3	59.0	62.5
Blocked bank accounts	1.5	1.3	1.2
Chattel mortgages	49.8	48.7	51.6
Total pledged assets	**111.5**	**109.0**	**115.3**

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	2015	2014	2013
Guarantees and other contingent liabilities	1.5	1.4	1.3
Total contingent liabilities	**1.5**	**1.4**	**1.3**

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 834,000 m³ (836,000, 874,000) of wood and woodchips amounting to EUR 39.2 (39.8, 44.7) 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 6.2 (6.3, 6.2) 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 2015 AM Real Estate charged Munksjö Italia S.p.A. EUR 3.0 (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 2015 amounted to EUR 1.8 (1.8, 1.2) million and the interest charged is fixed to three month Euribor plus a margin of 5.37%.

Other than as stated above, there are no significant transactions with related parties.

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	2015	2014
Income	4.7	1.4
Personnel costs	–0.9	–0.7
Operating expenses	–2.1	–5.9
Amortisation of intangible assets	–2.7	–11.0
Operating loss	**–1.0**	**–16.2**
Financial income and expense		
Dividend from subsidiaries	5.0	–
Interest income group companies	15.6	25.1
Interest income from credit institutions	0.0	0.0
Interest expense group companies	–0.3	–0.5
Interest expense to credit institutions	–7.9	–11.7
Hedging costs	–4.8	–3.6
Other financial expenses	0.8	–9.9
Total financial income and expense	**8.4**	**–0.6**
Loss before taxes	**7.4**	**–16.8**
Change in deferred tax	1.4	–0.1
Profit/loss for the year/period	**8.8**	**–16.9**

Parent company balance sheet

MEUR	2015-12-31	2014-12-31
ASSETS		
Intangible assets		
Intangible rights	0.6	1.4
Other capitalized expenditure	17.9	18.5
	18.5	**19.9**
Non-current assets		
Investments		
Shares in subsidiaries	364.9	351.1
Shares in joint ventures	9.9	9.9
Loan receivables from group companies	251.3	265.9
Other receivables	0.0	0.0
	626.1	**626.9**
Deferred tax asset	2.1	0.6
Total non-current assets	**646.7**	**647.4**
Current assets		
Prepayments	0.1	0.1
Receivables from group companies	32.5	79.6
Other receivables	0.1	0.1
Total current assets	**32.7**	**79.8**
Cash and cash equivalents	92.6	65.1
TOTAL ASSETS	**772.0**	**792.3**
EQUITY AND LIABILITIES		
Equity		
Share capital	15.0	15.0
Reserve for invested unrestricted equity	301.4	314.1
Retained earnings	–36.4	–16.5
Profit/loss for the financial year	8.8	–16.9
Total equity	**288.8**	**295.7**
Provisions	0.7	0.7
Non-current liabilities		
Borrowings from credit institutions	305.0	259.0
Borrowings from group companies	13.0	13.0
Borrowings from joint ventures	1.8	1.8
Total non-current liabilities	**319.8**	**273.8**
Current liabilities		
Borrowings from credit institutions	16.0	36.0
Borrowings from group companies	144.0	182.5
Accrued interest	1.8	2.3
Accounts payable	0.3	0.4
Accounts payable to group companies	0.1	0.0
Accrued liabilities	0.5	0.9
Total current liabilities	**162.7**	**222.1**
Total Liabilities	**483.2**	**496.6**
TOTAL EQUITY AND LIABILITIES	**772.0**	**792.3**

Parent company cash flow statement

MEUR	2015	2014
Cash flow used in operating activities		
Net profit loss before taxes	7.3	–16.8
Amortisation	2.7	11.0
Financial income and expenses	–8.4	0.6
Movement in provisions	0.0	–8.4
Dividend income	5.0	–
Interest received and paid	2.8	–1.4
Change in working capital	–0.3	–2.2
	9.1	**–17.2**
Cash flow used in investing activities		
Investment in intangible assets	–0.4	–0.1
Investment in shares of subsidiaries	–13.8	0.0
Loans receivables from group companies	61.7	20.0
	47.5	**19.9**
Cash flow from financing activities		
Return of capital to shareholderes	–12.7	–5.1
Purchase of Munksjö Oyj shares	–3.1	–
Proceeds from borrowings, net of fees	61.2	291.6
Repayment of borrowings to credit institutions	–36.0	–305.0
Loan payable to group companies	–38.5	29.5
	–29.1	**11.0**
Net increase/decrease in cash and cash equivalents	**27.5**	**13.7**
Cash and cash equivalents at beginning of period	65.1	51.4
Cash and cash equivalents at end of period	**92.6**	**65.1**

Board's proposal for the Annual General Meeting

The Board of Directors proposes that no dividend will be paid for the fiscal year 2015.

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 2015 adopted by the Annual General Meeting, the amount of return being EUR 0.30 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

Stockholm, 11 February 2016

Peter Seligson
Chairman of the Board

Fredrik Cappelen
Deputy Chairman of the Board

Sebastian Bondestam

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, 2015. 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, 25 February 2016

KPMG OY AB

SIXTEN NYMAN
Authorised Public Accountants

Shareholder information

Annual General Meeting 2016 and the Board's dividend proposal

Annual General Meeting 2016

Notice is given to the shareholders of Munksjö Oyj to the Annual General Meeting to be held on Wednesday, 6 April 2016 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 23 March 2016 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, whose shares are registered in the register of the company's shareholders maintained by Euroclear Sweden AB, shall, to fulfill the requirements to attend the Annual General Meeting note the following:

(i) the shareholder has to be entered in the register of the company's shareholders maintained by Euroclear Sweden AB on 23 March 2016, and

(ii) the shareholder must contact Euroclear Sweden AB and request temporary registration in the shareholders' register held by Euroclear Finland Oy. Such request shall be submitted to Euroclear Sweden AB on a designated form available on the company's webpage www.munksjo.com/agm. The request must be received by Euroclear Sweden AB on 23 March 2016, at the latest.

A shareholder, who wishes to participate in the Annual General Meeting, shall register for the meeting by giving prior notice of participation on 1 April 2016 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, Eteläesplanadi 14, 00130 Helsinki, Finland, or
- by phone during office hours 10:00–16.00 (EET) to +46 (0)10 250 10 54

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 2015, the Board of Directors proposes that no dividend will be paid for the fiscal year 2015.

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 2015 adopted by the Annual General Meeting, the amount of return being EUR 0.30 per share.

The return of equity shall be paid to a shareholder who on the record date of the payment 8 April 2016 is registered in the shareholder register of the company held by Euroclear Finland Ltd. or in the separate register of shareholders maintained by Euroclear Sweden AB for Euroclear Sweden AB registered shares. The return of equity payable for Euroclear Sweden AB registered shares will be forwarded by Euroclear Sweden AB. The Board proposes that the return of equity shall be paid to the shareholders on 19 April 2016.

Munksjö as an investment

Further information about Munksjö as an investment is available on www.munksjo.com/investors.

Financial reporting

For the year 2016, Munksjö will publish its financial reports as follows:

January–March	Wednesday, 27 April 2016
January–June	Wednesday, 27 July 2016
January–September	Wednesday, 26 October 2016
Financial Statements Bulletin for 2016	Thursday, 16 February 2017

Global reach with local presence

Munksjö has approximately 2,900 employees worldwide. Operations are conducted in Europe, USA, 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.

Headquarter: Sweden; Stockholm

Corporate offices: Finland: Helsinki; Sweden: Jönköping;

Manufacturing sites: France: Arches, La Gère, Rottersac, Stenay; Sweden: Aspa, Jönköping, Billingsfors, Ed; Germany: Unterkochen, Dettingen, Achern; Italy: Mathi (Turin); Spain: Tolosa; Brazil: Jacareí (Sao Paulo); China: Taicang

Sales representation: Germany: Aalen; Brazil: Jacareí; USA: Leominster; Russia: Moscow, China: Shanghai; Turkey: Istanbul; UK: London; Belgium: La Hulpe

Development center: France: Apprieu

Production: Munksjö in cooperation with Hallvarsson & Halvarsson
Photo: Tommy Hvitfeldt, Tuomas Sauliala and Per Myrehed
Print: TMG Stockholm 2016

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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