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Munksjö's Financial Statements Bulletin 2016

Helsinki, 16 February 2017

Jan Åström, President and CEO
Pia Aaltonen-Forsell, CFO



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1 **Key financials**

2 **Business Area performance**

3 **Outlook**

4 **Q&A**



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Summary of Q1-Q4/16

Q4/16 compared to Q4/15

- Total delivery volumes decreased. Positive in most product segments but lower in specialty pulp and Decor where comparison period included large year-end delivery
- Net sales decreased accordingly
- + EBITDA (adj.*) increased by 63%
- + Strong cash flow
- + Net result increased by 64% and EPS by 66%
- + The seasonal shutdowns in the fourth quarter were shorter compared to 2015

Q1-Q4/16 compared to Q1-Q4/15

- + Total delivery increased in most of the product segments and were stable in decor papers. Volumes particularly strong in specialty pulp business and Brazilian paper business.
- + Net sales increased as higher volumes compensated for the lower average price
- Average price decreased, mainly driven by lower sales price for long fibre specialty pulp
- + EBITDA (adj.*) increased by 46%. Out of total profitability improvement, approximately half related to plan to reach profitability target.
- + Net result increased by 90% and EPS by 93%
- + Landmark in balance sheet reached

* Adjusted for items affecting comparability (IAC)



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Key figures

Record full-year results and cash flow

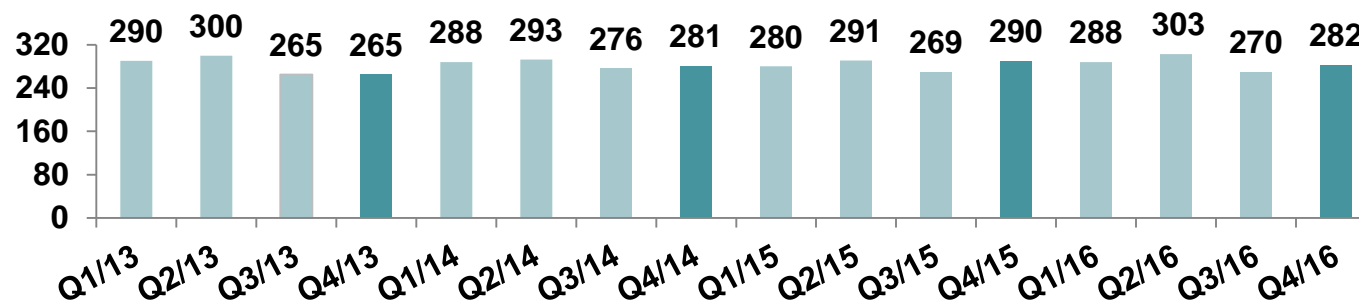
	Q4	Q4		Q1-Q4	Q1-Q4	
MEUR	2016	2015		2016	2015	
Net sales	282.4	290.0	↓	1142.9	1130.7	↑
EBITDA (adj.*)	36.1	22.1	↑	136.7	93.6	↑
EBITDA margin (adj.*)	12.8%	7.6%	↑	12.0%	8.3%	↑
Operating result (adj.*)	23.0	8.5	↑	81.5	40.0	↑
Operating margin (adj.*)	8.1%	2.9%	↑	7.1%	3.5%	↑
Net result	11.8	7.2	↑	43.3	22.8	↑
EPS (EUR)	0.23	0.14	↑	0.85	0.44	↑
Cash flow from operating activities	41.3	44.5	↓	114.3	55.5	↑

* Adjusted for items affecting comparability (IAC)

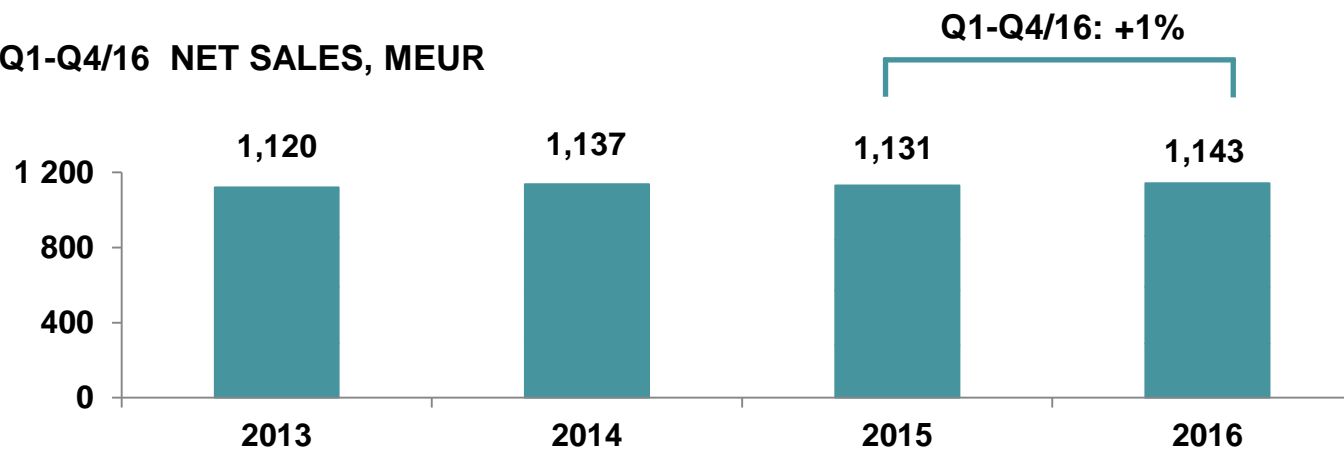


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Net sales development



Q1-Q4/16 NET SALES, MEUR



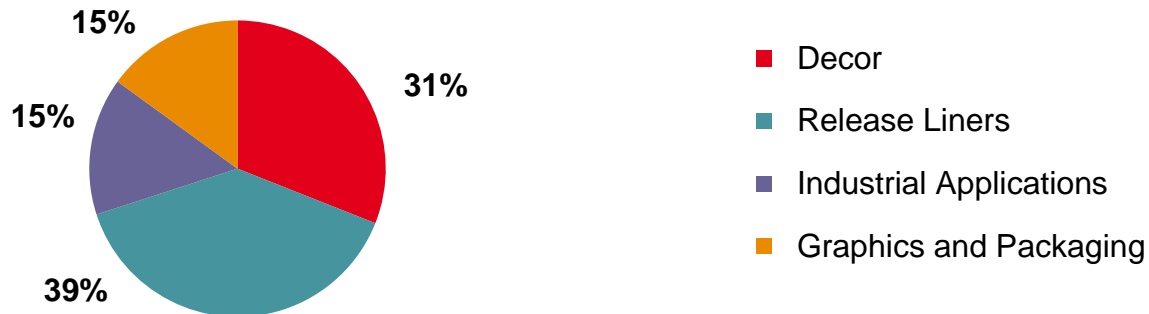
Pro forma figures for 2013. From Q1/2014 the reported figure is used.



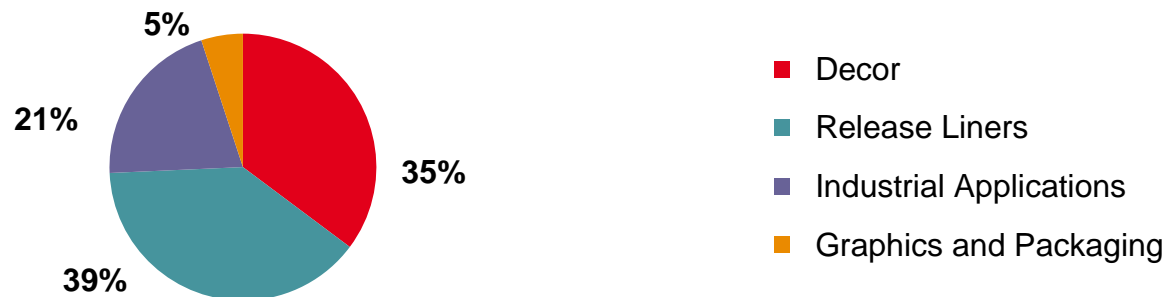
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Business Area overview for Q1-Q4/2016

Share of net sales*



Share of EBITDA (adj.**)



* Excluding segment *Others* and internal eliminations ** Adjusted for items affecting comparability (IAC)

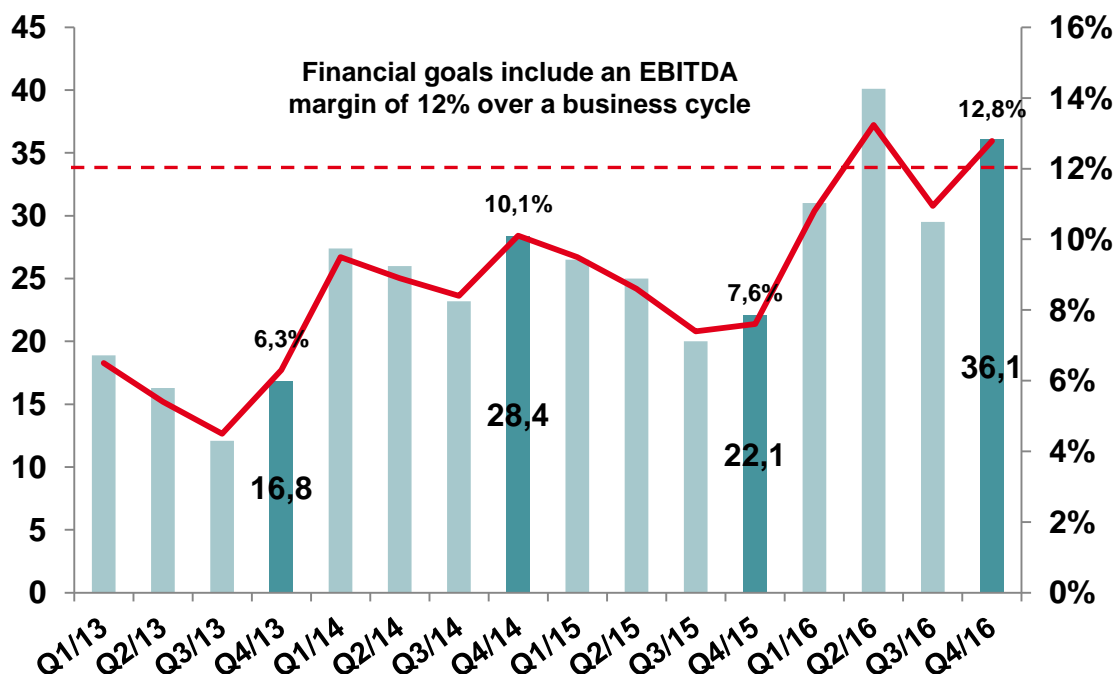


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Continued clear margin improvement

EBITDA (adj.*) and margin development 2013-2016

MEUR



Financial goals include an EBITDA margin of 12% over a business cycle

Q4/16

- 📌 **Delivery volumes** Total group delivery volumes decreased (-2.3%). The positive volume development especially the Brazilian paper business, did not compensate for the lower volume for the specialty pulp business and the Decor business.
- 📌 **Net sales** lower as the delivery volumes decreased.
- 📌 **EBITDA** increased, driven by profitability improvement actions and lower variable costs.

Q1-Q4/16

- 📌 **Delivery volumes** increased in most of the product segments.
- 📌 **Net sales** increased as higher volumes more than compensated for lower average price.
- 📌 **EBITDA (adj.*)** +43 MEUR

* Adjusted for items affecting comparability

Pro forma figures for the period Q1-Q4/2013. From Q1/2014 the reported figure is used.



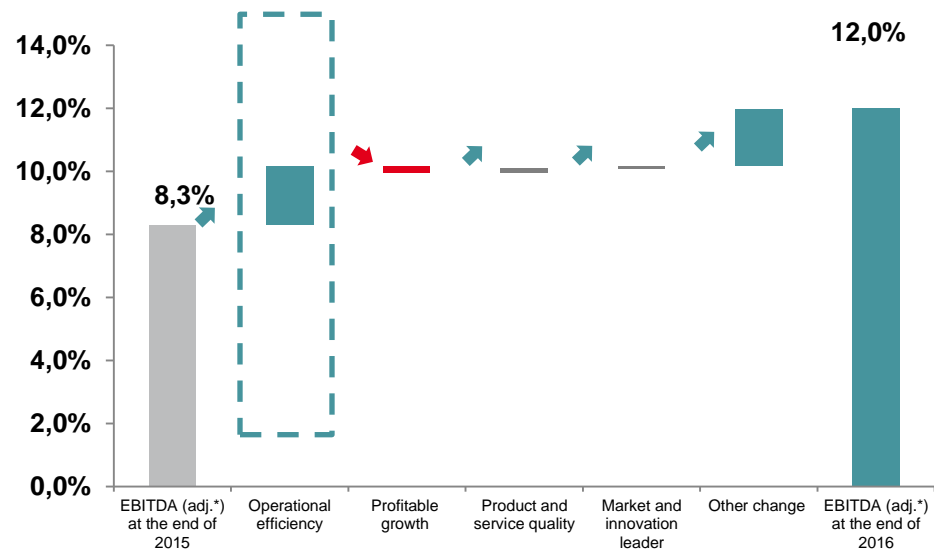
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Profitability target of 12% reached

Expected new target for the combined company at above 14% EBITDA margin

EBITDA (adj.*) 2016:
12.0%

- ➔ Approximately half of the profitability improvement year-on-year was related to plan to reach the profitability target.
- ➔ The target of the plan was achieved.
- ➔ Majority of actions within plan related to operational efficiency.



* Adjusted for items affecting comparability

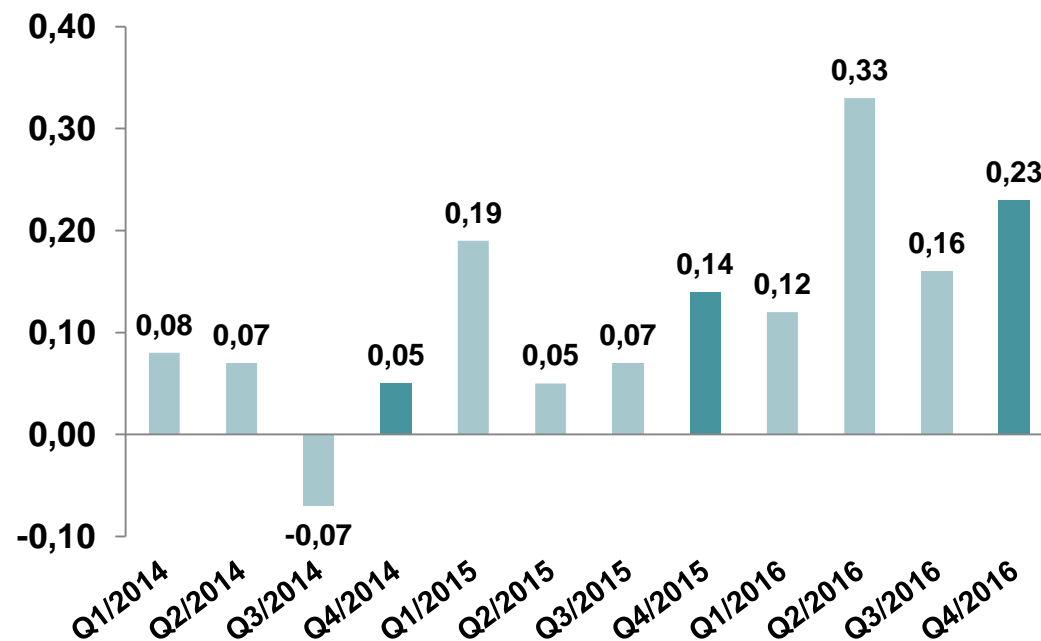


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Earnings per share development

Further strong development in Q4/16

BASIC EPS (EUR)



Q4/16

- EPS higher than in Q4/15, mainly as a result of the improved operating profit (+0.15 EUR) which was partly offset by a negative tax impact of EUR -0.08.

Q1-Q4/16

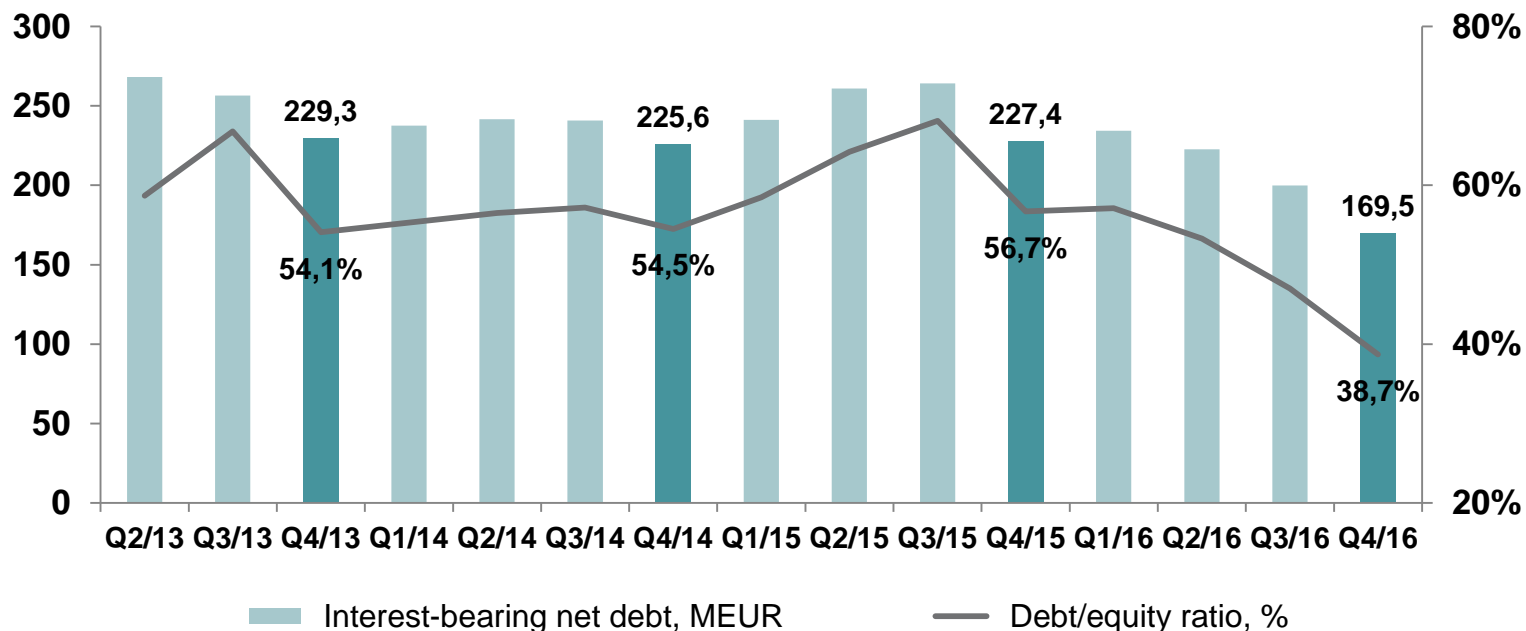
- EPS higher than in Q1-Q4/15, mainly as a result of the improved operating profit (+0.83 EUR), partly offset by a negative effect due to foreign exchange losses on financial items (-0.22 EUR) and tax impact (-0.21 EUR).



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Net debt development

NET DEBT AND GEARING



Pro forma figures for the period Q2-Q4/2013. From Q1/2014 the reported figure is used.

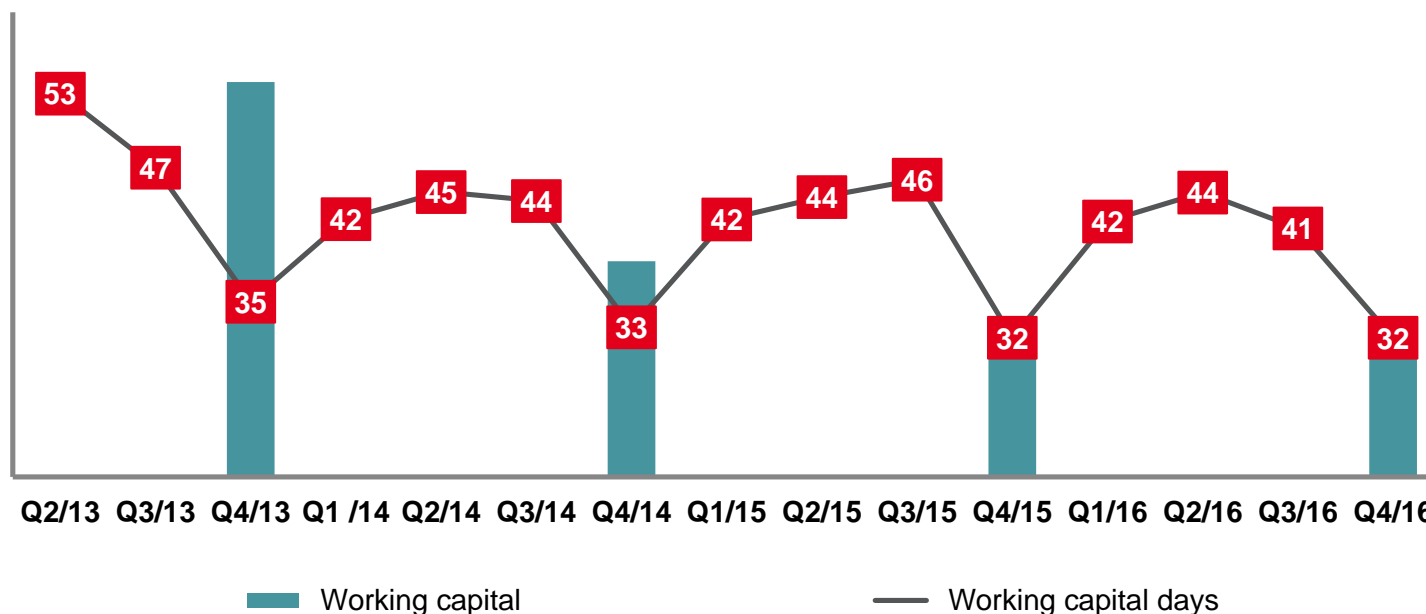


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Focus on working capital management continues

Q1-Q4/16 reflected the normal seasonal pattern and clear results of actions

MEUR



Working capital days: $DIO + DSO - DPO$

Working capital: $Inventory + Accounts\ receivable - Accounts\ payable$

Figures preceding Q1/2014 include LP Europe and Coated Specialties. From Q1/2014, the reported figure is used.



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1 Key financials

2 Business Area performance

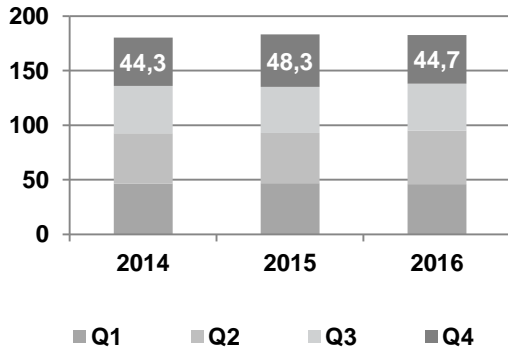
3 Outlook

4 Q&A

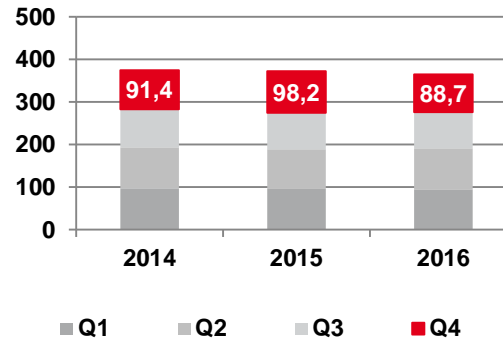


Business Area Decor

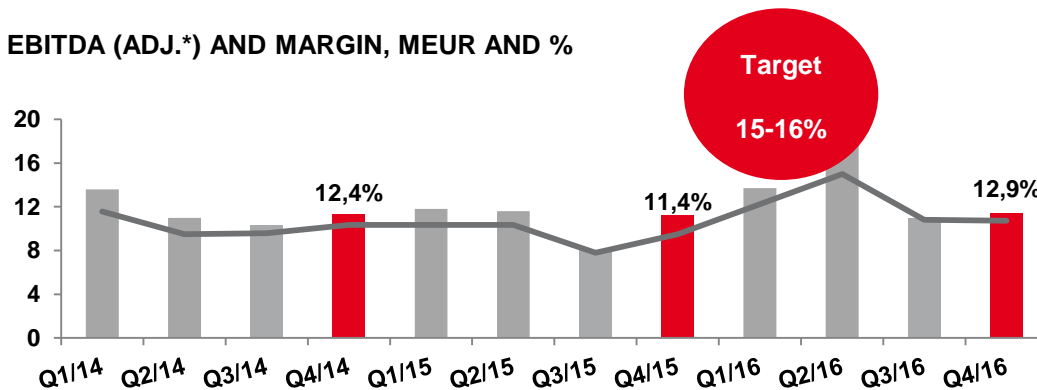
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.*) AND MARGIN, MEUR AND %



* Adjusted for items affecting comparability

Q4/2016

- ◆ **Delivery volumes** lower mainly due to large year-end delivery in Q4/15.
- **Net sales** decreased mainly due to lower volumes.
- **EBITDA (adj.)** increased as profitability improvement actions and lower variable costs more than compensated for the lower delivery volumes.

Q1-Q4/2016

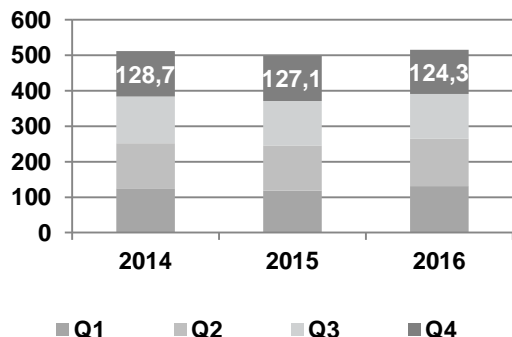
- **Delivery volumes** on the same level as the previous period.
- **Net sales** decreased due to a lower average price.
- **EBITDA (adj.)** increased as profitability improvement actions and lower variable costs more than compensated for the lower average price.



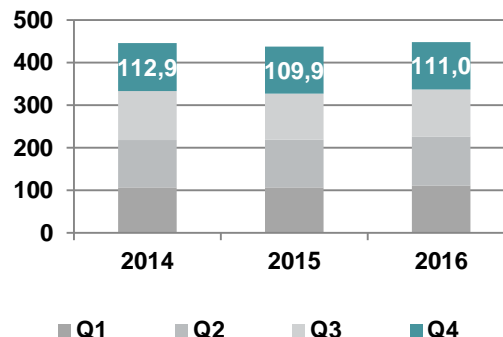
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Business Area Release Liners

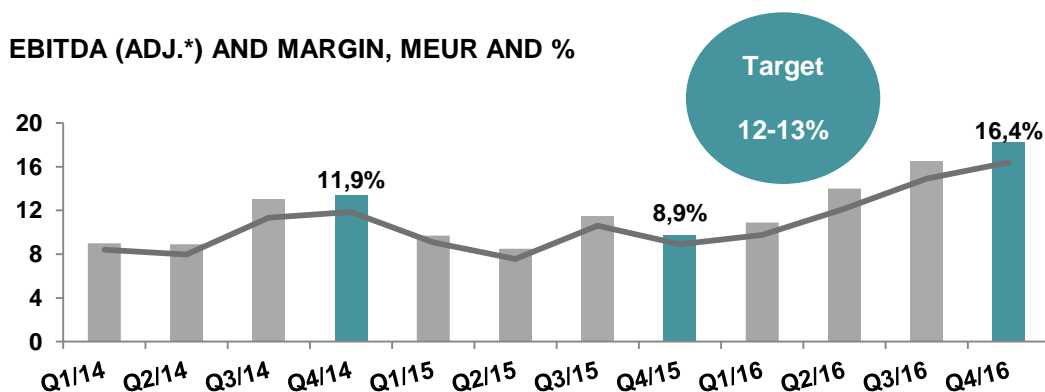
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.*) AND MARGIN, MEUR AND %



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Q4/2016

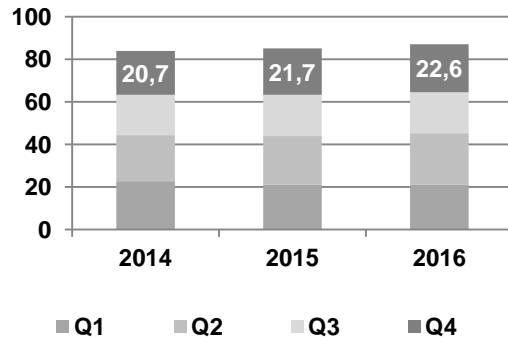
- ✦ **Delivery volumes** lower as the positive volume development in the Brazilian paper business did not fully compensate for the lower volume for the specialty pulp business.
- ✦ **Net sales** and average price were higher.
- ✦ **EBITDA (adj.*)** increased supported by profitability improvement actions, lower variable costs and the higher average price.

Q1-Q4/2016

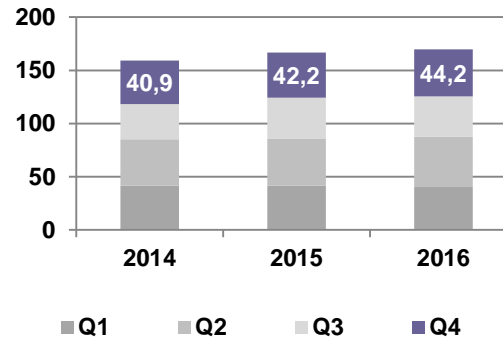
- ✦ **Delivery volumes** higher in all three businesses and especially strong in specialty pulp and the Brazilian paper business.
- ✦ **Net sales** higher and average price stable. Average price positively affected by European paper business, negatively affected by specialty pulp.
- ✦ **EBITDA (adj.*)** increased as higher volumes, profitability improvement actions and lower variable costs.

Business Area Industrial Applications

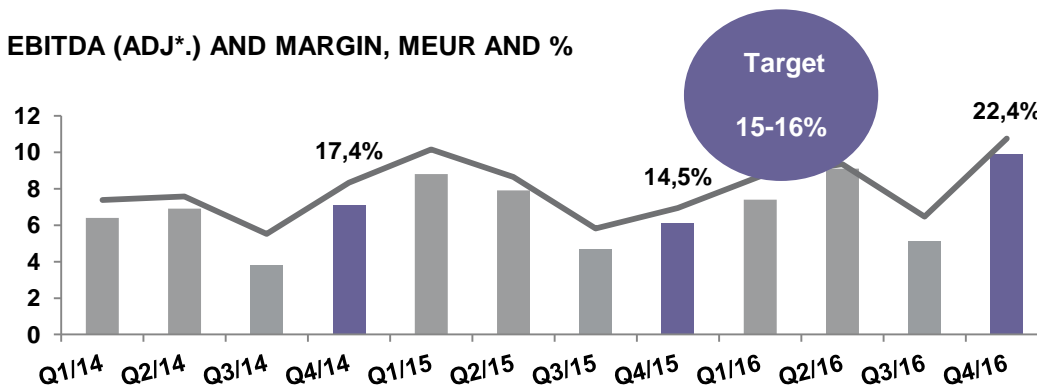
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.*) AND MARGIN, MEUR AND %



* Adjusted for items affecting comparability

Q4/2016

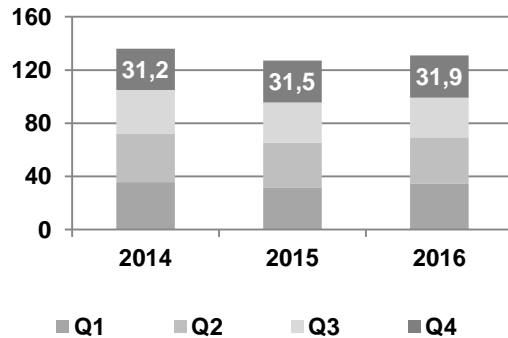
- **Delivery volumes** increased by 4%.
- **Net sales** increased. The average price was higher.
- **EBITDA (adj.*)** increased mainly through profitability improvement actions.

Q1-Q4/2016

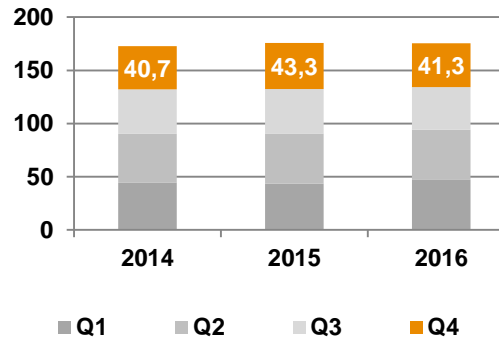
- **Delivery volumes** higher with growth in most segments.
- **Net sales** increased driven by higher volumes. Average price lower as mix less favourable.
- **EBITDA (adj.*)** higher as higher delivery volumes, lower variable costs and profitability improvement actions compensated for higher fixed costs.

Business Area Graphics and Packaging

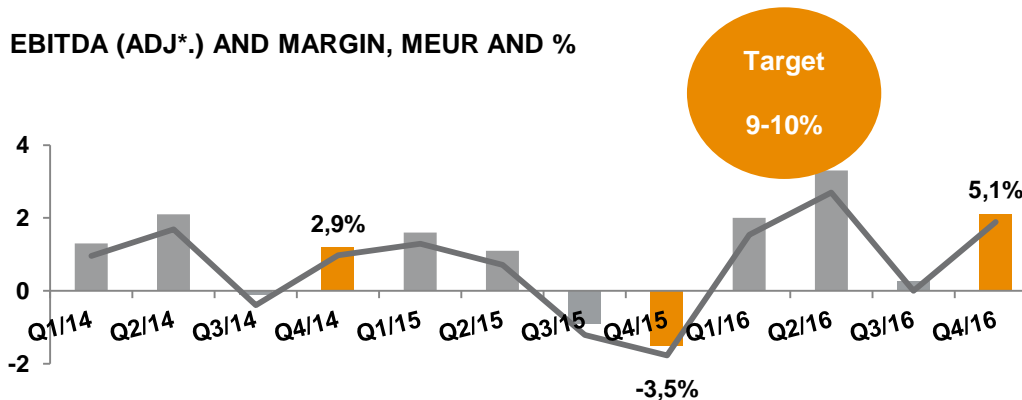
DELIVERY VOLUMES, KTON



NET SALES, MEUR



EBITDA (ADJ.*) AND MARGIN, MEUR AND %



* Adjusted for items affecting comparability

Q4/2016

- **Delivery volumes** increased, challenging competitive situation in certain product segments continues.
- **Net sales** lower as average price decreased, mainly as a result of a less favourable mix.
- **EBITDA (adj.*)** increased as lower variable costs, profitability improvement actions more than compensated for lower average price.

Q1-Q4/2016

- **Delivery volumes** increased, challenging competitive situation in certain product segments continues.
- **Net sales** stable. The average price was lower and higher volumes did not compensate for less favourable mix.
- **EBITDA (adj.*)** increased as lower variable costs, profitability improvement actions and higher delivery volumes more than compensated for lower average price.



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Outlook and events after the reporting period

OUTLOOK

- The demand outlook for 2017 for Munksjö's specialty paper products is expected to remain stable at the current good level and to reflect the seasonal pattern.
- The annual maintenance and vacation shutdowns in the second and third quarter as well as the seasonal shutdowns at the end of 2017 are expected to be carried out to about the same extent as in 2016. The next maintenance shut down at the pulp production facility in Aspa in Sweden will be carried out in the fourth quarter of 2017.
- The cash flow effect of current capital expenditure for fixed assets for 2017 is expected to be approximately EUR 40 million and, in addition, the cash flow impact of the strategic investment in the Arches mill is expected to be approximately EUR 14 million.
- The outlook for the financial year 2017 is given for Munksjö as a stand-alone company with its current operations.

EVENTS AFTER REPORTING PERIOD

- The Extraordinary General Meeting approved the combination with Ahlstrom on 11 January 2017.
- The EGM also authorized the Board of Directors to resolve on an extra payment of funds from the company's reserve for invested unrestricted equity as return of equity of maximum EUR 0.45 per share.



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Q&A

Future events:

Interim Report January-March 2017

Wednesday, 26 April 2017

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