Munksjö Oyj
Interim report
January-June 2014

Stockholm, 23 July 2014
Jan Åström, President and CEO

Materials for innovative product design

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1	Synergy benefits and integration
2	Key financials for Q2/14 and H1/14
3	Business Area performance
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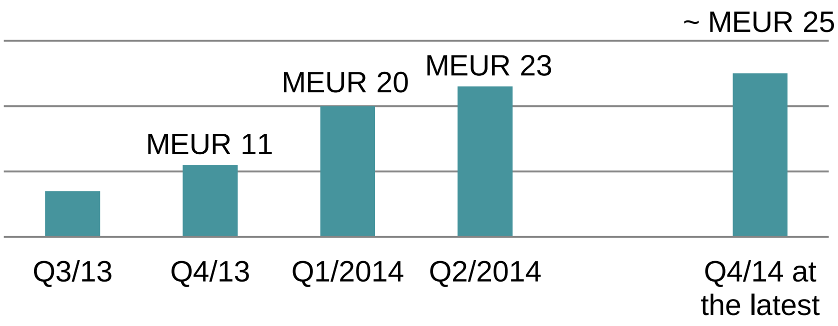
Update on synergies

Annual synergy savings of MEUR 20-25

- Annual synergy savings run-rate at the end of Q2/14 at approx. MEUR 23
- Synergy savings estimated to be at the upper end of the target level
- Synergies realised and recorded in the financial results:
  - **Q2/2014 › MEUR 5.5**
  - Q1/2014 › MEUR 5
  - FY 2013 › MEUR 5
- Annual synergy savings run-rate within range expected to be reached already during 2014



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

- Annual level is MEUR 11

Update on synergies (contd.)

Synergies achieved primarily within procurement and improved efficiency

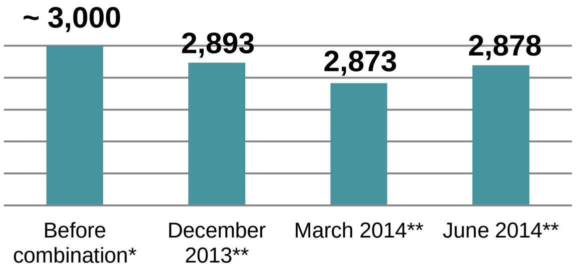
Procurement

- Further impact during H1/2014, as already negotiated terms were implemented

Organisational efficiency

- Optimisation of sales organisation continues
- Full effect of headcount reductions within Graphics and Packaging expected during Q4/14

Personnel development



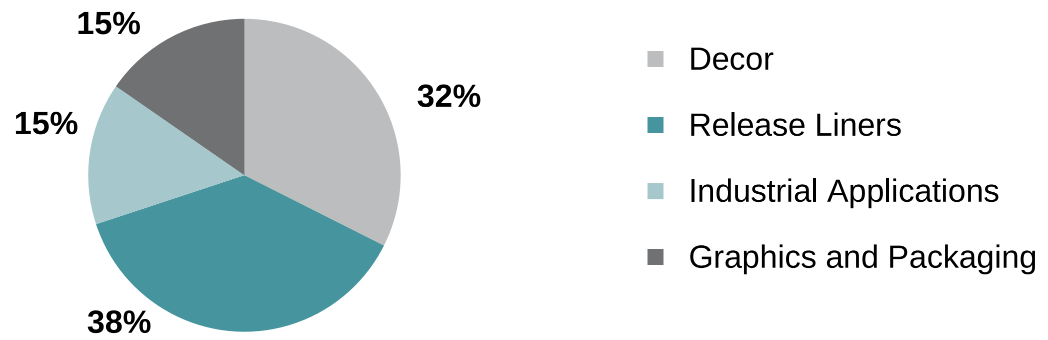
* Munksjö AB and ALP   ** Headcount

Total cost to achieve synergies estimated to be MEUR 10-15

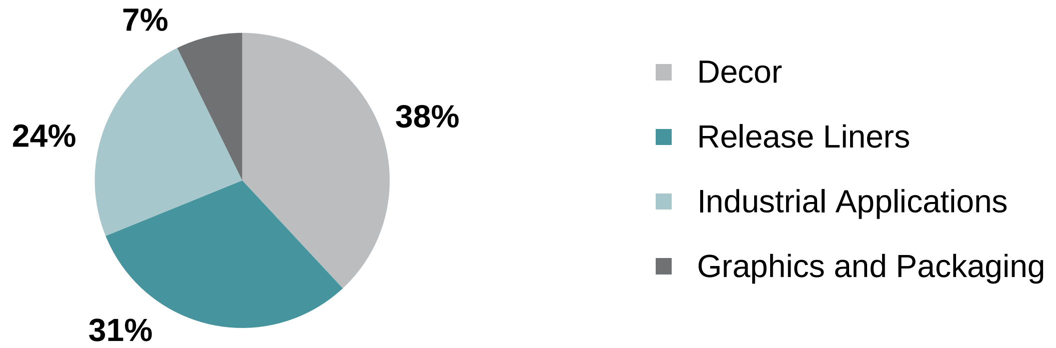
- One-off items recorded in the financial results:
  - **Q2/2014 › MEUR 0.0 › Cash flow effect of MEUR 1.0**
  - Q1/2014 › MEUR 0.5 › Cash flow effect of MEUR 1.5
  - FY 2013 › MEUR 11 › Cash flow effect of MEUR 4.0

Business Area overview

Share of net sales for Q2/2014*



Share of EBITDA (adj.**) for Q2/2014*



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

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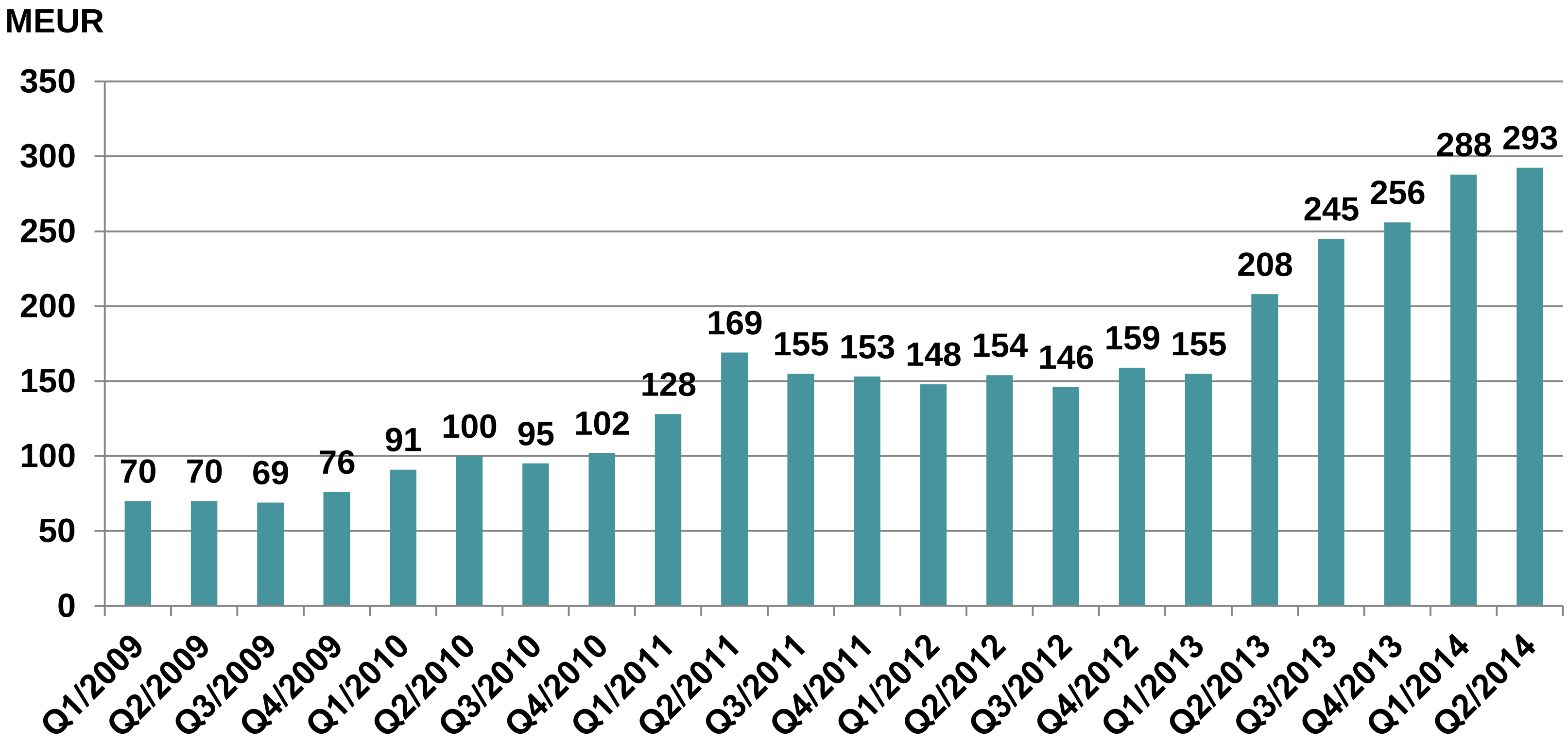
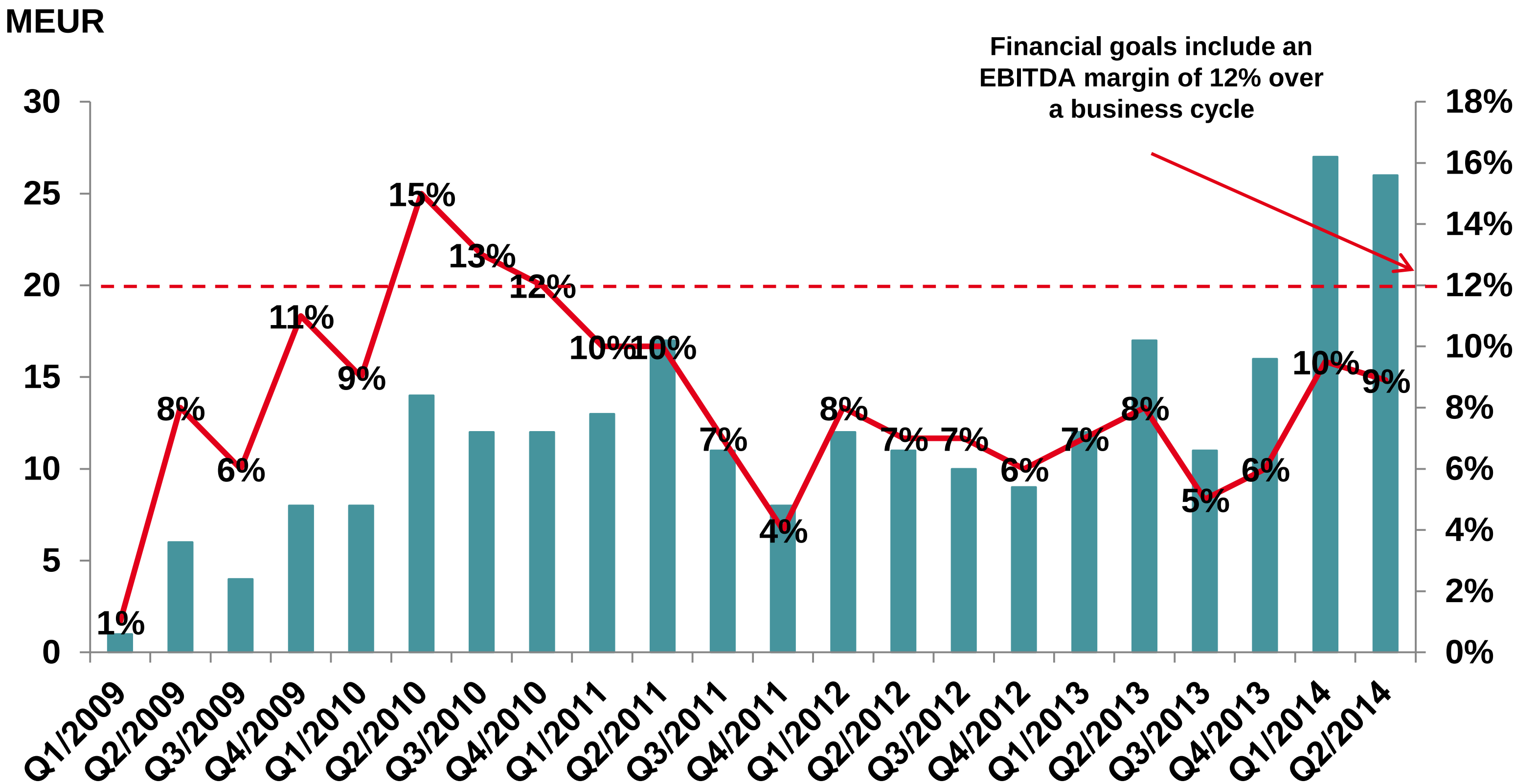
Net sales development 2009-2014



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



* Adjusted for non-recurring items

Key figures

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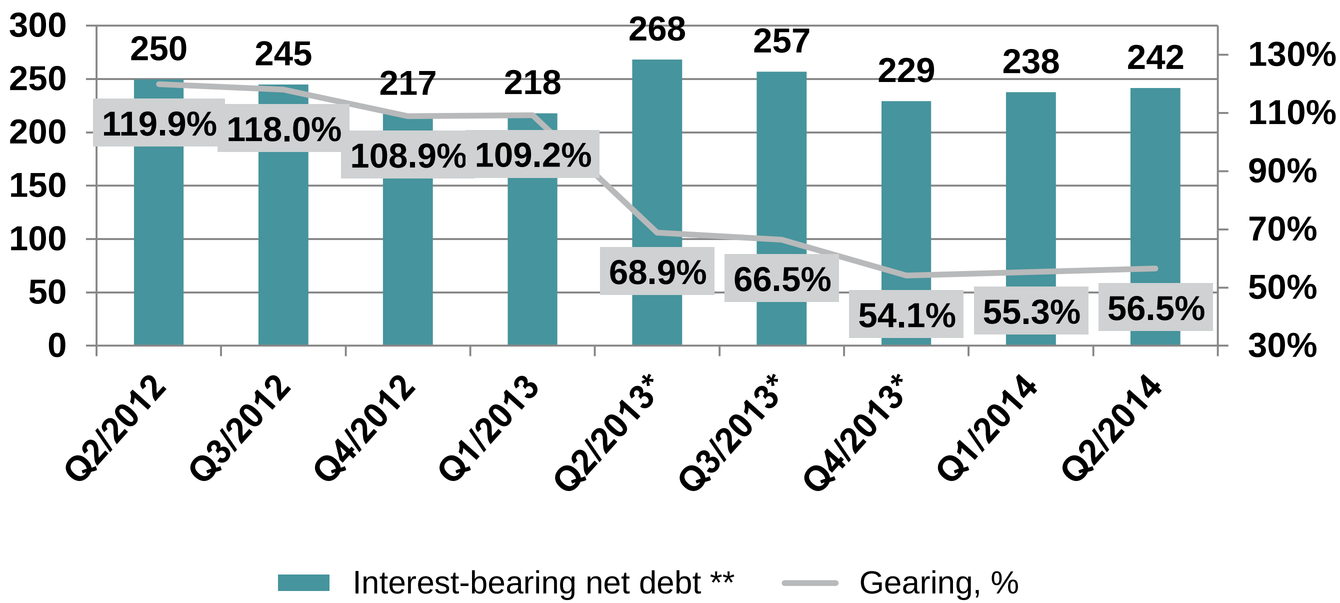
REPORTED[1], MEUR	Q2/2014		Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Net sales	**292.5**	↑	208.0	**580.4**	362.5	863.3
EBITDA (adj.*)	**26.0**	↑	16.5	**53.4**	28.0	55.0
EBITDA margin, % (adj.*)	**8.9%**	↑	7.9%	**9.2%**	7.7%	6.4%
EBITDA	**25.4**	↑	-11.1	**51.8**	-2.6	5.9
Operating result (adj.*)	**13.4**	↑	8.3	**27.1**	13.3	15.7
Operating result	**12.8**	↑	-19.3	**25.5**	-17.3	-33.4
Net profit	**4.1**	↑	-22.0	**8.4**	-23.9	-57.4
EPS (EUR)	**0.07**	↑	-0.98	**0.16**	-1.38	-1.97
PRO FORMA[2], MEUR	**Q2/2014**		Q2/2013	**Q1-Q2/2014**	Q1-Q2/2013	FY 2013
Net sales	**292.5**	↓	299.6	**580.4**	590.0	1,120.3
EBITDA** (adj.*)	**26.0**	↑	16.3	**53.4**	35.2	64.1
EBITDA** margin, % (adj.*)	**8.9%**	↑	5.4%	**9.2%**	6.0%	5.7%

* Adjusted for non-recurring items ** Includes stand-alone cost savings and synergies obtained after 27 May 2013
1) Includes LP Europe from 27 May 2013 and Coated Specialties from 2 December 2013 2) Includes LP Europe and Coated Specialties from 1 January 2012. As the combination was completed during 2013, the pro forma information is only consolidated until the fourth quarter 2013. From the first quarter 2014 the reported figure is used.

Net debt development

MEUR



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

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

Cash flow comments for H1/14

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- Adjusted EBITDA of MEUR 53.4
- Capital expenditure of MEUR 14.1
- To ensure the service level during the scheduled vacation shutdowns in the third quarter, the Group has increased its working capital, primarily inventories, during the reporting period
- Paid tax and financial costs of MEUR 6.0 and MEUR 8.5 respectively
- Cash flow affected by approximately MEUR 14 related to previously made provisions and non-recurring costs

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Business Area Decor

REPORTED, MEUR	Q2/2014	Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Deliveries, tonnes	**46,100**	45,900	**92,700**	90,500	174,800
Net sales	**96.4**	95.5	**193.9**	191.5	368.2
EBITDA (adj.*)	**11.0**	9.4	**24.6**	19.0	33.7
EBITDA margin, % (adj.*)	**11.4%**	9.9%	**12.7%**	9.9%	9.2%

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

Q2:

- Delivery volume slightly higher
- Net sales increased slightly due to positive volume development and a higher average price
- Positive result development due to increased volumes and lower raw material costs

Business Area Release Liners

REPORTED[1], MEUR	Q2/2014	Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Deliveries, tonnes	**127,500**	67,000	**252,000**	111,500	313,500
Net sales	**111.5**	53.1	**218.4**	76.5	249.1
EBITDA (adj.*)	**8.9**	4.0	**17.9**	3.8	15.7
EBITDA margin, % (adj.*)	**8.0%**	7.6%	**8.2%**	5.0%	6.3%

PRO FORMA[2], MEUR	Q2/2014	Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Deliveries, tonnes	**127,500**	126,600	**252,000**	253,200	497,500
Net sales	**111.5**	118.6	**218.4**	230.7	432.8
EBITDA** (adj.*)	**8.9**	4.7	**17.9**	10.1	23.9
EBITDA** margin, % (adj.*)	**8.0%**	4.0%	**8.2%**	4.4%	5.5%

* Adjusted for non-recurring items ** Includes stand-alone cost savings and synergies obtained after 27 May 2013
1) Includes LP Europe from 27 May 2013 and Coated Specialties from 2 December 2013 2) Includes LP Europe and Coated Specialties from 1 January 2012. As the combination was completed during 2013, the pro forma information is only consolidated until the fourth quarter 2013. From the first quarter 2014 the reported figure is used.

Q2:

- Delivery volume increased in the European paper business, was flat for the Brazilian paper business and decreased in the pulp business due to the maintenance shutdown
- Reported net sales decreased compared to pro forma net sales and was effected by the weaker BRL and SEK
- Positive result development mainly due to lower raw material costs and the effects of the business combination on the cost base

Business Area Industrial Applications

REPORTED, MEUR	Q2/2014	Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Deliveries, tonnes	**21,600**	21,800	**44,400**	42,100	81,500
Net sales	**43.7**	42.1	**85.3**	80.1	158.0
EBITDA (adj.*)	**6.9**	5.0	**13.3**	8.7	16.1
EBITDA margin, % (adj.*)	**15.8**%	12.0%	**15.6%**	10.9%	10.2%

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

Q2:

- Delivery volume was flat
- Favourable product mix resulted in a higher average price and higher net sales
- Positive result development mainly as a result of lower raw material costs and improved capacity utilisation

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Business Area Graphics and Packaging

REPORTED[1)], MEUR	Q2/2014	Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Deliveries, tonnes	**36,600**	17,400	**72,300**	17,400	83,700
Net sales	**45.7**	20.8	**90.3**	20.8	102.4
EBITDA (adj.*)	**2.1**	0.3	**3.4**	0.3	-1.5
EBITDA margin, % (adj.*)	**4.6%**	1.4%	**3.8%**	1.4%	-1.5%

PRO FORMA[2)], MEUR	Q2/2014	Q2/2013	Q1-Q2/2014	Q1-Q2/2013	FY 2013
Deliveries, tonnes	**36,600**	40,700	**72,300**	79,300	145,600
Net sales	**45.7**	47.0	**90.3**	94.3	175.9
EBITDA** (adj.*)	**2.1**	-0.6	**3.4**	1.2	-0.6
EBITDA** margin, % (adj.*)	**4.6%**	-1.3%	**3.8%**	1.3%	-0.3%

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

Q2:

- Reported net sales lower than pro forma net sales mainly as a result of lower delivery volumes
- Higher average price due to price increases announced in Q2/13 and continued product mix adjustments
- Full result effect of headcount reductions expected in Q4/14

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Outlook

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The demand for Munksjö's products is expected to remain stable during the third quarter of 2014, after relatively strong first six months. Prices in local currency are expected to remain at the same level as in the second quarter. An improvement of cash flow is expected in the second half of the year.

The annual synergy benefits related to the combination are expected to reach the upper level of the previously communicated target level of EUR 20-25 million. Further initiatives have started and are planned in order to reach the financial goal of 12 per cent EBITDA margin over a business cycle.

The annual vacation shutdowns, during which planned maintenance operations are scheduled, are expected to be carried out to the same extent as in 2013, with the exception of the business area Graphics and Packaging. The shutdowns in this business area's two production facilities will be extended by approximately one week due to paper machine upgrades.

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SAVE THE DATE

Warmly welcome to Munksjö's

CAPITAL MARKETS DAY 2014

to be held in Stockholm

on 20 November 2014

at Fotografiska

Q&A

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