



Made by Munksjö™



Munksjö Financial Statements Bulletin 2016

Profitability target of 12% reached, record high full-year results and cash flow

Highlights of the fourth quarter 2016

- Net sales were EUR 282.4 (290.0) million.
- Adjusted EBITDA was EUR 36.1 (22.1) million and the adjusted EBITDA margin was 12.8% (7.6%). Items affecting comparability (IAC) amounted to EUR -6.6 (0.0) million, mainly related to the planned combination.
- Operating result was EUR 16.4 (8.5) million and net result EUR 11.8 (7.2) million.
- Earnings per share (EPS) were EUR 0.23 (0.14).
- Operating cash flow was EUR 41.3 (44.5) million.
- On 7 November 2016, Munksjö announced the plan to combine with Ahlstrom Corporation and create a global leader in sustainable innovative fiber-based solutions.

Highlights of January-December 2016

- Net sales were EUR 1,142.9 (1,130.7) million.
- Adjusted EBITDA was EUR 136.7 (93.6) million and the adjusted EBITDA margin was 12.0% (8.3%). Items affecting comparability (IAC) amounted to EUR -6.6 (-7.3) million, mainly related to the planned combination.
- Operating result was EUR 74.9 (32.7) million and net result EUR 43.3 (22.8) million.
- Earnings per share (EPS) were EUR 0.85 (0.44).
- Operating cash flow was EUR 114.3 (55.5) million.
- The Extraordinary General Meeting (EGM) approved the combination with Ahlstrom on 11 January 2017.
- The EGM also authorised 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.

KEY FIGURES MEUR	Oct-Dec			Jan-Dec		
	2016	2015	Change, %	2016	2015	Change, %
Net sales	282.4	290.0	-3%	1,142.9	1,130.7	1%
EBITDA (adj.*)	36.1	22.1	63%	136.7	93.6	46%
EBITDA margin, % (adj.*)	12.8	7.6		12.0	8.3	
EBITDA	29.5	22.1	33%	130.1	86.3	51%
EBITDA margin, %	10.4	7.6		11.4	7.6	
Operating result (adj.*)	23.0	8.5	171%	81.5	40.0	104%
Operating margin, % (adj.*)	8.1	2.9		7.1	3.5	
Operating result	16.4	8.5	93%	74.9	32.7	129%
Operating margin, %	5.8	2.9		6.6	2.9	
Net result	11.8	7.2	64%	43.3	22.8	90%
Earnings per share (EPS), EUR	0.23	0.14	66%	0.85	0.44	93%
Interest-bearing net debt	169.5	227.4	-25%	169.5	227.4	-25%

* Adjusted for items affecting comparability (IAC)

Unless otherwise indicated, the figures in parentheses refer to the figures for the equivalent period in 2015. This financial report is unaudited. It is published in Swedish, Finnish and English. In case of any discrepancies between the three versions, the Swedish text shall prevail.

Comment from Munksjö's President and CEO, Jan Åström

"I am proud of our team and what we have achieved in 2016. We reached our ambitious target, set in 2013, of an EBITDA margin of 12 per cent. We announced the plan to combine Munksjö and Ahlstrom through a merger to create a global leader in sustainable and innovative fiber-based solutions, and we communicated new expected targets including an EBITDA margin target of above 14 per cent for the combined company. The combination is expected to create significant value for the stakeholders through stronger global growth opportunities and improved operational efficiency.

During 2016, the adjusted EBITDA reached EUR 136.7 (93.6) million, an improvement of EUR 43 million or 46 per cent. All four business areas have executed on their respective profitability improvement plans and approximately half of the result improvement is based on our own actions to increase efficiency. The rest was mainly attributable to

favourable cost conditions. Market demand has remained stable on a good level in all key businesses. Some geographical markets, such as Brazil, have still been impacted by macroeconomic uncertainty during 2016 but we have been able to compensate this with exports to other markets. Our 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 our solutions is supported by global megatrends such as urbanization and globalisation.

Our strong performance in 2016 has strengthened the company. I am now looking forward to the next big step in the development through the merger with Ahlstrom that is expected to be completed early in the second quarter of 2017. The preparations for the integration process are proceeding according to plan and together we will improve our competitiveness further and create a strong growth platform for the future.”

▲ 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 in 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.

▲ Combination with Ahlstrom

On 7 November 2016, Munksjö Oyj and Ahlstrom Corporation announced a plan to merge the two companies. The combination will create a global leader in sustainable and innovative fiber-based solutions. The combination is expected to create significant value for the stakeholders in the combined company through stronger global growth opportunities and improved operational efficiency. The combined company's growth ambitions will be supported by a strong balance sheet and strong cash flow generation.

- Munksjö and Ahlstrom will merge through an absorption merger whereby Ahlstrom's shareholders will receive Munksjö shares as merger consideration.
- Ahlstrom's shareholders will receive 0.9738 new shares in Munksjö for each share held in Ahlstrom as merger consideration, corresponding to an ownership in the combined company of approximately 47.2% for current Ahlstrom shareholders and approximately 52.8% for current Munksjö shareholders.

Unaudited pro forma financials of the combined company and certain other information, such as composition of the management team can be found in the merger prospectus, published on 16 December 2016.

Munksjö entered on 10 November 2016 into a facilities agreement for the merger and the combined company with Nordea and SEB as the joint underwriters. The new financing consists of approximately EUR 560 million multicurrency term and revolving credit facilities with maturities ranging between three and five years; and EUR 200 million bridge facility for Ahlstrom, which will be assumed by Munksjö as from the date of completion of the merger with amended terms and commitments reduced to EUR 100 million.

The syndication of the term loan facilities and the revolving credit facility was concluded on 23 December 2016 and is provided by SEB, Nordea and Danske Bank as bookrunners. BNP Paribas, OP Corporate Bank and Swedbank joined as Mandated Lead Arrangers and Citi, Commerzbank, Crédit Agricole and DNB Bank joined as Lead Arrangers.

Financial targets for the planned combined company are expected to include an EBITDA margin above 14 per cent over a business cycle, a net gearing below 100 per cent, as well as a stable and annually increasing dividend.

▲ Profitability target reached

Munksjö's profitability target, set in 2013, to reach an EBITDA margin of 12 per cent at the end of 2016 was achieved according to plan. The drivers for the profitability improvement included continued 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 included measures to adjust the cost structure.

Of the realised actions in the financial result in January-December 2016, the majority were related to operational efficiency. Further information on the actions related to the profitability improvement plan and their effect on the financial result can be found under the heading *Munksjö Group*.

▲ Events after the end of the reporting period

The Extraordinary General Meetings of both Munksjö Oyj and Ahlstrom Corporation were held in Helsinki on 11 January 2017. Munksjö's EGM resolved, inter alia, to approve the combination of Ahlstrom's and Munksjö's business operations through a statutory absorption merger of Ahlstrom into Munksjö and approve the merger plan. The EGM

also resolved to authorise 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. The merger, which is expected to be completed at the beginning of the second quarter of 2017, is subject to among other things approval by relevant competition authorities.

▲ Webcast and conference call

A combined news conference, conference call and live webcast will be arranged on the publishing day 16 February 2017 at 10:00 a.m. CET (11:00 a.m. EET, 8:00 a.m. GMT) at restaurant Savoy (Eteläesplanadi 14, 7th floor, Helsinki). The report will be presented by President and CEO Jan Åström. The event will be held in English. The conference call and live webcast can be followed on the Internet and an on-demand version of the webcast will be available on the same webpage later the same day.

To join the conference call, participants are requested to dial one of the numbers below 5-10 minutes prior to the start of the event.

Webcast and conference call information

Finnish callers: +358 (0)9 7479 0404

Swedish callers: +46 (0)8 5065 3942

US callers: +1 719 457 2086

UK callers: +44 (0)330 336 9412

Conference ID: 7977721

Link to the webcast: http://qsb.webcast.fi/m/munksjo/munksjo_2017_0216_q4/#/webcast

The Munksjö Group

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.

MEUR	Oct-Dec			Jan-Dec		
	2016	2015	Change, %	2016	2015	Change, %
Net sales	282.4	290.0	-3%	1,142.9	1,130.7	1%
EBITDA (adj.*)	36.1	22.1	63%	136.7	93.6	46%
EBITDA margin, % (adj.*)	12.8	7.6		12.0	8.3	
EBITDA	29.5	22.1	33%	130.1	86.3	51%
EBITDA, margin %	10.4	7.6		11.4	7.6	
Operating result (adj.*)	23.0	8.5	171%	81.5	40.0	104%
Operating margin, % (adj.*)	8.1	2.9		7.1	3.5	
Operating result	16.4	8.5	93%	74.9	32.7	129%
Operating margin, %	5.8	2.9		6.6	2.9	
Net result	11.8	7.2	64%	43.3	22.8	90%
Capital expenditure	10.7	8.9	20%	39.2	39.8	-2%
Employees, FTE	2,752	2,749	0%	2,755	2,774	-1%

* Adjusted for items affecting comparability (IAC)

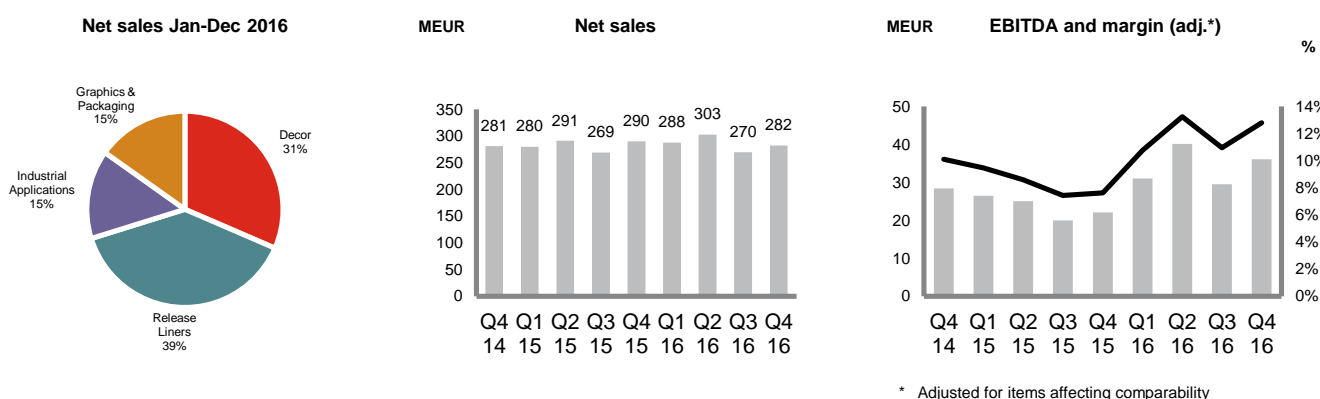
Fourth quarter 2016

- Total group delivery volumes decreased. The positive volume development in most of the product segments, especially the Brazilian paper business in Business Area Release Liners, did not compensate for the lower volume for the specialty pulp business and the Decor business, where the comparison period was historically strong and included a large year-end delivery.
- EBITDA adjusted for IAC increased to EUR 36.1 (22.1) million and the adjusted EBITDA margin was 12.8% (7.6%). The positive result effect was driven by profitability improvement actions, lower variable costs and higher production.
- The seasonal shutdowns in the fourth quarter were shorter compared to 2015 particularly in the Business Area Graphics and Packaging and in the Brazilian paper business in Business Area Release Liners where seasonal shutdowns in 2015 were prolonged.
- IAC amounted to EUR -6.6 (0.0) million, whereof approximately EUR 4 million were related to the planned merger with Ahlstrom. Furthermore, approximately EUR 2 million were related to the terminated long-term share-value-based incentive program.
- The operating result was EUR 16.4 (8.5) million and net result EUR 11.8 (7.2) million.
- In the reporting period the currency hedging result impacting operating profit amounted to EUR -0.8 (-0.2) million. Exchange gains on financial assets and liabilities were EUR 1.6 (1.4) million and are reported in financial items.

January-December 2016

- Total group delivery volumes increased in most of the product segments and were stable in decor papers. The delivery volume development was particularly strong in the specialty pulp business and the Brazilian paper business in Business Area Release Liners.
- Net sales increased to EUR 1,142.9 (1,130.7) million, as higher volumes compensated for the lower average price, mainly driven by the lower sales price for long fibre specialty pulp and a different product mix compared to last year.
- EBITDA adjusted for IAC increased to EUR 136.7 (93.6) million and the adjusted EBITDA margin was 12.0% (8.3%). Higher delivery volumes had a positive effect of EUR 10 million. This was offset by EUR 11 million as an effect of the lower average price. Lower variable costs, driven mainly by operational efficiency related actions, the lower energy price and lower raw material prices had a positive result effect of EUR 54 million. Higher fixed costs had a negative result effect of EUR 10 million, mainly as a result of accruals for incentive plans and increased manning related to higher production volumes.
- Out of the total profitability improvement, amounting to EUR 43 million, approximately half was related to actions related to the plan to reach the profitability target.

- The annual maintenance and vacation shutdowns in the second and third quarter were carried out to about the same extent as in 2015. The seasonal shutdowns in the fourth quarter were shorter compared to 2015 particularly in the Business Area Graphics and Packaging and in the Brazilian paper business in Business Area Release Liners where seasonal shutdowns in 2015 were prolonged.
- IAC amounted to EUR -6.6 (-7.3) million, whereof approximately EUR 4 million were related to the planned merger with Ahlstrom. Furthermore, approximately EUR 2 million were related to the terminated long-term share-value-based incentive program. The IAC in the comparison period 2015 was mainly related to restructuring actions.
- The operating result was EUR 74.9 (32.7) million and net result EUR 43.3 (22.8) million.
- In the reporting period, the currency hedging result impacting operating profit amounted to EUR -1.7 (-4.9) million. Exchange losses on financial assets and liabilities were EUR 1.5 (gains of 9.5) million and are reported in financial items.



Business Area Decor

As one of the leading manufacturers in the market for paper-based surfacing for wood-based materials, such as laminate flooring, furniture 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. The product offering also includes thin, light-weight leaflet papers, used by the pharmaceutical and cosmetics industries.

MEUR	Oct-Dec			Jan-Dec		
	2016	2015	Change, %	2016	2015	Change, %
Net sales	88.7	98.2	-10%	364.6	372.6	-2%
EBITDA (adj.)*	11.4	11.2	2%	53.7	42.6	26%
EBITDA margin, % (adj.)*	12.9	11.4		14.7	11.4	
EBITDA	11.4	11.2	2%	53.7	42.6	26%
EBITDA, margin %	12.9	11.4		14.7	11.4	
Operating result (adj.)*	9.6	9.0	7%	46.3	34.6	34%
Operating margin, % (adj.)*	10.8	9.2		12.7	9.3	
Operating result	9.6	9.0	7%	46.3	34.6	34%
Operating margin, %	10.8	9.2		12.7	9.3	
Capital expenditure	1.6	2.5	-36%	6.9	10.2	-32%
Deliveries, tonnes	44,700	48,300	-7%	182,800	183,400	0%
Production, tonnes	45,600	44,500	2%	187,600	181,700	3%
Employees, FTE	847	842	1%	846	855	-1%

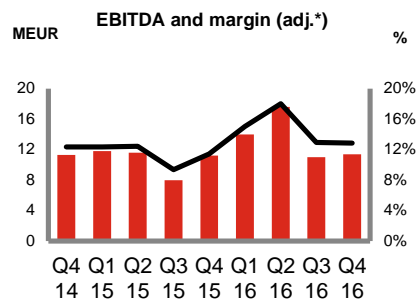
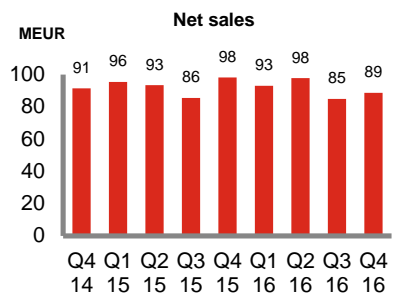
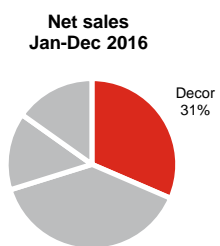
* Adjusted for items affecting comparability (IAC)

Fourth quarter 2016

- Total delivery volumes were lower. The comparison period was historically strong and included a large year-end delivery.
- Net sales decreased to EUR 88.7 (98.2) million mainly due to lower volumes. The average price decreased mainly due to a less favourable product and geographical mix and selected price adjustments.
- EBITDA adjusted for IAC was EUR 11.4 (11.2) million and the adjusted EBITDA margin was 12.9% (11.4%). Profitability improvement actions and lower variable costs had a positive result effect and more than compensated for the negative result effect of the lower average price and the lower delivery volumes.
- The seasonal shutdowns in the fourth quarter were carried out to about the same extent as in 2015.
- There were no IAC in the reporting period or in the corresponding period last year.
- Operating result was EUR 9.6 (9.0) million and the operating margin 10.8% (9.2%).

January-December 2016

- Total delivery volumes were on the same level as a year ago as the geographical expansion outside the core markets in e.g. Asia more than compensated for the negative development in Americas. Delivery volumes were also affected by the strategic decision to decrease thin print paper volumes, to enable growth in pre-impregnated decor papers. The growth excluding thin print paper was approximately 2 per cent.
- Net sales decreased to EUR 364.6 (372.6) million. The average price decreased mainly due to a less favourable product and geographical mix and selected price adjustments.
- EBITDA adjusted for IAC was EUR 53.7 (42.6) million and the adjusted EBITDA margin was 14.7% (11.4%). Profitability improvement actions and lower variable costs had a positive result effect and more than compensated for the negative result effect of the lower average price.
- The annual maintenance and vacation shutdowns in the third quarter were carried out to about the same extent as in 2015. The seasonal shutdowns in the fourth quarter were carried out to about the same extent as in 2015.
- There were no IAC in the reporting period or last year.
- Operating result was EUR 46.3 (34.6) million and the operating margin 12.7% (9.3%).



* Adjusted for items affecting comparability

Business Area Release Liners

Products offered by Release Liners include release papers; both super calendered and coated, coated specialties in South America and specialty pulp. Products are developed to offer consistent quality, high performance and sustainability. Customers include manufacturers of laminates for self-adhesive labelling, industrial siliconisers as well as – for coated specialties – packaging converters. Munksjö has long term customer relationships, built on the company's reputation of quality, reliability and service. Release papers are used as a carrier of different pressure sensitive adhesives labels and materials.

MEUR	Oct-Dec			Jan-Dec		
	2016	2015	Change, %	2016	2015	Change, %
Net sales	111.0	109.9	1%	448.4	437.6	2%
EBITDA (adj.*)	18.2	9.8	86%	59.6	39.5	51%
EBITDA margin, % (adj.*)	16.4	8.9		13.3	9.0	
EBITDA	18.2	9.8	86%	59.6	36.1	65%
EBITDA margin, %	16.4	8.9		13.3	8.2	
Operating result (adj.*)	11.1	2.9	n.m.	31.3	11.4	175%
Operating margin, % (adj.*)	10.0	2.6		7.0	2.6	
Operating result	11.1	2.9	n.m.	31.3	8.0	n.m.
Operating margin, %	10.0	2.6		7.0	1.8	
Capital expenditure	4.0	2.8	43%	11.3	14.9	-24%
Deliveries, tonnes	124,300	127,100	-2%	515,300	498,700	3%
Production, tonnes	125,600	120,600	4%	495,000	475,900	4%
Employees, FTE	830	846	-2%	843	859	-2%

* Adjusted for items affecting comparability (IAC)

A change marked as n.m. indicates that the percentage change is not meaningful

Fourth quarter 2016

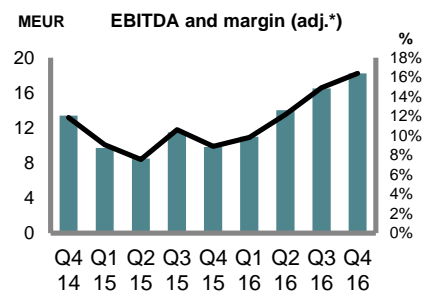
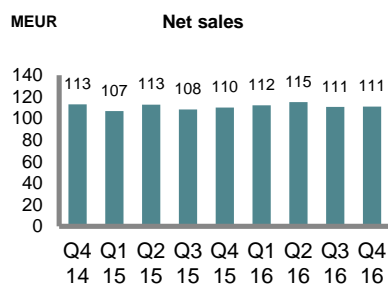
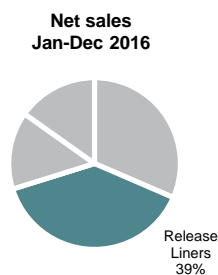
- Total delivery volumes were lower. Deliveries were stable in the European paper business. The positive volume development in the Brazilian paper business did not fully compensate for the lower volume for the specialty pulp business.
- Net sales were higher and reached EUR 111.0 (109.9) million and the average price for the business area was higher. The average price for the European paper business was stable. Average price in reported currency increased for the Brazilian paper business, but was lower in local currency due to an unfavourable product and geographical mix. The average price for the pulp business was stable.
- EBITDA adjusted for IAC increased to EUR 18.2 (9.8) million and the adjusted EBITDA margin was 16.4% (8.9%). The profitability improvement compared with the corresponding period last year was mainly related to the profitability improvement actions, lower variable costs and higher average price. The improvement was further supported by the improved result of the Brazilian paper business and the positive development in the siliconized base paper in the European paper business.
- The seasonal shutdowns in both paper businesses in the fourth quarter were carried out following the normal seasonal pattern and to a lesser extent than in 2015 in the Brazilian business.
- There were no IAC in the reporting period or in the corresponding period last year.
- Operating result was EUR 11.1 (2.9) million and the operating margin 10.0% (2.6%).

January-December 2016

- Total delivery volumes increased in all three businesses and were particularly strong in the Brazilian paper business as export volumes continued to compensate for the effect of the economic slowdown in Brazil.
- Net sales were higher and reached EUR 448.4 (437.6) million and the average price for the Business Area was stable. The average price was higher for the European paper business, as price increases had an expected positive effect. Average price measured in both local and reported currency increased for the Brazilian paper business. The average price for the Business Area was negatively affected by the decrease of the sales price in the specialty pulp business, driven by the lower long fibre pulp (NBSK) price.
- EBITDA adjusted for IAC increased to EUR 59.6 (39.5) million and the adjusted EBITDA margin was 13.3% (9.0%). Profitability improvement actions, lower variable costs and higher delivery volumes had a positive result effect and more than compensated for the negative result effect of higher fixed costs.
- The annual maintenance and vacation shutdowns in both paper businesses in the second and third quarter were carried out to about the same extent as in 2015. The seasonal shutdowns in the fourth quarter were carried out

following the normal seasonal pattern in both paper businesses and to a lesser extent than in 2015 in the Brazilian business.

- The maintenance shutdown at the pulp production facility in Aspa, Sweden, was carried out in the third quarter of 2016 and in the second quarter of 2015.
- There were no IAC in the reporting period compared with EUR -3.5 million a year ago.
- Operating result was EUR 31.3 (8.0) million and the operating margin 7.0% (1.8%).



* Adjusted for items affecting comparability

Business Area Industrial Applications

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 product offering includes abrasive backings, electrotechnical paper, Spantex™, thin paper and fine art paper. The products are used within several industrial sectors such as automotive, furniture, wood, metal and building, construction industries, energy transmission, stainless steel, aluminium and glass industries.

MEUR	Oct-Dec			Jan-Dec		
	2016	2015	Change, %	2016	2015	Change, %
Net sales	44.2	42.2	5%	169.6	166.6	2%
EBITDA (adj. *)	9.9	6.1	62%	31.5	27.5	15%
EBITDA margin, % (adj. *)	22.4	14.5		18.6	16.5	
EBITDA	9.5	6.1	56%	31.1	27.5	13%
EBITDA margin, %	21.5	14.5		18.3	16.5	
Operating result (adj. *)	8.4	4.1	105%	23.9	19.6	22%
Operating margin, % (adj. *)	19.0	9.7		14.1	11.8	
Operating result	8.0	4.1	95%	23.5	19.6	20%
Operating margin, %	18.1	9.7		13.9	11.8	
Capital expenditure	3.4	2.1	62%	8.7	9.2	-5%
Deliveries, tonnes	22,600	21,700	4%	87,200	85,100	2%
Production, tonnes	22,600	20,300	11%	88,000	84,900	4%
Employees, FTE	593	574	3%	588	574	2%

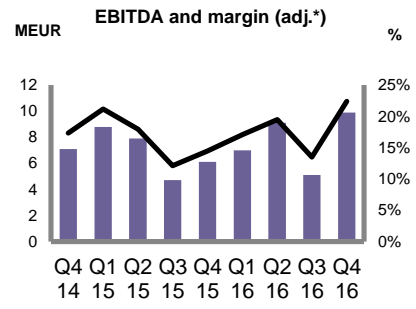
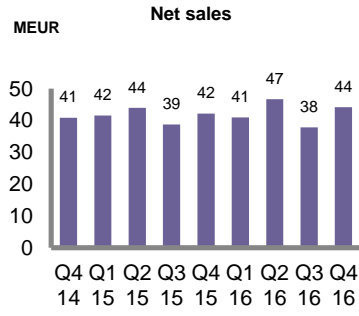
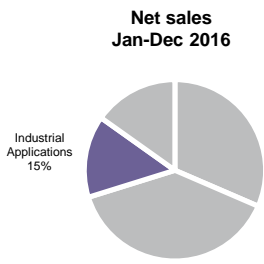
* Adjusted for items affecting comparability (IAC)

Fourth quarter 2016

- Total delivery volumes increased by 4%.
- Net sales increased to EUR 44.2 (42.2) million. The average price was higher.
- EBITDA adjusted for IAC increased to EUR 9.9 (6.1) million and the adjusted EBITDA margin was 22.4% (14.5%). The positive profitability development was mainly a result of profitability improvement actions.
- The seasonal shutdowns in the fourth quarter were carried out to about the same extent as in 2015.
- IAC amounted to EUR -0.4 (0.0) million, mainly related to restructuring.
- Operating result was EUR 8.0 (4.1) million and the operating margin 18.1% (9.7%).

January-December 2016

- Total delivery volumes were higher with growth in most of the product segments.
- Net sales increased to EUR 169.6 (166.6) million due to the higher delivery volumes. The average price was lower as a result of a less favourable product mix.
- EBITDA adjusted for IAC increased to EUR 31.5 (27.5) million and the adjusted EBITDA margin was 18.6% (16.5%). The positive result effect of the higher volumes, lower variable costs and profitability improvement actions compensated for higher fixed costs.
- The annual maintenance and vacation shutdowns as well as the seasonal shutdowns were carried out to about the same extent as in 2015.
- IAC amounted to EUR -0.4 (0.0) million, mainly related to restructuring.
- Operating result was EUR 23.5 (19.6) million and the operating margin 13.9% (11.8%).



* Adjusted for items affecting comparability

Business Area Graphics and Packaging

Graphics and Packaging offers differentiated paper products developed for a broad range of customers globally. The products include coated one-side and calendered papers, which are used for flexible packaging and labelling, graphic and industrial applications. Flexible packaging paper is mainly used in the food industry for baking or manufacturing of packaging, wet-glue base papers and pressure sensitive facestock papers are mainly used for premium beverage and identification labels. Graphics and industrial papers refer mainly to uncoated papers for repositionable notes, interleaving paper, envelope windows and other process papers.

MEUR	Oct-Dec			Jan-Dec		
	2016	2015	Change, %	2016	2015	Change, %
Net sales	41.3	43.3	-5%	175.6	175.7	0%
EBITDA (adj.*)	2.1	-1.5	n.m.	7.7	0.3	n.m.
EBITDA margin, % (adj.*)	5.1	-3.5		4.4	0.2	
EBITDA	2.1	-1.5	n.m.	7.7	-0.2	n.m.
EBITDA margin, %	5.1	-3.5		4.4	-0.1	
Operating result (adj.*)	-0.4	-3.6	89%	-2.6	-7.9	67%
Operating margin, % (adj.*)	-1.0	-8.3		-1.5	-4.5	
Operating result	-0.4	-3.6	89%	-2.6	-8.4	69%
Operating margin, %	-1.0	-8.3		-1.5	-4.8	
Capital expenditure	0.9	1.2	-25%	7.6	3.0	153%
Deliveries, tonnes	31,900	31,500	1%	131,100	127,200	3%
Production, tonnes	31,400	27,000	16%	131,200	128,500	2%
Employees, FTE	416	427	-2%	416	428	-3%

* Adjusted for items affecting comparability (IAC)

A change marked as n.m. indicates that the percentage change is not meaningful

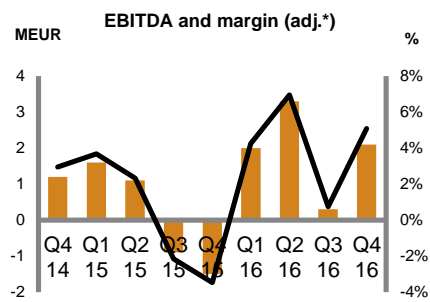
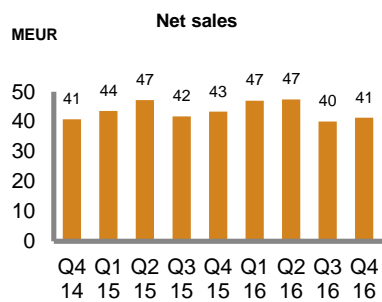
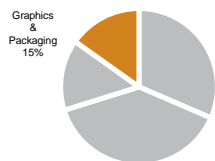
Fourth quarter 2016

- Total delivery volumes increased while the challenging competitive situation in certain product segments, mainly coated papers, continues.
- Net sales decreased to EUR 41.3 (43.3) million. The average price was lower as result of a less favourable product and customer mix.
- EBITDA adjusted with IAC increased and was EUR 2.1 (-1.5) million and the adjusted EBITDA margin was 5.1% (-3.5%). Lower variable costs and profitability improvement actions had a positive result effect and more than compensated for the lower average price.
- The seasonal shutdowns in the fourth quarter were shorter compared to 2015.
- There were no IAC in the reporting period or in the corresponding period last year.
- Operating result was EUR -0.4 (-3.6) million and the operating margin -1.0% (-8.3%).

January-December 2016

- Total delivery volumes increased, while the challenging competitive situation in certain product segments, mainly coated papers, continues.
- Net sales reached EUR 175.6 (175.7) million. The average price was lower and the higher volumes did not compensate for the less favourable product and customer mix.
- EBITDA adjusted with IAC increased and was EUR 7.7 (0.3) million and the adjusted EBITDA margin was 4.4% (0.2%). Lower variable costs, profitability improvement actions and higher delivery volumes had a positive result effect and more than compensated for the negative result effect of the lower average price.
- The annual maintenance and vacation shutdowns in the third quarter were carried out to about the same extent as in 2015. The seasonal shutdowns in the fourth quarter were shorter compared to 2015.
- IAC amounted to EUR 0.0 (-0.5) million.
- Operating result was EUR -2.6 (-8.4) million and the operating margin -1.5% (-4.8%).
- The programme aiming at a substantial improvement in the financial result launched in the fourth 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.

Net sales Jan-Dec 2016



* Adjusted for items affecting comparability

▲ Cash flow

The cash flow in the fourth quarter and full year of 2016 was strong. The cash flow from operating activities amounted to EUR 41.3 (44.5) million in the fourth quarter of 2016 and to EUR 114.3 (55.5) million in January-December 2016. The continued improved operating result had a positive effect on cash flow from operating activities.

The operating cash flow was affected by EUR -9.0 (-6.7) million related to the settlement of provisions recorded in previous periods and EUR -1.3 (-13.4) million of income taxes.

▲ Capital expenditure

The cash flow related to capital expenditure for January-December 2016 amounted to EUR -39.2 (-39.8) million. The capital expenditure in 2016 was of operative nature and includes maintenance, cost improvement and efficiency improvement investments. The largest capital expenditure in 2016 is related to the maintenance shut down at the pulp production facility in Aspa, Sweden, carried out in the third quarter of 2016.

In September 2016, Munksjö decided to make an investment in the Arches mill, France. One paper machine will be rebuilt in order to secure the leading position within abrasive backings and responding to increased customer demand. The capital expenditure related to the rebuild is estimated to a total of approximately EUR 14 million. The clear majority of the related cash flow effect is expected to occur during 2017, starting from the first quarter.

After the rebuild, the paper machine will continue to be able to produce both decor and abrasive backings. The rebuild will also enable additional capacity within latex impregnated abrasive backings and hence allow for new product applications and a more efficient production. The rebuild is planned to take place in two steps during the seasonal shutdowns in the summer and at the end of 2017.

▲ Financial position

Financing

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 2016, the weighted average interest rate on bank debt was approximately 2.5% (end of the third quarter 2016: 2.7%; end of the fourth quarter 2015: 2.7%).

Interest-bearing net debt decreased to EUR 169.5 million at 31 December 2016 (30 September 2016: 199.8; 31 December 2015: 227.4), mainly as a result of the improved cash flow, resulting in a net debt/equity ratio of 38.7% (30 September 2016: 47.0%; 31 December 2015: 56.7%).

Shareholders' equity at 31 December 2016 amounted to EUR 437.7 million (30 September 2016: 424.9; 31 December 2015: 401.3) and total assets increased to EUR 1,186.5 million (30 September 2016: 1,158.5; 31 December 2015: 1,173.4).

Net financial items

Net financial items for January-December 2016 amounted in total to EUR -15.9 (-4.7) million, of which EUR 9.9 (9.9) million is interest rate expenses, EUR 1.3 (1.4) million is other finance costs. The rest is mainly items not affecting the cash flow, including EUR 0.8 (0.7) million of amortisation of capitalised bank fees and foreign exchange gains and losses on financial assets and liabilities of EUR -1.5 (9.5) million. The net financial items for the period include realised interest rate swaps of EUR -1.2 (-0.7) million. At the end of the reporting period, the fair value of unrealised interest rate swaps amounted to EUR -1.0 (-1.8) million.

Hedging

At the end of the reporting period the fair value of unrealised hedges excluding interest rate swaps amounted to EUR 0.5 (0.5) million. The operating result for January-December 2016 includes realised hedges of EUR -1.9 (-5.5) million. The realised hedges in the corresponding period last year were mainly currency-related hedge losses. Munksjö has no outstanding pulp hedging contracts from 1 January 2015 onwards. Hedging activities are managed centrally and mainly reported in segment 'Other'.

▲ Taxes

The income tax charge for the reporting period was EUR -15.7 (-5.2) million representing an effective rate of 26.6% (18.6%). The effective tax rate is the statutory corporate tax rate as adjusted for non-deductible expenses, income not subject to income tax, valuation or revaluation of losses and prior year adjustments. Total cash taxes paid for the reporting period amounted to EUR -1.3 (-13.4) million.

▲ Earnings per share

Earnings per share (EPS) in the reporting period increased to EUR 0.85 (0.44). The increase compared to January-December 2015 was mainly related to the effect of the improved operating profit of EUR 0.83, which was partly offset by a negative effect of EUR -0.22 due to foreign exchange losses on financial items and a tax impact of EUR -0.21.

Earnings per share (EPS) in the fourth quarter of 2016 increased to EUR 0.23 (0.14). The increase compared to the fourth quarter of 2015 was mainly related to the effect of the improved operating profit of EUR 0.15, which was partly offset by a negative tax impact of EUR -0.08.

Employees

The average number of employees (FTEs) in the fourth quarter of 2016 was 2,752 (2,749). At the end of December 2016, Munksjö had 2,913 (2,900) employees. Of Munksjö's total number of employees at the end of December 38% (38%) were employed in France, 22% (22%) in Sweden, 16% (16%) in Germany, 8% (9%) in Italy, 8% (8%) in Brazil, 6% (6%) in Spain and 2% (1%) in other countries.

The strategic focus areas for the Human Resources function in 2016 were to further establish a common culture, including a health and safety approach in everything Munksjö does, to strengthen Munksjö's leadership and to attract, develop and retain employees. To follow up on these areas, KPIs will be developed and the results will be reported on a full year basis. More information about Munksjö's employees is published in the Annual report.

Incentive programmes for senior executives and other key personnel

In June 2016, the Board of Directors approved a long-term share value based incentive programme for senior executives and other key personnel. The objective of the programme is, by creating a long-term share value based incentive for the management, to increase the company value in the long term and to secure the alignment of the objectives of the company's management with the objectives of its shareholders. The potential rewards from the 2016-2018 programme will be paid in the spring 2019, if the performance targets set by the Board of Directors are achieved.

In May 2014, the Board of Directors approved a long-term share-based incentive programme for Munksjö's senior executives and other key personnel. 35 senior executives and other key personnel enrolled to the programme. The total cost for the programme was recognised over the vesting period, which commenced in July 2014 and ended on 31 December 2016.

The personnel expenses related to the 2014-2016 incentive programmes in January-December 2016 were EUR 2.9 (0.9) million.

On 16 December 2016, the Board of Directors decided, as a consequence of the planned merger, to terminate Munksjö's long-term share-value-based incentive program for the members of the Management Team and other key personnel of Munksjö approved in June 2016. The incentive program will terminate on a pro rata basis as of the completion of the merger, thereby cancelling 7/12 of the program (the original award period would have terminated at the end of 2018 and the award would have been payable in the spring of 2019). The participants in the program will receive shares and cash pursuant to the terms of the program following the completion of the merger and, in any case, no later than the date of the 2017 annual general meeting of Munksjö. Munksjö will record EUR 2.1 (0.0) million of costs related to the terminated long-term share-value-based incentive program, to be reported as items affecting comparability.

Munksjö reorganised its sales organisation

In 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 makes the supply chain process more efficient.

The consultation and approval processes have been completed and the reorganisation and its implementation has continued according to plan. The annual savings will amount to approximately EUR 1.5 million, of which a majority were realised during 2015. Further savings were realised in 2016 and the remaining savings will be achieved in 2017.

Munksjö further adjusts the cost structure

In 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 process has now been concluded and the headcount reduction related to the restructuring project will be 37 employees. The annual cost savings of the restructuring amount to EUR 2.2 million. The cost savings have been realised into the financial result according to plan and the programme was completed in 2016.

Product development

Munksjö's four Business Areas manage their respective product development in close co-operation with the central function for strategic 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. Out of the total net sales in 2016, 17.5 per cent were related to the sale of new products.

▲ 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 a material 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 on-going and future tax audits or claims.

More information about risks and uncertainty factors related to Munksjö's business and the company's risk management is published in the Annual report 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 since 2 December 2013 amounts to 51,061,581. All shares carry one vote each and have equal rights.

On 31 December 2016, Munksjö held 300,000 own shares, corresponding to about 0.6 per cent of the total number of shares and votes. The own shares were repurchased during 2015 and will primarily be used for implementing share-based incentive programmes of the company, or for other purposes defined in the authorization of the Annual General Meeting.

Decisions taken by the Annual General Meeting and the organisation meeting of the Board of Directors

Munksjö Oyj's Annual General Meeting (AGM) was held in Helsinki on 6 April 2016. The AGM adopted the Financial Statements for 2015 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2015.

The AGM resolved that no dividend will be paid for the fiscal year 2015 and to pay funds from the reserve for invested unrestricted equity as return of equity based on the balance sheet of 31 December 2015, adopted by the Annual General Meeting, the amount of return being EUR 0.30 per share. The return of equity was paid to a shareholder who on the record date of the payment 8 April 2016 was registered in the shareholders' register of the company held by Euroclear Finland Oy or in the separate register of shareholders maintained by Euroclear Sweden AB for Euroclear Sweden AB registered shares. The return of equity was paid to the shareholders on 19 April 2016.

The AGM resolved that the number of Board members increases to seven. The AGM resolved that Sebastian Bondestam, Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Elisabet Salander Björklund and Peter Seligson were re-elected and that Anna Ohlsson-Leijon and Mats Lindstrand were elected as new members of the Board. 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 Authorised Public Accountant Sixten Nyman as the Responsible Auditor.

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

Authorisation to resolve to repurchase and to distribute the company's own shares

Munksjö Oyj's Annual General Meeting on 6 April 2016 authorised the Board of Directors to resolve to repurchase and to distribute the company's own shares as well as to accept them as pledge in one or more instalments on the following conditions:

The number of shares to be repurchased or accepted as pledge by virtue of the authorisation shall not exceed 4,000,000 shares in the company, yet always taking into account the limitations set forth in the Companies' Act as regards the maximum number of shares owned by or pledged to the company or its subsidiaries. The shares may be repurchased only through public trading at the prevailing market price on the date of repurchase by using unrestricted shareholders' equity.

The authorisation includes the right for the Board of Directors to decide upon all other terms and conditions for the repurchase of the company's own shares, or their acceptance as pledge, including the right to decide on the repurchase of the company's own shares otherwise than in proportion to the shareholders' holdings in the company.

By virtue of the authorisation, the Board of Directors has the right to resolve to distribute a maximum of 4,000,000 own shares held by the company. The Board of Directors will be authorised to decide to whom and in which order the own

shares will be distributed. The Board of Directors may decide on the distribution of the company's own shares otherwise than in proportion to the existing pre-emptive right of shareholders to purchase the company's own shares. The shares may be used e.g. as consideration in acquisitions and in other arrangements as well as to implement the company's share-based incentive plans in the manner and to the extent decided by the Board of Directors. The Board of Directors also has the right to decide on the distribution of the shares in public trading for the purpose of financing possible acquisitions. The authorisation also includes the right for the Board of Directors to resolve on the sale of the shares accepted as a pledge. The authorisation includes the right for the Board of Directors to resolve upon all other terms and conditions for the distribution of the shares held by the company.

The authorisations for the Board of Directors to repurchase the company's own shares, to distribute them as well as to accept them as pledge are valid for 18 months from the close of the Annual General Meeting but will, however, expire at the close of the next Annual General Meeting, at the latest.

Share development and shareholders

The reporting period January-December 2016 consisted of 253 (251) trading days on Nasdaq Helsinki and 252 (251) trading days on Nasdaq Stockholm.

The trading volume on Nasdaq Helsinki during the reporting period was 6,871,859 (15,721,775) shares, equivalent to a turnover of EUR 78,248,108 (147,080,437). The daily average trading volume during the reporting period was 27,161 (62,637) shares and the volume-weighted average share price was EUR 11.39 (9.18). The highest share price in the reporting period was EUR 15.95 (12.49) and the lowest EUR 7.67 (7.42). On the last trading day of the reported trading period, 30 December 2016, the share price was EUR 15.80 (30 December 2015: 8.60) and the corresponding market capitalisation was EUR 802.0 million (30 December 2015: 436.5). The market capitalisation figures have been adjusted with the shares held by the company at the end of the reporting period.

The trading volume on Nasdaq Stockholm during the reporting period was 2,132,958 (4,078,078) shares, equivalent to a turnover of SEK 229,430,760 (355,603,131). The daily average trading volume in the reported period was 8,464 (16,247) shares and the volume-weighted average share price was SEK 107.63 (87.18). The highest share price in the reporting period was SEK 163.00 (119.00) and the lowest SEK 71.75 (70.25). On the last trading day of the reported trading period, 30 December 2016, the share price was SEK 151.00 (30 December 2015: 84.25).

At the end of December 2016, Munksjö had 9,990 (10,548) shareholders in the register maintained by Euroclear Finland Oy.

The share turnover during the reporting period for both exchanges was 17.7 (39.0) per cent of the total amount of shares. Munksjö's share is also traded on alternative exchanges, such as BATS. During the reporting period the shares traded on Nasdaq represented 77.4 per cent and the shares traded on the alternative exchanges 22.6 per cent of the total turnover (Source: Fidessa Fragmentation Index, <http://fragmentation.fidessa.com>).

Flagging notifications

During the reporting period, Munksjö received one announcement about major changes with regards to the holdings of the largest shareholders.

Change in the holding of Ahlström Capital

On 18 February 2016, Munksjö received an announcement from AC Invest Five B.V., according to which the holding of AC Invest Five B.V. holding in Munksjö had increased and as a consequence, the indirect holding of Ahlström Capital Oy had exceeded the threshold of 15 per cent. The direct holding of AC Invest Five B.V. and the indirect holding of Ahlström Capital Oy had increased to 7,897,619 shares, corresponding to a holding of 15.47 per cent of Munksjö's shares and voting rights. AC Invest Five B.V. is a wholly owned subsidiary of Ahlstrom Capital B.V. and Ahlstrom Capital B.V. is a wholly owned subsidiary of Ahlström Capital Oy.

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.

Nomination Board appointed

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.

Munksjö's Nomination Board was appointed in June 2016. 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 other shareholders as mentioned below),
- Alexander Ehrnrooth (Viknum AB) and
- Mikko Mursula (Ilmarinen Mutual Pension Insurance Company).

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

The Nomination Board has been appointed by Viknum AB, Ilmarinen Mutual Pension Insurance Company and one group of shareholders. 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, Niklas Lund, Kasper Kylmälä, Michael Sumelius and Carl Ahlström.

▲ The Board of Director's proposal to pay dividend

The EGM of Munksjö decided on 11 January 2017 to authorise the Board of Directors to resolve, based on the latest audited financial statements of the company for 2015, by one or several resolutions, on an extra payment of funds from the company's reserve for invested unrestricted equity as return of equity in the total amount of maximum EUR 0.45 per each outstanding share in the company (representing a maximum total amount of approximately EUR 22,842,711 after excluding the treasury shares held by the company) to the shareholders of Munksjö prior to the merger. The return of equity shall be paid prior to the registration of the execution of the merger. The authorisation shall be valid until the close of the Annual General Meeting of Munksjö in 2017. As there are no distributable retained earnings in the balance sheet as of 31 December 2016, the Board of Directors proposes that no dividend will be paid for the fiscal year 2016.

▲ Annual General Meeting 2017

The company's Annual General Meeting will be held after the registration of the execution of the merger with Ahlstrom Corporation, which is, inter alia, subject to the approval of relevant competition authorities. The AGM will however not be held later than 30 June 2017.

▲ 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.

Changes in the Management team

In July, Munksjö announced that Gustav Adlercreutz, General Counsel, will retire in February 2017 and be succeeded by Andreas Elving. Andreas Elving formally assumed the position of General Counsel on 1 February 2017. Andreas Elving reports to Jan Åström, President and CEO, and is a member of Munksjö's Management Team. Andreas Elving joined Munksjö from Autoliv, where he held the position as Associate General Counsel.

▲ Strategy and financial targets

Munksjö's vision is to be the leading manufacturer of advanced paper products developed with intelligent paper technology enabling a customer-specific, innovative and environmentally friendly product design. Munksjö's strategy is based on four strategic objectives and is enabled through sustainable development by an efficient organisation and employees;

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

Munksjö has three financial goals;

- an EBITDA margin of 12 per cent over a business cycle
- a debt/equity ratio under 80 per cent
- dividends at least 1/3 of the operative cash flow after investments

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 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.

The above is given for Munksjö as a stand-alone company with its current operations. Financial targets for the combined company are expected to include an EBITDA margin above 14 per cent over a business cycle, net gearing below 100 per cent, as well as a stable and annually increasing dividend.

▲ Events after the end of the reporting period

Decisions taken by the Extraordinary General Meeting

An Extraordinary General Meeting ("EGM") was held in Helsinki on 11 January 2017 regarding resolutions relating to the proposed combination with Ahlstrom. The EGM made the following decisions.

Resolution on the merger

The EGM resolved to approve the combination of Munksjö's and Ahlstrom Corporation's ("Ahlstrom") business operations through a statutory absorption merger of Ahlstrom into Munksjö pursuant to the Finnish Companies Act and approve the merger plan. The completion of the combination is subject to, inter alia, merger control approvals from relevant competition authorities. The registration of the execution of the merger is expected to take place in the beginning of the second quarter of 2017.

Further, the EGM resolved on the amendments to Section 1, the first sentence of Section 2, Section 4 and Section 6 of the Articles of Association of Munksjö, as set out below as part of the merger.

"1 § The name of the Company is Ahlstrom-Munksjö Oyj. The domicile of the Company is Helsinki.";

"2 § The Company's field of business is to engage in the manufacture, converting and sale of fiber-based solutions and products and in other related or supporting activities.";

"4 § The Board of Directors of the Company shall comprise a minimum of four (4) and a maximum of twelve (12) ordinary members"; and

"6 § The Company shall have one (1) auditor, which shall be an audit firm authorised by the Finnish Patent and Registration Office."

The shareholders of Ahlstrom shall receive as merger consideration 0.9738 new shares of Munksjö for each share owned in Ahlstrom, that is, the merger consideration shall be issued to the shareholders of Ahlstrom in proportion to their existing shareholding with a ratio of 0.9738:1. In case the number of shares received by a shareholder of Ahlstrom as merger consideration would be a fractional number, the fractions shall be rounded down to the nearest whole number. Fractional entitlements to new shares of Munksjö shall be aggregated and sold in the market and the proceeds will be distributed pro rata to Ahlstrom's shareholders being entitled to receive fractional entitlements. Any costs related to the sale and distribution of fractional entitlements shall be borne by Munksjö.

Resolution on the number of members of the Board of Directors

The EGM resolved in accordance with the proposal of the Board of Directors that the number of members of the Board of Directors shall be eleven (11).

Resolution on the remuneration of the members of the Board of Directors

The EGM resolved in accordance with the proposal of the Board of Directors that the members of the Board of Directors of Munksjö to be elected for a term of office commencing on the date of registration of the execution of the merger and expiring at the end of the first Annual General Meeting of Munksjö following the date of registration of the execution of the merger be paid the following remuneration: to the Chairman of the Board of Directors EUR 80,000 per year, to the Vice Chairman of the Board of Directors EUR 50,000 per year and EUR 40,000 per year to the other members of the Board of Directors. The Chairman of the Audit Committee shall receive EUR 12,000 per year and the ordinary members of the Audit Committee EUR 6,000 per year each. The Chairman of the Remuneration Committee shall receive EUR 6,000 per year and the ordinary members of the Remuneration Committee EUR 3,000 per year each.

Travel expenses are reimbursed in accordance with the company's travel policy.

The annual remuneration of the members elected hereunder shall be paid in proportion to the length of their term of office.

Election of the members of the Board of Directors

The EGM resolved in accordance with the proposal of the Board of Directors that Peter Seligson, Elisabet Salander Björklund, Sebastian Bondestam, Alexander Ehrnrooth, Hannele Jakosuo-Jansson, Mats Lindstrand and Anna Ohlsson-Leijon, current members of the Board of Directors of Munksjö, be conditionally elected to continue to serve on the Board of Directors of Munksjö and that Hans Sohlström, Jan Inborr, Johannes Gullichsen and Harri-Pekka Kaukonen, current members of the Board of Directors of Ahlstrom, be conditionally elected as members of the Board of Directors of Munksjö for the term commencing on the date of registration of the execution of the merger and expiring at the end of the next Annual General Meeting of Munksjö following the date of registration of the execution of the merger.

Authorisation of the Board of Directors to resolve on the payment of funds from the reserve for invested unrestricted equity

The EGM resolved in accordance with the proposal of the Board of Directors to authorise the Board of Directors of Munksjö to resolve, based on the audited financial statements of the company for 2015, by one or several resolutions, on an extra payment of funds from the company's reserve for invested unrestricted equity as return of equity in the total amount of maximum EUR 0.45 per each outstanding share in the company (representing a maximum total amount of approximately EUR 22,842,711 after excluding the treasury shares held by the company) to the shareholders of Munksjö prior to the

completion of the combination. The return of equity shall be paid prior to the registration of the execution of the merger. The authorisation shall be valid until the close of the next Annual General Meeting of Munksjö.

Helsinki, 16 February 2017

Board of Directors

▲ For further information, please contact

Jan Åström, President and CEO, tel. +46 10 250 1001

Pia Aaltonen-Forsell, CFO, tel. +46 10 250 1029

▲ Future financial reports

The complete IR calendar is available on www.munksjo.com/investors. Munksjö's next financial report is the interim report for January-March 2017, which will be published on **Wednesday, 26 April 2017**.

All financial reports are published in English, Finnish and Swedish and they are also available at www.munksjo.com after the publication. As of the second quarter of 2016, Munksjö observes a 30 day silent period preceding the announcement of financial results.

The Annual Report 2016 will be published in electronic format at www.munksjo.com on 28 February 2017, at the latest. The latest Annual Report was published in March 2016 and includes the Financial Statements for the year 2015, the Board of Director's report and the Auditors' report as well as the Corporate Governance Statement. The Annual report, the Corporate Governance Statement and a Remuneration Statement are available as separate documents on www.munksjo.com.

Made by Munksjö - Intelligent paper technology

Munksjö is a world-leading manufacturer of advanced paper products developed with intelligent paper technology. Munksjö offers 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. 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. Read more at www.munksjo.com.

 Interim financial statements (unaudited)

CONDENSED STATEMENT OF COMPREHENSIVE INCOME MEUR	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
Net sales	282.4	290.0	1,142.9	1,130.7
Other operating income	2.2	3.4	7.5	11.6
Total income	284.6	293.4	1,150.4	1,142.3
Operating costs				
Changes in inventories	0.6	-16.7	2.7	1.0
Materials and supplies	-132.7	-136.2	-544.2	-573.9
Other external costs	-66.7	-67.5	-266.2	-283.6
Personnel costs	-56.3	-50.7	-212.6	-199.5
Depreciation and amortisation	-13.1	-13.6	-55.2	-53.6
Total operating costs	-268.2	-284.7	-1,075.5	-1,109.6
Share of profit in equity accounted investments	0.0	-0.2	0.0	0.0
Operating result	16.4	8.5	74.9	32.7
Net financial items	-1.7	-2.6	-15.9	-4.7
Profit before tax	14.7	5.9	59.0	28.0
Taxes	-2.9	1.3	-15.7	-5.2
Net profit	11.8	7.2	43.3	22.8
Other comprehensive income				
Items that may be reclassified to profit or loss				
Exchange differences on translation of foreign operations	-0.1	4.9	11.0	-22.3
Change in cash flow hedge reserve	1.6	0.5	-2.4	-3.2
Cash flow hedge transferred to this year's result	1.1	0.5	3.1	6.2
Items that will not be reclassified to profit or loss				
Actuarial gains and losses on defined benefit plans	-3.3	1.0	-3.3	1.0
Tax attributable to other comprehensive income	0.3	-0.6	0.7	-1.0
Total comprehensive income	11.4	13.5	52.4	3.5
Net result attributable to:				
Parent company's shareholders	11.8	7.0	43.1	22.4
Non-controlling interests	0.0	0.2	0.2	0.4
Comprehensive income attributable to:				
Parent company's shareholders	11.4	13.3	52.2	3.1
Non-controlling interests	0.0	0.2	0.2	0.4
<i>Average number of outstanding shares*</i>	50,761,581	50,761,581	50,761,581	50,818,260
Basic earnings per share, EUR	0.23	0.14	0.85	0.44
Diluted earnings per share, EUR	0.23	0.14	0.85	0.44

* As adjusted for treasury shares

CONDENSED STATEMENT OF FINANCIAL POSITION		
	31 Dec	
MEUR	2016	2015
ASSETS		
Non-current assets		
Tangible assets	421.1	430.0
Goodwill	226.1	223.9
Other intangible assets	43.1	46.6
Equity accounted investments	2.2	2.3
Other non-current assets	9.0	3.6
Deferred tax assets	40.8	51.8
Total non-current assets	742.3	758.2
Current assets		
Inventory	158.2	155.4
Accounts receivable	104.8	111.1
Other current assets	33.5	38.3
Current tax assets	1.7	5.3
Cash and cash equivalents	146.0	105.1
Total current assets	444.2	415.2
TOTAL ASSETS	1,186.5	1,173.4
EQUITY AND LIABILITIES		
Equity		
	437.7	401.3
Non-current liabilities		
Non-current borrowings	293.5	313.5
Other non-current liabilities	0.9	1.7
Pension obligations	54.7	52.4
Deferred tax liabilities	66.6	74.1
Provisions	16.0	23.9
Total non-current liabilities	431.7	465.6
Current liabilities		
Current borrowings	22.0	22.5
Accounts payable	162.9	165.9
Liabilities to equity accounted investments	7.1	8.0
Accrued expenses and deferred income	98.7	94.5
Current tax liabilities	11.9	2.7
Other current liabilities	14.5	12.9
Total current liabilities	317.1	306.5
Total liabilities	748.8	772.1
TOTAL EQUITY AND LIABILITIES	1,186.5	1,173.4

CONDENSED STATEMENT OF CHANGES IN EQUITY									
MEUR	Share capital	Reserve for invested unrestricted equity	Other reserves	Treasury shares	Cumulative translation adjustment	Retained earnings	Total	Non-controlling interests	Total equity
Balance at 1 Jan 2015	15.0	282.0	385.1	0.0	1.4	-273.9	409.6	4.0	413.6
Result for the period						22.4	22.4	0.4	22.8
Other comprehensive income			3.0		-22.3		-19.3		-19.3
Total comprehensive income	0.0	0.0	3.0	0.0	-22.3	22.4	3.1	0.4	3.5
Purchase of Munksjö Oyj 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 Dec 2015	15.0	269.3	388.1	-3.1	-20.9	-251.2	397.2	4.1	401.3
Result for the period						43.1	43.1	0.2	43.3
Other comprehensive income			-1.9		11.0		9.1		9.1
Total comprehensive income	0.0	0.0	-1.9	0.0	11.0	43.1	52.2	0.2	52.4
Return of capital and dividends		-15.2					-15.2	-0.3	-15.5
Transaction costs on share issue			-1.2				-1.2		-1.2
Employee share incentive plan						0.7	0.7		0.7
Balance at 31 Dec 2016	15.0	254.1	385.0	-3.1	-9.9	-207.4	433.7	4.0	437.7

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS				
MEUR	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
Operating profit	16.4	8.5	74.9	32.7
Depreciation	13.1	13.6	55.2	53.6
Income taxes paid and received	-0.1	-1.7	-1.3	-13.4
Interest paid and received	-2.8	-2.9	-11.6	-11.6
Cash flow from operating activities before change in working capital	26.6	17.5	117.2	61.3
Change in inventories	-2.1	16.0	-2.8	-3.2
Change in operating liabilities	14.6	8.5	-5.6	0.1
Change in operating receivables	2.2	2.5	5.5	-2.7
Cash generated from operating activities	41.3	44.5	114.3	55.5
Purchase of intangible assets	0.0	-0.2	0.0	-0.5
Purchase of tangible assets	-10.7	-8.7	-39.2	-39.3
Cash flow used in investing activities	-10.7	-8.9	-39.2	-39.8
Dividends	0.0	0.0	-15.5	-13.0
Purchase of treasury shares	0.0	0.0	0.0	-3.1
Proceeds from borrowings, net of costs	0.0	41.1	0.0	61.1
Repayment of borrowings	-0.8	-20.8	-18.4	-39.0
Cash flow from financing activities	-0.8	20.3	-33.9	6.0
CASH FLOW FOR THE PERIOD	29.8	55.9	41.2	21.7
Cash and cash equivalents at the beginning of the period	116.2	47.8	105.1	84.1
Currency effects on cash and cash equivalents	0.0	1.4	-0.3	-0.7
Cash and cash equivalents at the end of the period	146.0	105.1	146.0	105.1

Notes to the interim financial statements

Accounting principles

This unaudited consolidated quarterly interim report has been prepared in accordance with “IAS 34 Interim Financial Reporting”, as adopted by the EU. 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. The accounting principles applied remain unchanged compared with the Annual report 2015 of Munksjö Oyj.

SEGMENT INFORMATION 2016						
Jan-Dec 2016						
MEUR	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Others and eliminations	Total
Net sales, external	360.9	440.3	167.6	175.6	-1.5	1,142.9
Net sales, internal	3.7	8.1	2.0	0.0	-13.8	0.0
Net sales	364.6	448.4	169.6	175.6	-15.3	1,142.9
Operating result	46.3	31.3	23.5	-2.6	-23.6	74.9
Operating margin, %	12.7%	7.0%	13.9%	-1.5%		6.6%
Net financial items						-15.9
Taxes						-15.7
Net result						43.3
Other information						
Capital expenditure	6.9	11.3	8.7	7.6	4.7	39.2
Return on operating capital, % (adj.*)	21.1%	11.1%	26.3%	-4.5%		12.3%
Depreciation	7.4	28.3	7.6	10.3	1.6	55.2
Employees, FTE	846	843	588	416	62	2,755

* Adjusted for items affecting comparability (IAC)

SEGMENT INFORMATION 2015						
Jan-Dec 2015						
MEUR	Decor	Release Liners	Industrial Applications	Graphics and Packaging	Others and eliminations	Total
Net sales, external	369.1	428.0	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 result	34.6	8.0	19.6	-8.4	-21.1	32.7
Operating margin, %	9.3%	1.8%	11.8%	-6.1%		2.9%
Net financial items						-4.7
Taxes						-5.2
Net result						22.8
Other information						
Capital expenditure	10.2	14.9	9.2	3.0	2.5	39.8
Return on operating capital, % (adj.*)	20.4%	5.0%	30.3%	-19.7%		5.9%
Depreciation	8.0	28.1	7.9	8.2	1.4	53.6
Employees, FTE	855	859	574	428	58	2,774

* Adjusted for items affecting comparability (IAC)

SEGMENT FINANCIAL INFORMATION PER QUARTER										
	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep	Apr-Jun	Jan-Mar	Oct-Dec	Jul-Sep
	2016	2016	2016	2016	2015	2015	2015	2015	2014	2014
Net sales, MEUR										
Decor	88.7	84.9	97.8	93.2	98.2	85.5	93.4	95.5	91.4	89.4
Release Liners	111.0	110.7	115.1	111.6	109.9	108.3	112.6	106.8	112.9	114.7
Industrial Applications	44.2	37.8	46.7	40.9	42.2	38.8	44.0	41.6	40.9	33.0
Graphics and Packaging	41.3	40.0	47.4	46.9	43.3	41.7	47.2	43.5	40.7	41.8
Other and eliminations	-2.8	-3.8	-4.1	-4.6	-3.6	-5.0	-6.0	-7.2	-4.9	-3.0
Group	282.4	269.6	302.9	288.0	290.0	269.3	291.2	280.2	281.0	275.9
EBITDA (adj.*), MEUR										
Decor	11.4	11.0	17.6	13.7	11.2	8.0	11.6	11.8	11.3	10.3
Release Liners	18.2	16.5	14.0	10.9	9.8	11.5	8.5	9.7	13.4	13.0
Industrial Applications	9.9	5.1	9.1	7.4	6.1	4.7	7.9	8.8	7.1	3.8
Graphics and Packaging	2.1	0.3	3.3	2.0	-1.5	-0.9	1.1	1.6	1.2	-0.1
Other and eliminations	-5.5	-3.4	-3.9	-3.0	-3.5	-3.3	-4.1	-5.4	-4.6	-3.8
Group	36.1	29.5	40.1	31.0	22.1	20.0	25.0	26.5	28.4	23.2
EBITDA, MEUR										
Decor	11.4	11.0	17.6	13.7	11.2	8.0	11.6	11.8	10.0	10.3
Release Liners	18.2	16.5	14.0	10.9	9.8	8.1	8.5	9.7	12.6	13.0
Industrial Applications	9.5	5.1	9.1	7.4	6.1	4.7	7.9	8.8	6.7	3.8
Graphics and Packaging	2.1	0.3	3.3	2.0	-1.5	-1.4	1.1	1.6	1.2	-0.1
Other and eliminations	-11.7	-3.4	-3.9	-3.0	-3.5	-4.3	-6.5	-5.4	-5.8	-4.1
Group	29.5	29.5	40.1	31.0	22.1	15.1	22.6	26.5	24.7	22.9
Operating result (adj.*), MEUR										
Decor	9.6	9.0	16.0	11.7	9.0	6.0	9.7	9.9	9.0	8.1
Release Liners	11.1	9.3	7.0	3.9	2.9	4.7	1.3	2.5	6.7	5.8
Industrial Applications	8.4	3.2	7.0	5.3	4.1	2.7	5.9	6.9	5.3	1.8
Graphics and Packaging	-0.4	-2.1	0.8	-0.9	-3.6	-3.0	-1.0	-0.3	-0.5	-1.7
Other and eliminations	-5.7	-3.9	-4.1	-3.7	-3.9	-3.6	-4.4	-5.8	-6.1	-4.5
Group	23.0	15.5	26.7	16.3	8.5	6.8	11.5	13.2	14.4	9.5
Operating result, MEUR										
Decor	9.6	9.0	16.0	11.7	9.0	6.0	9.7	9.9	7.7	8.1
Release Liners	11.1	9.3	7.0	3.9	2.9	1.3	1.3	2.5	5.9	5.8
Industrial Applications	8.0	3.2	7.0	5.3	4.1	2.7	5.9	6.9	4.9	1.8
Graphics and Packaging	-0.4	-2.1	0.8	-0.9	-3.6	-3.5	-1.0	-0.3	-0.5	-1.7
Other and eliminations	-11.9	-3.9	-4.1	-3.7	-3.9	-4.6	-6.8	-5.8	-7.3	-4.8
Group	16.4	15.5	26.7	16.3	8.5	1.9	9.1	13.2	10.7	9.2
Delivered volumes, metric tonnes										
Decor	44,700	43,100	49,000	46,000	48,300	42,100	46,200	46,800	44,300	43,300
Release Liners	124,300	126,400	133,300	131,300	127,100	125,900	127,500	118,200	128,700	131,500
Industrial Applications	22,600	19,300	24,100	21,200	21,700	19,500	22,700	21,200	20,700	18,900
Graphics and Packaging	31,900	29,700	34,800	34,700	31,500	30,300	34,000	31,400	31,200	32,600
Other and eliminations	-3,000	-2,800	-3,800	-3,700	-2,900	-3,300	-3,900	-4,600	-3,300	-2,500
Group	220,500	215,700	237,400	229,500	225,700	214,500	226,500	213,000	221,600	223,800
Production volumes, metric tonnes										
Decor	45,600	43,400	50,400	48,200	44,500	42,400	48,100	46,700	42,300	42,900
Release Liners	125,600	121,000	125,400	123,000	120,600	121,600	115,700	118,000	122,000	122,800
Industrial Applications	22,600	19,100	23,500	22,800	20,300	18,500	23,200	22,900	20,200	17,400
Graphics and Packaging	31,400	28,100	36,500	35,200	27,000	31,300	34,900	35,300	33,300	27,900
Other and eliminations	-2,800	-3,100	-4,500	-2,800	-2,500	-2,900	-3,200	-4,100	-3,800	-4,200
Group	222,400	208,500	231,300	226,400	209,900	210,900	218,700	218,800	214,000	206,800

* Adjusted for items affecting comparability

RECONCILIATION OF ADJUSTED EBITDA AND EBIT MEUR	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
EBITDA (adj.*)	36.1	22.1	136.7	93.6
Depreciation and amortisation	-13.1	-13.6	-55.2	-53.6
EBIT (adj.*)	23.0	8.5	81.5	40.0
Transaction costs related to business acquisitions	-4.1		-4.1	-0.4
Restructuring expenses	-0.4		-0.4	-4.5
Environmental provision				-2.4
Terminated long-term share-value-based incentive program	-2.1		-2.1	
Items affecting comparability in EBIT	-6.6	0.0	-6.6	-7.3
Operating profit (IFRS)	16.4	8.5	74.9	32.7

* Adjusted for items affecting comparability

CONSOLIDATED KEY RATIOS	Oct-Dec		Jan-Dec	
	2016	2015	2016	2015
<i>Margins (adj.*)</i>				
EBITDA margin, %	12.8%	7.7%	12.0%	8.3%
Operating margin, %	8.1%	2.9%	7.1%	3.5%
<i>Return (12 months continuous)</i>				
Return on operating capital, % (adj. *)	12.3%	5.9%	12.3%	5.9%
Return on shareholders' equity, %	10.2%	5.7%	10.2%	5.7%
<i>Capital structure at period's end</i>				
Operating capital, MEUR	643.2	651.9	643.2	651.9
Shareholders' equity, MEUR	437.7	401.3	437.7	401.3
Interest-bearing net debt, MEUR	169.5	227.4	169.5	227.4
Debt/equity ratio, %	38.7%	56.7%	38.7%	56.7%
Equity/assets ratio, %	36.8%	34.2%	36.8%	34.2%
<i>Per share (before and after dilution)</i>				
Earnings per share, EUR	0.23	0.14	0.85	0.44
Shareholders' equity per share, EUR	8.6	7.9	8.6	7.9
Average number of shares	50,761,581	50,761,581	50,761,581	50,818,260
Capital expenditure, MEUR	10.7	8.9	39.2	39.8
Employees, FTE	2,753	2,749	2,755	2,774

* Adjusted for items affecting comparability (IAC)

CURRENCY RATES	Closing rate		Average rate	
	31 Dec	31 Dec	Jan-Dec	Jan-Dec
	2016	2015	2016	2015
SEK	9.55	9.19	9.47	9.35
USD	1.05	1.09	1.11	1.11
BRL	3.43	4.31	3.86	3.69

Calculation of key figures**EBITDA**

Operating result before depreciation and amortisation.

EBITDA margin

EBITDA as a percentage of net sales.

Operating margin

Operating result after depreciation and amortisation as a percentage of net sales.

Return on shareholders' equity

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

Operating capital

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

Return on operating capital

Operating result as a percentage of operating capital, based on most recent 12 month period.

Net Interest-bearing liability

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

Debt/equity ratio

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

Equity/assets ratio

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

Earnings per share

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

Equity per share (EPS)

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.

Items affecting comparability

Income or expense arising from exceptional transactions that are not related to recurring business operations.