

MUNKSJÖ AB

ANNUAL REPORT 2009

This document is a translation of the official Annual Report for Munksjö AB published in Swedish.

In the event of a discrepancy between the English text and the Swedish text, the Swedish text shall prevail.



The Board of Directors and the Managing director of

Munksjö AB
Corp. Reg. No. 556669-9731

Will present The Annual Report for the financial year
January 1, 2009 – December 31, 2009

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THE YEAR IN BRIEF

- The recession affected Munksjö's markets in a negative way during the first half of 2009, while a significant improvement was noticed during the second half.
- The measures that were implemented to refine Munksjö to a specialised company with highly processed products had positive effect in the form of improved margins.
- Production and cost efficiency has improved, especially through:
 - Discontinuation of production units
 - Reduced number of employees from 1 316 to 1 073

As a result of these measures and the recession the turnover decreased to 3 025 SEK M (3 641).

- Refinancing resulting in reduced debts to a value of 1,8 billion SEK, and a growing equity led to a strengthened balance sheet and reduced interest costs.



Board of Directors' report, Munksjö AB

Organisational number, 556669-9731

Five-year summary, SEK M	2009	2008	2007	2006	2005
Net sales	3 025	3 641	3 902	4 023	3 936
Operating result *)	-133	-717	-65	177	227
Result after net financial items *)	-490	-1 241	-452	-237	-116
*) Including items affecting comparability and depreciation of fixed assets and goodwill due to restructuring					
Items affecting comparability (see note 2)	-49	-186	-119	-16	-43
Depreciation fixed assets due to discontinuation of production units		-384	-75		
Depreciation goodwill due to discontinuation of production units		-79			
EBITA excl items affecting comparability	13	21	214	276	356
Depreciation Goodwill	-97	-89	-85	-84	-86
EBIT excl items affecting comparability	-84	-68	129	192	270
Average number of employees (see note 3)	1 073	1 316	1 423	1 440	1 447

General info about the business

Munksjö manufactures and markets special paper were high requirements on function, design and environment makes Munksjö's products important parts of the customer's product design and production processes. Business is conducted within three different business areas; Decor Applications, Industrial Applications and Specialty Pulp.

Decor Applications

Paper-based surface material makes for endless possibilities when it comes to creating attractive design with excellent function to low costs and little environmental impact. Munksjö manufactures and markets paper that is used to produce laminate surfaces for the flooring, decorating and kitchen industries. Munksjö's foil, that is based on Munksjö's own Spantex technology, is used where high requirements are needed for design, stability and moisture protection, and has a variety of usable applications.

Munksjö provides important contributions to the efficiency of their customer's production processes, and the ability to contribute with technological development and a high level of service are considered important competitive weapons.

Production occurs at production units in Unterkochen, Germany, in Tolosa, Spain, and Billingsfors, Sweden. The production in Fitchburg, USA ceased after the first half of 2009.

The market for paper that is used for laminate surfaces was during the first half of the year strongly affected by the recession that started 2008. The market started

to recover during the second half of 2009, with improved inflow of orders and increased margins. The demand for Spantex foils was stable with unchanged volumes during 2009.

The year started with relatively low prices on the input-mass, with an increase during the fall. The price of energy reached the highest level yet due to the harsh winter.

Industrial Applications

Industrial Applications offers paper with specific properties to a number of selected industry sectors.

For the electrotechnical industry, Munksjö develops and provides paper for effective isolation of cables used for high voltage and transformers. The creation of more effective electric distribution networks is vital for a global energy supply that is sustainable, and the electric mains are being upgraded and modernised throughout the world.

For applications within the global steel and metal industry, Munksjö manufactures thinpaper. A high precision paper that is used as intermediate layers in steel, aluminium and glass industries. Even the slightest defect in the paper quality can damage the hardest of steels. Munksjö's knowledge and

experiences from manufacturing paper with extremely high precision is therefore a highly important customer value. Other applications occur, within the glass industry and as a component in food packaging.

The ongoing upgrade of the electric mains worldwide insured that Munksjö's customer quotation to the global cable and transformer industry remained balanced during 2009, with unchanged delivery volumes.

The lower production volumes of the steel industry meant a lower demand and a press on prices for Munksjö's thinpaper. A volume decrease that was compensated by savings in costs.

Development and manufacturing of electrotechnical paper occurs in Jönköping, Sweden, and at a conversion facility outside of Shanghai, China. Munksjö's thinpaper is manufactured in Billingsfors, Sweden. In Ski, Norway, Munksjö has a small facility for manufacturing of flexoprinted soft packaging in paper and plastics. Customers constitute of companies in the daily goods and media industry.

Specialty Pulp

Business area Specialty Pulp manufactures kraft pulp for the special standards that highly refined paper demands, and specialty pulp for external customers. Munksjö is net seller of pulp. Manufacturing occurs in Billingsfors and Aspa Bruk in Sweden

The market for specialty pulp was weak during the first half of 2009, with low prices, but recovered towards the end of the year. The price was approx. 600 USD/ton in the beginning of the year, and rose to approx. 800 USD/ton at the end of the year.

Ownership

Munksjö AB is owned to 79 percent by Munksjö Luxembourg Holding S.à.r.l. in Luxembourg. One percent is owned by leading executives within Munksjö. Remaining 20 percent is owned by previous creditors of subordinated loans. Munksjö Holding Ltd on Guernsey owns 100 percent of Munksjö Luxembourg Holding S.à.r.l. Munksjö Holding Ltd is in turn owned by venture capital company EQT (fund nr III).

Investments

Total investments during 2009 amounted to 30 SEK M (91). Compared to planned depreciation, the investments were very low. The strained liquidity situation during the year led to restrictions towards new projects.

All completed projects were in monetary terms relatively small and mainly of a productivity- and efficiency-enhancing nature.

No investments were made in the parent company.

Personnel

The average number of employees in the Group amounted to 1 073 (1 1316) during the year. This represents an increase of 15, excluding discontinued production units (see note 3).

Liquidity and financing

In the beginning of 2009, discussions with the creditors about changes in the company's credit portfolio were commenced.

An agreement was reached in June 2009, which meant that equity of approx. 430 SEK M was provided from the owners, and that subordinated loans of approx. 1 400 SEK M was converted to equity. Furthermore the terms for the remaining loans were changed, which led to significant lower interest rates. Through refinancing and new share issue the company's own equity was strengthened and net debt decreased with 1,8 billion SEK (169 EUR M) and after this amounts to approx. 2,0 billion SEK. The expected yearly interest cost will decrease with more than 50 %. The debt ratio was improved too little over 25 % and liquidity was strengthened.

The Group's liquid funds amounted to 438 SEK M (290) at 31 December, 2009. Available confirmed credit facilities amounted to 2 513 SEK M (3 850), whereof 2 471 SEK M (3 681) was used per closing date. Available liquidity including under exercised credits amounted to 480 SEK M (363) per closing date. Available liquidity includes per closing date funds in blocked accounts of 184 SEK M (183).

Risk management and financial instruments

The financial risks are foreign currency risks, borrowing and interest rate risks, liquidity and credit risks, and raw material risks. To minimise their adverse impact on profit, the Munksjö Group's financial operations are conducted at Group level. The Group's financial policy provides guidelines for managing these risks.

Per 2009-12-31 the Group had incoming interest rate swaps to a nominal value of 2 433 SEK M (2 223), correspondent to 100 percent (60) of used credit limits. Including incoming interest rate swaps the average interest rate guarantee amounted 25 months (13) per closing date.

The Group's policy is to secure translation differences on net assets in foreign currency by borrowing in local currency. The total bank borrowing 2009-12-31 consisted to 65 percent of loans taken in EUR and to 35 percent of loans taken in SEK.

The value of the Swedish krona in relation to USD and EUR has a major impact on the Munksjö Group. The price of pulp that is produced and sold by Munksjö from Aspa Bruk is set in USD and a large part of the sales in business area Industrial

Applications from Jönköping and Billingsfors is in EUR. The policy is to secure 75 percent of 9 months net flows. With a production of long-fibre pulp of approx. 185 000 ton per year and purchase of short-fibre pulp of approx. 85 000 ton per year, the Munksjö Group is both manufacturer and user of pulp. Financial pulp swaps is used to secure the price of short- and long-fibre pulp. The Group had per closing date through pulp swaps secured approx. 20 percent of 2010 years production of long-fibre pulp and approx. 7 percent of the Group's need for short-fibre pulp.

Environmental impact

In Sweden, the company conducts three operations for which permits are required in accordance with the Swedish Environmental Code.

The permits concerns facilities that produces pulp and paper. All these facilities have met the requirements needed. They affect the outer environment mainly through emissions to air and water.

The county administrative board in Jönköping has composed what it calls a liability investigation, dated to 31 October 2006, regarding certain environmental conditions in Munksjön (the lake) in Jönköping. This investigation is part of an ongoing case, were Munksjö is submitted to be heard. Munksjö does not share the County administrative board's opinion as it is presented in the liability investigation. The next step in this process is for an environmental study to be conducted, starting in the summer of 2010.

Munksjö Sweden AB, a company within the Munksjö Group, has through a decision from the County administrative board in Örebro during 2006 been submitted to establish a sampling plan for environmental studies regarding previously owned land adjacent to Aspa Såg. If the study should show that the land is polluted and that decontamination is

needed, Munksjö Sweden AB could be liable to pay the cost of such a process.

Important events after closing date

No important events has occurred after closing date.

Expectations regarding future development

The recovery and improvement of the market that started in the end of 2009 has continued in the beginning of 2010. The inflow of orders as been satisfactory during the first months of the year. The improvement has been especially strong in business area Decor Applications, which meant increasing volumes. The increase cannot be expected to proceed in the same rate for the remainder of the year. Because of the increased demand, the price has been raised and further increases are to be expected due to higher costs for input mass.

The demand for products from business area Industrial Applications has strengthened and some increases in price has been implemented on thinpaper. Strengthening of the Swedish krona in relation to EUR means that the price remains the same in SEK. For electrotechnical paper, the market is expected to remain stable due to the ongoing upgrade of the electric mains worldwide.

The market for pulp has strengthened during the first month of the year with increases in price consequently. An earthquake in Chile, that affected the production there negatively, has also affected the market balance and price development. These effects are expected to persist during the larger part of the year. The price increase on pulp can have resulting effects on prices of wood.

Focus is on continuing optimising the operation in all business areas to remain a competitive supplier of specialty paper and pulp.

Proposed distribution of profits

The Annual General Meeting has at its disposal a share premium 1 818 325 081, balanced profit 194 116 156 and the loss of the financial year - 516 297 745 SEK, a total of 1 496 143 492.

The Board of Directors recommend that the funds at the disposal of the AGM, 1 496 143 492, be carried forward.

CONSOLIDATED PROFIT AND LOSS ACCOUNT, SEK M

	Note	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
NET SALES	1	3 025	3 641
Changes in stock-in-trade of products in progress and finished goods		-49	-21
Other operating income		3	4
PRODUCTION VALUE		2 979	3 624
Raw materials and consumables		-1 344	-1 792
Other external costs	2	-896	-1 071
Personnel costs	3	-615	-692
Amortization, depreciation and write downs of tangible and intangible fixed assets	4	-257	-786
Operating expenses		-3 112	-4 341
OPERATING LOSS		-133	-717
Interest income and similar income		54	111
Interest expenses and similar expenses		-411	-635
Net financial items		-357	-524
LOSS AFTER NET FINANCIAL ITEMS		-490	-1 241
Current Tax	6	4	-4
Deferred Tax	6	75	179
NET LOSS FOR THE YEAR		-411	-1 066

CONSOLIDATED BALANCE SHEET, SEK M

ASSETS	Note	Dec. 31, 2009	Dec. 31, 2008
FIXED ASSETS			
Intangible fixed assets	7	1 383	1 581
Tangible fixed assets	8		
Land and buildings		503	530
Machinery and equipment		1 176	1 264
Construction in progress		18	63
		1 697	1 857
Financial fixed assets			
Participations in associated companies	10	18	19
Deferred tax assets	11	343	354
		361	373
TOTAL FIXED ASSETS		3 441	3 811
CURRENT ASSETS			
Stock	12	445	541
Trade debtors		483	477
Other receivables from operations		34	28
Prepaid expenses and accrued income	13	21	27
Cash and bank balances	14	438	290
TOTAL CURRENT ASSETS		1 421	1 363
TOTAL ASSETS		4 862	5 174

CONSOLIDATED BALANCE SHEET, SEK M

SHAREHOLDERS' EQUITY, PROVISIONS & LIABILITIES	Note	Dec. 31, 2009	Dec. 31, 2008
SHAREHOLDERS' EQUITY			
Share capital	15	28	0
Restricted reserves		52	44
Unrestricted reserves		1 491	707
Loss for the year		-411	-1 066
TOTAL SHAREHOLDERS' EQUITY		1 160	-315
PROVISIONS			
Provisions for pensions and similar commitments		158	171
Deferred tax liabilities	16	341	427
Other provisions	17	121	121
TOTAL PROVISIONS		620	719
LIABILITIES			
Long-term liabilities			
Liabilities to credit institutions	18	2 413	3 610
Loan from shareholders		8	12
Other long-term liabilities		2	2
	18	2 423	3 624
Current liabilities			
Liabilities to credit institutions	18	58	167
Trade creditors		235	411
Operating liabilities to associated companies		38	67
Accrued expenses and prepaid income	19	284	439
Current tax liabilities		24	27
Other short-term liabilities		20	35
		659	1 146
TOTAL LIABILITIES		3 082	4 770
TOTAL SHAREHOLDERS' EQUITY, PROVISIONS AND LIABILITIES			
		4 862	5 174
Pledged assets	20	2 137	2 144
Contingent liabilities	20	46	113

CONSOLIDATED CASH-FLOW ANALYSIS, SEK M

	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Operating profit	-133	-717
Depreciation	257	786
Non-recurring items according to note 2	49	186
Operating profit before depreciation and non-recurring items	173	255
Change in working capital	-175	-44
Adjustment for items not affecting cash flow		
Resolution of provisions for structural reorganizations	-25	-94
Other items not affecting cash flow	-22	3
Cash flow from closed down operations	-50	-203
Paid fine to the German Bundeskartellamt	-65	-210
OPERATING CASH FLOW	-164	-293
Paid interest expense/income	-348	-120
Paid income tax	0	-37
CASH FLOW FROM OPERATING ACTIVITIES	-512	-450
Investments in fixed assets	-41	-134
Divestments of properties	-	43
CASH FLOW FROM INVESTMENTS	-41	-91
Shareholders' contribution	80	1 758
New share and offset issue	1 846	-
Amortization Shareholder's loan	-4	-1 542
Amortization bank loan	-1 306	-214
Currency effects	104	-73
CASH FLOW FROM FINANCING ACTIVITIES	720	-71
NET CASH FLOW OF THE YEAR	167	-612
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	290	855
Cash flow for the year	167	-612
Currency effects	-19	47
CASH AND CASH EQUIVALENTS AT YEAR END	438	290

CONSOLIDATED CHANGE IN SHAREHOLDERS' EQUITY, SEK M

	Share- capital	Restricted reserves	Unrestricted equity	Total share- holders' equity
OPENING SHAREHOLDERS' EQUITY, JAN. 1, 2008	0	44	-845	-801
Items reported directly under shareholders' equity				
Exchange rate differences	-	0	-217	-217
Affect of reduced tax rate in Sweden, from 28 to 26,3 %	-	-	11	11
Shareholders' contribution			1 758	1 758
Other changes in shareholders' equity				
Net loss for the year	-	-	-1 066	-1 066
SHAREHOLDERS' EQUITY, DEC. 31, 2008	0	44	-359	-315
Items reported directly under shareholders' equity				
Shareholders' contribution	-	-	80	80
New share issue	6	-	432	438
Offset issue	22	-	1 386	1 408
Exchange rate differences	-	-1	-39	-40
Other changes in shareholders' equity				
Transfers from/to restricted and unrestricted shareholders' equity	-	9	-9	0
Net loss for the year	-	-	-411	-411
SHAREHOLDERS' EQUITY, DEC. 31, 2009	28	52	1 080	1 160

PARENT COMPANY PROFIT AND LOSS ACCOUNT, SEK M

	Note	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Other external costs	2	-0,4	-0,7
Personnel costs	3	-0,8	-0,7
OPERATING LOSS	1	-1,2	-1,4
Loss from participations in subsidiaries	5	-515,0	-1 758,0
Exchange rate profit		0,6	0,0
Interest expenses and similar profit/loss items		-1,1	-2,8
Net financial items		-515,5	-1 760,8
LOSS BEFORE TAX		-516,7	-1 762,2
Current Tax	6	-	1,2
Deferred Tax	6	0,4	-
NET LOSS FOR THE YEAR		-516,3	-1 761,0

PARENT COMPANY CASH-FLOW ANALYSIS, SEK M

	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Operating loss	-1,2	-1,4
Change in working capital	2,8	-1,6
Paid interest expense	-1,0	-1,3
CASH FLOW FROM OPERATING ACTIVITIES	0,6	-4,3
New share and offset issue subsidiaries	-1 405,4	-
Write-downs of shares in subsidiaries	-515,0	-1 758,0
CASH FLOW FROM INVESTMENTS	-1 920,4	-1 758,0
Shareholder's contribution	80,4	1 758,0
New share and offset issue	1 846,1	-
Group contribution	-	4,2
Currency effects	0,6	-1,5
Loan from shareholders	-4,1	1,6
CASH FLOW FROM FINANCING ACTIVITIES	1 923,0	1 762,3
NET CASH FLOW	3,2	0,0
Cash and cash equivalents at the beginning of the year	-	-
Cash flow for the period	3,2	-
CASH AND CASH EQUIVALENTS AT THE END OF THE YEA	3,2	-

PARENT COMPANY BALANCE SHEET, SEK M

	Note	Dec. 31, 2009	Dec. 31, 2008
ASSETS			
FIXED ASSETS			
Shares in subsidiaries	9	1 551,6	146,1
Deferred tax assets		0,4	-
Total fixed assets		1 552,0	146,1
CURRENT ASSETS			
Receivables from subsidiaries		0,0	3,8
Cash and bank balances		3,1	-
Summa omsättningstillgångar		3,1	3,8
TOTAL ASSETS		1 555,1	149,9
SHAREHOLDERS' EQUITY & LIABILITIES			
SHAREHOLDERS' EQUITY			
Restricted equity			
Share capital	15	27,9	0,1
Statutory reserve		22,7	22,7
		50,6	22,8
Unrestricted equity			
Share premium		1 818,3	-
Profit brought forward		194,1	1 874,7
Net loss for the year		-516,3	-1 761,0
		1 496,1	113,7
TOTAL SHAREHOLDERS' EQUITY		1 546,7	136,5
LIABILITIES			
Long-term liabilities			
Loans from shareholders	18	8,0	12,1
		8,0	12,1
Current liabilities			
Liabilities to subsidiaries		0,4	1,3
		0,4	1,3
TOTAL LIABILITIES		8,4	13,4
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		1 555,1	149,9
Pledged assets	20	1 551,6	146,1
Contingent liabilities	20	None	None

PARENT COMPANY CHANGE IN SHAREHOLDERS' EQUITY, SEK M

	Share- capital	Statutory reserve	Unrestricted equity	Total share- holders' equity
OPENING SHAREHOLDERS' EQUITY, JAN. 1, 2008	0,1	22,7	113,8	136,6
Items reported directly under shareholders' equity				
Shareholders' contribution	-	-	1 758,0	1 758,0
Equity component of group contribution	-	-	2,9	2,9
Other changes in shareholders' equity				
Net loss for the year	-	-	-1 761,0	-1 761,0
SHAREHOLDERS' EQUITY, DEC. 31, 2008	0,1	22,7	113,7	136,5
Items reported directly under shareholders' equity				
Shareholders' contribution	-	-	80,4	80,4
New share and offset issue	27,8	-	1 818,3	1 846,1
Other changes in shareholders' equity				
Net loss for the year	-	-	-516,3	-516,3
SHAREHOLDERS' EQUITY, DEC. 31, 2009	27,9	22,7	1 496,1	1 546,7

ACCOUNTING AND VALUATION PRINCIPLES

The Annual Report was prepared in accordance with the Swedish Annual Accounts Act, the general recommendations, of the Swedish Accounting Standards Board and the recommendations, specified below, of the Swedish Financial Accounting Standards Council.

CONSOLIDATED ACCOUNTING

Definition of Group company

The consolidated accounts encompass Munksjö AB and all companies in which the Parent Company, at year-end, held, directly or through subsidiaries, more than 50% of the voting rights, or otherwise had a controlling influence, as defined in the Annual Accounts Act, 1:4. The consolidated accounts have been prepared in accordance with the Swedish Financial Accounting Standards Council's recommendation RR 1:00. Revenue and expenses in companies that have been acquired or divested during the year have been included in the consolidated profit and loss account only for the periods in which they have been under Group ownership.

Consolidation principles

The consolidation accounts were prepared in accordance with the acquisition accounting method. This means that shareholders' equity in the subsidiary at the time of acquisition is entirely eliminated. Consequently, only profit and loss arising after the time of acquisition is included in consolidated shareholders' equity. Shareholders' equity in the acquired subsidiary is determined based on a market valuation of assets and liabilities at the time of acquisition. In the event the market valuation concerning assets and liabilities produces significantly different values from the acquired company's book values, these market values are considered as representing the Group's acquisition cost. The difference between the acquisition value of subsidiary shares and the value, calculated at the time of the acquisition, of shareholders' equity, is reported as Group goodwill.

Handling of untaxed reserves

In the preparation of the consolidated balance sheet, untaxed reserves have been divided into two parts - deferred tax liability, reported as a provision, and a shareholders' equity portion, reported under restricted reserves. The deferred tax liability has been calculated in accordance with the current tax rate.

Translation of foreign subsidiaries

The Munksjö group applies the current method for translating subsidiaries' balance sheets and profit and loss accounts. This means that all assets, provisions and liabilities in the subsidiaries are translated at the closing rate, whereas all items in the profit and loss account are translated at the average rate. Any translation differences that arise are included in restricted reserves and profit brought forward.

Accounting for associated companies

The Sydved and Kraftwerkgesellschaft Unterkochen associated companies are not included in the consolidated accounts. The companies are reducing the Group's raw material and energy cost. The profit participations are irrelevant to the evaluation of the position and results of the Munksjö Group.

OTHER ACCOUNTING AND VALUATION PRINCIPLES

Receivables and liabilities in foreign currencies

Receivables and liabilities in foreign currencies are translated at closing-day rates or at the rate-hedged amount. Gains or losses on forward and option contracts that are hedges for future estimated payment flows are accounted for expiration or closure of the contract. Other forward and option contracts are valued in accordance with the same principles as receivables and liabilities in foreign currencies.

Exchange-rate differences relating to ongoing activities have been credited/charged to operating profit, whereas financial exchange-rate differences have been reported among financial income and expense.

When the purpose of a forward and option transaction was to hedge the value of sold/purchased goods, there is no allocation of any premium/discount on a forward contract to specific periods.

Shareholders' equity in foreign subsidiaries is hedged partly through loan and forward and option contracts in the same currency. In the consolidated accounts, exchange-rate differences for such loan and currency contracts have been booked directly against the hedged subsidiary's translation difference on shareholders' equity.

Valuation of stock and receivables

Calculated stock value is based on the first-in, first-out (FIFO) principle, reported at the lower of acquisition value and fair value, in accordance with recommendation RR2 of the Swedish Financial Accounting Standards Council. Receivables are reported in the amounts in which they are expected to be received.

Tangible fixed assets and leasing

Munksjö applies the Swedish Financial Accounting Standards Council's recommendation RR6:99 for leased and rented fixed assets. When the Group's leased fixed assets are few, relative to its own fixed assets, the Group's leasing is only reported in accordance with the rules for operational leasing.

Machinery and equipment is not divided into "Plant and machinery" and "Equipment, tools, fixtures and fittings" since equipment, etc. amounts to insignificant amounts in relation to the total balance-sheet item.

Depreciation according to plan

Depreciation according to plan of fixed assets is based on the actual acquisition cost.

The depreciation is adapted to reflect the facilities' varying useful life.

Depreciation is also done on written-up values.

The following percentage rates are applied:

Industrial buildings	2-5%
Heavy machinery	5%
Light machinery, transport media computer equipment and other equipment	10-33%
Goodwill	5%

Goodwill is amortized at 5%, since the Group has carried out long-term, strategic acquisitions in stable markets.

Shareholders' contributions and group contributions

Group contributions received and shareholders contributions are reported in accordance with a statement by the Emerging Issues Task Force of Swedish Financial Accounting Standards Council.

Shareholder contributions are booked directly against the receiver's shareholders' equity and capitalized in the giver's shares and participations, provided impairment is not required.

Group contributions are reported in accordance with their financial significance - namely, to minimize Group tax. Since, for this reason, the Group contribution is not a reward for achievements, it is reported directly against profit brought forward after adjustment/deduction for its tax effect.

Taxes

A deferred tax liability is reported for the difference that arises between the tax value and the reported value of assets and liabilities - "temporary differences" - as well as tax loss carry-forwards.

Deferred tax assets in deductible temporary differences and loss carry forwards are reported, provided it is likely that it will be possible to apply the amounts to offset future taxable surpluses.

Pension commitments

The Group's companies have different pension systems, in accordance with local conditions and practices, in the countries in which they operate. The systems are usually financed through premiums paid to insurance companies, pension funds or through provisions established through periodic actuarial calculations.

All deficits or additional benefits that require additional contributions are financed through premiums or provisions distributed throughout a period that does not exceed the expected remaining life of the participating employee. The Group has fulfilled the minimum funding requirements in the countries in which pension programs exist.

■ **NOTE 1**

Net sales

Group

Information on the group's net sales by operation segment and geographic area.

Sales by product area

Decor	48%
Spantex	8%
Thin paper	9%
Electrotechnical paper	9%
Pulp	24%
Inpak	2%

Sales and production by country

	Sales	Production
Sweden	7%	51%
Rest of the Nordic regic	2%	2%
Rest of Europé	67%	46%
Rest of the world	24%	1%

Parent company

During the fiscal year, the Parent Company had no sales to nor purchase from subsidiaries.

■ **NOTE 2**

Other external expenses, SEK M

External production, marketing and administrative expenses, as well as operating exchange-rate differences are reported under this item.

The Group's leasing expenses for machinery and equipment, as well as its rent for external properties, is included at Dec. 31, 2009 in the amount of SEK 20 M (21). Machinery and equipment corresponding to an acquisition cost of SEK 72 M (83) are leased.

The item other external expenses also included the auditors fees (SEK M):

Auditor fees, SEK M

	Group		Parent Company	
	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Ernst & Young AB				
Auditing assignment	2	2	0,1	0,1
Other assignments	0	0	0	0

Other external expenses include non-recurring items (SEK M):

Non-recurring items, SEK M

	Group	
	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Resolution of provision for structural expenses	-	141
Provision for environmental expenses	-20	-
Provision for closing down production in Italy and US	-26	-199
Provision for structural reorganizations	-	-121
Interest expenses for fine to German Bundeskartellamt	-3	-7
Total non-recurring items	-49	-186

NOTE 3

Human resources

Average number of employees in the Group	Jan. 1, 2009-Dec. 31, 2009		Jan. 1, 2008-Dec. 31, 2008	
	Average number of employees	Of which men	Average number of employees	Of which men
Sweden	575	82%	587	83%
Norway	29	79%	24	88%
Germany	273	90%	282	90%
Spain	159	90%	160	89%
Italy	2	50%	134	92%
USA	28	93%	122	91%
China	7	86%	7	86%
Total	1 073		1 316	

Board of directors and other senior executives	2009	2008
Board of Directors	Women %	7%
	Men %	93%
Managing Director and other senior executives	Women %	8%
	Men %	92%

Wages, salaries and other remunerations and social security costs in the Group, SEK M	Jan. 1, 2009-Dec. 31, 2009		
	Board and MD	Bonus to Board and MD	Other Employee
Parent company:			
Sweden	1	-	-
Group companies:			
Sweden	3	-	215
Norway	1	0	8
Germany	-	-	150
Spain	-	0	74
Italy	-	-	1
USA	0	-	7
China	0	-	1
Wages, salaries and other remunerations	5	0	456
Wages, salaries and other remunerations in total			461
Social security costs			156 *)
TOTAL PAYROLL EXPENSE			617
*) Of which pension costs for the Board and the Managing Directors			1
Of which pension costs for other employees			30

Information about remuneration to the board of directors and senior executives:

Board of Directors

In accordance with a decision by the Annual General Meeting, the Chairman of the board receives an annual fee of EUR T 25, and the other Board members elected by the Annual General Meeting each receive a fee of EUR T 12,5.

Managing director:

Remuneration to the Managing director for Munksjö AB is accounted for in the subsidiary Munksjö Holding AB. Fixed salary and other benefits amounted to a total of 1,5 SEK M. Paid occupational pension contribution amounted to a total of 0,4 SEK M. For 2009 an agreement exists regarding additional compensation provided that the company's financial position permits it. The Managing director is also entitled to variable remuneration, that is associated with the company's performance and development to a maximum of up to one yearly salary. No additional or variable remuneration was paid during 2009. Upon termination from the company negotiated remuneration is paid for a maximum of 18 months.

Other group management:

Other group management refers to members of the Group's directorate. Pension plans for these consists of conventional occupational pension amounting to no more than what is tax deductible for the company. Agreements regarding notice periods by the company is in place, with a maximum of 18 months with duty to work.

Parent Company

The parent company has no employees. The payroll expense refers to the Board fee, including social security costs, of SEK 0,8 M.

NOTE 4

Depreciation and write down of tangible assets and amortization of intangible fixed assets, SEK M

	Group	
	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Machinery and equipments	-141	-146
Industrial buildings	-19	-23
Land improvements	0	0
Goodwill and other intangible fixed assets	-97	-89
Total depreciation and amortization according to plan	-257	-258
Write downs of machinery and buildings due to close-downs of production plants in Italy and the US	-	-384
Write downs of overvalue land in Jönköping, Sweden	-	-65
Write downs of goodwill	-	-79
Total depreciation and write down	-257	-786

NOTE 5

Loss from participations in subsidiaries, SEK M

	Parent company	
	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Write downs of shares in Munksjö Holding AB *)	-515	-1 758
Total	-515	-1 758

*) 2009 Munksjö Holding AB has received shareholders' contribution equivalent to the write down.

NOTE 6

Tax, SEK M

	Group	
	Jan. 1, 2009 - Dec. 31, 2009	Jan. 1, 2008 - Dec. 31, 2008
Current tax income/expense		
Tax income for the period, Sweden	2	-
Tax expense for the period, countries outside Sweden	-1	-1
Adjustment of tax expense attributable to prior years, countries outside of Sweden	3	-3
	4	-4
Deferred tax income/expense		
Deferred tax income relating to temporary differences, Sweden	3	0
Deferred tax expense relating to temporary differences, Sweden	-1	-26
Change in opening balance due to reduced tax rate, countries outside Sweden	-	-5
Deferred tax income relating to temporary differences, countries outside Sweden	10	32
Deferred tax income in tax value capitalized during the year in tax loss carry forwards	67	121
Deferred tax income in tax value capitalized during the year in tax loss carry forwards attributable to prior years	-	57
Deferred tax expense in tax value re-capitalized during the year in tax loss carry-forwards	-4	-
	75	179
Total tax income	79	175

Parent company

The parent company's tax consist of deferred tax income in tax value capitalized during the year in tax loss carry forward.

The parent company's tax expense for 2008 consist of 28 percent of received group contribution.

■ NOTE 7

Intangible fixed assets in the Group, SEK M

Dec 31 2009	Total	Goodwill	Intangible
Accumulated acquisition values			
At the beginning of the year	2 090	2 085	5
Exchange rate difference	-138	-138	-
At the end of the year	1 952	1 947	5
Accumulated depreciation according to plan			
At the beginning of the year	509	508	1
Depreciation for the year	97	95	2
Exchange rate difference	-37	-37	-
At the end of the year	569	566	3
Residual value according to plan at the end of the year	1 383	1 381	2

■ NOTE 8

Tangible fixed assets in the Group, SEK M

Dec 31 2009	Total	Machinery & Equipment	Buildings	Land & land improvements	Ongoing improvements
Accumulated acquisition values					
At the beginning of the year	5 046	4 181	517	285	63
Investments for the year	41	6	0	-	35
Divestments and scrappings for the year	-423	-423	0	-	-
Reclassifications / other	0	79	1	-	-80
Exchange rate difference	-138	-114	-19	-5	0
At the end of the year	4 526	3 729	499	280	18
Accumulated depreciation according to plan					
At the beginning of the year	3 323	2 917	340	66	-
Depreciation/Impairment for the year	155	141	14	0	-
Divestments and scrappings for the year	-412	-412	0	-	-
Exchange rate difference	-108	-93	-15	-	-
At the end of the year	2 958	2 553	339	66	-
Accumulated write-ups					
At the beginning of the year	237	18	154	65	-
At the end of the year	237	18	154	65	-
Accumulated amortization of write-ups					
At the beginning of the year	103	18	85	0	-
Amortization for the year	5	-	5	-	-
At the end of the year	108	18	90	0	-
Write-up of undepreciated residual value	129	0	64	65	-
Residual value according to plan at end of year	1 697	1 176	224	279	18

The revaluations of fixed assets do not change the assets tax residual value.
Therefore the depreciations of revaluations will be reversed as not deductible costs in tax return.

■ **NOTE 9**

Parent company shares and participations, SEK M

	Corporate Reg. number	Registered Office	Share holding %	Number of shares	Book value
Munksjö Holding AB	556671-5552	Jönköping, Sweden	100	1 000	1 552
Munksjö Sweden AB	556000-2262	Jönköping, Sweden	100		-
Munksjö Aspa Bruk AB	556064-6498	Askersund, Sweden	100		-
Munksjö Paper AB	556117-9044	Jönköping, Sweden	100		-
Munksjö Inpak AS	950 511 346	Ski, Oslo, Norway	100		-
Munksjö Paper S.P.A.	02666640129	Besozzo, Italy	100		-
Munksjö Vendite Italia S.r.l	03090000120	Busto Arsizio, Italy	100		-
Munksjö Spain Holding, S.L	B-63681605	Berástegui, Spain	100		-
Munksjö Paper, S.A.	A-20012563	Berástegui, Spain	100		-
Munksjö Paper (Taicang) Co., Ltd.	79109300-3	Taicang, PR China	100		-
Munksjö Germany Holding GmbH	HRB 501626	Unterkochen, Germany	100		-
Munksjö Paper GmbH	HRB 501106	Unterkochen, Germany	100		-
Munksjö Paper Inc.	52-1517747	Fitchburg, USA	100		-
					1 552

■ **NOTE 10**

Participations in associated companies, SEK M

Group	Corporate Reg. number	Registered Office	Share of equity %	Voting rights %	Number of shares	Book value
Sydved AB	556171-0814	Jönköping	33	33	70 000	8
Kraftwerksgesellschaft Unterkochen GmbH	HRB 720446	Unterkochen, Germany		25		10
						18

Sydved AB, SEK M

	Dec. 31, 2009	Dec. 31, 2008
Operating profit/loss	10	-19
Profit/loss after net financial items	11	-14
Shareholders' equity	58	49

Munksjö Paper GmbH and Stadtwerke Aalen are building a plant for energy supply called Kraftwerksgesellschaft Unterkochen. The project started in April 2007 and will be finished during 2010.

NOTE 11

Deferred tax receivables, SEK M

	Group	
	Dec. 31, 2009	Dec. 31, 2008
Stock	0	8
Receivables	1	14
Loss carry-forwards	325	293
Other	17	39
Total Deferred tax receivables	343	354

The Munksjö Group has asked for preliminary notice about the fiscal effects in connection with the refinancing. The outcome of the notice is not shared by Munksjö. Uncertainty exists therefore regarding the value of the deferred tax receivable.

NOTE 12

Stock, SEK M

	Group	
	Dec. 31, 2009	Dec. 31, 2008
Raw materials	67	86
Goods in production	26	26
Finished goods	262	330
Consumables	90	99
Total Stock	445	541

NOTE 13

Prepaid expenses and accrued income, SEK M

	Group	
	Dec. 31, 2009	Dec. 31, 2008
Accrued income	16	13
Prepaid expenses	3	3
Unrealized exchange-rate differences	-	9
Other	2	2
Total prepaid expenses and accrued income	21	27

NOTE 14

Cash and Bank balances, SEK M

	Group	
	Dec. 31, 2009	Dec. 31, 2008
The total credit limit for the Munksjö Group amounts to:	2 513	3 850
Of which , the following was utilized at the closing date:	2 471	3 777

Cash and bank balances include cash on blocked accounts of SEK M 184 (183) that was received in connection to a real estate disposal in December 2007.

■ **NOTE 15**

Share Capital, SEK M

Period	Change in Share capital	Number of shares	Par value, SEK M
Sept 30, 2004	Company formed	100 000	0,10
Feb 25, 2005	New share issue	20 005	0,02
July 21, 2009	New share and offset issue	27 480 184	27,48
Dec 16, 2009	New share ans offset issue	319 466	0,32
		27 919 655	27,92

	Dec. 31, 2009	Dec. 31, 2008
Share capital		
Number of Preference shares	22 080 097	1
Number of ordinary shares	5 839 558	20 004
Total number of shares	27 919 655	20 005
Value per share, SEK	1	1
Share capital, SEK M	27,92	0,02

Preference shares has precedence to the company's assets and profit up to a amount that correspond to a preference amount of 20 kronor per preference share enumerated with a yearly interest rate of 10 percent. All shares have equal voting rights.

■ **NOTE 16**

Deferred tax liabilities, SEK M

	Group	
	Dec. 31, 2009	Dec. 31, 2008
Tangible fixed assets	149	191
Untaxed reserves	175	176
Other	17	60
Total deferred tax liabilities	341	427

■ **NOTE 17**

Other provisions

	Group	
	Dec. 31, 2009	Dec. 31, 2008
Provision for environmental and decontamination costs	91	91
Tax provision	30	30
Total other provisions	121	121

■ **NOTE 18**

Liabilities to credit institutions and shareholders, SEK M

	Group		Parent Company	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Liabilities to credit institutions and shareholders that fall to payment:				
within 1 year	40	167	-	-
between 1 and 5 years	-	1 544	-	-
after 5 years	2 441	2 080	8,0	12,1
Total long-term liabilities	2 481	3 791	8,0	12,1

■ **NOTE 19**

Accrued expenses and prepaid income, SEK M

	Group	
	Dec. 31, 2009	Dec. 31, 2008
Provision for structural reorganizations	80	144
Provision for invoices not yet received	53	71
Fine to the German Bundeskartellamt	-	57
Accrued wages and salaries	46	41
Accrued holiday pay	33	37
Accrued social security costs	25	29
Accrued customer bonus	14	16
Unrealized exchange-rate differences	10	23
Other	23	21
Total accrued expenses and deferred income	284	439

■ **NOTE 20**

Pledged assets and contingent liabilities, SEK M

Pledged assets	Group		Parent Company	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Chattel mortgages for other commitments	854	864	-	-
Cash on blocked accounts	184	183	-	-
Pledging of shares in subsidiaries	0	0	1 551,6	146,1
Chattel mortgages	1 099	1 097	-	-
Total pledged assets	2 137	2 144	1 551,6	146,1

The properties and the shares in subsidiaries have been pledged to the benefit of Deutsche Bank AG London as the representative of a bank syndicate, which supplies the Munksjö Group with long-term financing. The collateral that the Munksjö Group subsidiaries have pledged for the Group's loans cannot be seized in the event they contravene the laws or restrictions that apply in the various countries.

Contingent liabilities	Group		Parent Company	
	Dec. 31, 2009	Dec. 31, 2008	Dec. 31, 2009	Dec. 31, 2008
Guarantees and other contingent liabilities	46	113	-	-
Total contingent liabilities	46	113	-	-

The subsidiaries have signed a general guarantee commitment for loans raised on behalf of the Group as a whole. The contingent liabilities that the Munksjö Group subsidiaries have made for the Group's loans cannot be seized in the event they contravene the laws or restrictions that apply in the various countries.

Munksjö AB
556669-9731

The Annual Report and the consolidated annual accounts have been approved for publication by the Board of Directors on May 31, 2010. The consolidated income statement and balance sheet and the Parent Company income statement and balance sheet will be presented to the Annual General Meeting on June 24, 2010.

Jönköping May 31, 2010

Fredrik Cappelen
Chairman

Caspar Callerström

Richard Chindt

Ingvar Petersson

Jan Reinås

Jan Åström
CEO and Managing Director

Annika Krave

Jan-Christer Sjölander

Our audit report was submitted on June 1 , 2010

Ernst & Young AB

Karin Grann
Authorized Public Accountant

Munksjö AB
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Audit report (English translation provided for convenience purpose only. In the event of a discrepancy between the English text and the Swedish text, the Swedish text shall prevail.)

To the annual general meeting of shareholders in Munksjö AB

Corp. Reg. No. 556669-9731

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Managing Director of Munksjö AB for the fiscal year 2009. The Board of Directors and the Managing Director are responsible for the accounts and the administration of the company, as well as for ensuring that the annual accounts and the consolidated accounts are prepared in accordance with the Annual Accounts Act. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

The audit was performed in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain a high level of, but not absolute, assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and the disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Managing Director and significant estimates made by the Board of Directors and the Managing Director when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and the company's circumstances, in order to be able to determine the liability, if any, to the company of any Board member or the Managing Director. We also examined whether any Board member or the Managing Director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's and the Group's result of operations and financial position in accordance with generally accepted accounting principles in Sweden. The Board of Directors' report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the annual meeting of shareholders that the income statement and balance sheets of the Parent Company and the Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Board of Directors' report and that the members of the Board of Directors and the Managing Director be discharged from liability for the fiscal year.

Jönköping June 1, 2010

ERNST & YOUNG AB

Karin Grann
Authorized Public Accountant