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# Munksjö's Q1-Q2/2016

Stockholm, 27 July 2016

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



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**1** **Key financials**

**2** **Business Area performance**

**3** **Outlook**

**4** **Q&A**



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## Summary of Q1-Q2/16

### Q2/16 compared to Q2/15

- + Delivery volumes increased in all four business areas and net sales increased by 4%
- + EBITDA increased by 77%
- + Strong improvement in cash flow
- + Biodegradability of silicone coated paper release liner proved
- + Munksjö became a member of the Forest Stewardship Council (FSC®)
- + New long-term share value based incentive programme for senior executives and other key personnel established

### Q1-Q2/16 compared to Q1-Q2/15

- + Delivery volumes increased and were particularly strong in Release Liners and Graphics and Packaging
- + Net sales increased by 3%
- + EBITDA increased by 45%
- + Of total profitability improvement, approximately half related to plan to reach profitability target
- + Operating result increased by 93% and net result by 87%
- + EPS increased by 91%
- Average price decreased, mainly driven by lower sales price for long fibre specialty pulp



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## Key figures

Very strong quarterly performance in sales, profitability and cash flow

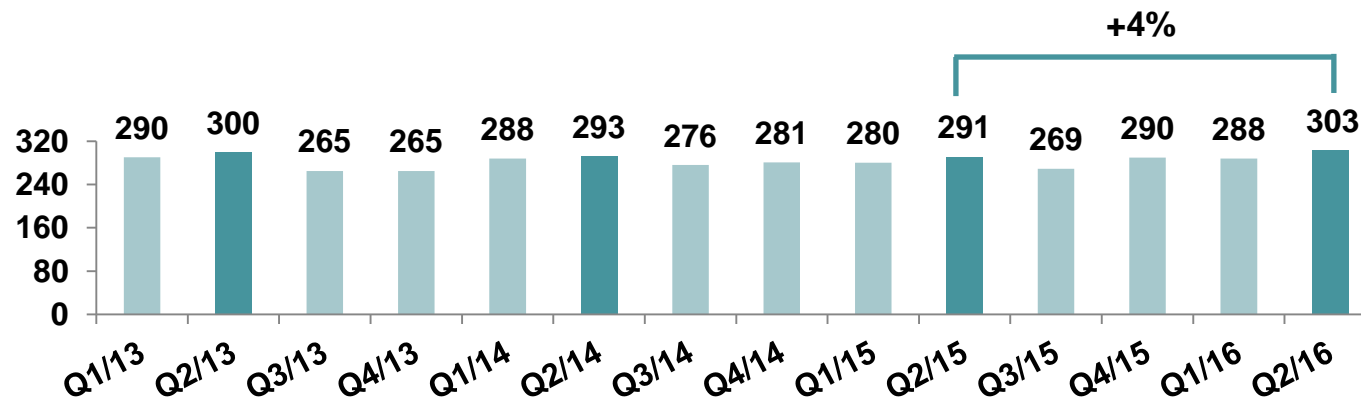
MEUR	Q2 2016	Q2 2015		Q1-Q2 2016	Q1-Q2 2015		FY 2015
<b>Net sales</b>	<b>302.9</b>	291.2	↑	<b>590.9</b>	571.4	↑	1,130.7
<b>EBITDA (adj.*)</b>	<b>40.1</b>	25.0	↑	<b>71.1</b>	51.5	↑	93.6
<b>EBITDA margin (adj.*)</b>	<b>13.2%</b>	8.6%	↑	<b>12.0%</b>	9.0%	↑	8.3%
<b>Operating result (adj.*)</b>	<b>26.7</b>	11.5	↑	<b>43.0</b>	24.7	↑	40.0
<b>Operating margin (adj.*)</b>	<b>8.8%</b>	3.9%	↑	<b>7.3%</b>	4.3%	↑	3.5%
<b>Net result</b>	<b>16.9</b>	2.7	↑	<b>23.2</b>	12.4	↑	22.8
<b>EPS (EUR)</b>	<b>0.33</b>	0.05	↑	<b>0.45</b>	0.24	↑	0.44
<b>Cash flow from operating activities</b>	<b>36.8</b>	5.8	↑	<b>40.4</b>	1.2	↑	55.5

\* Adjusted for items affecting comparability (IAC)

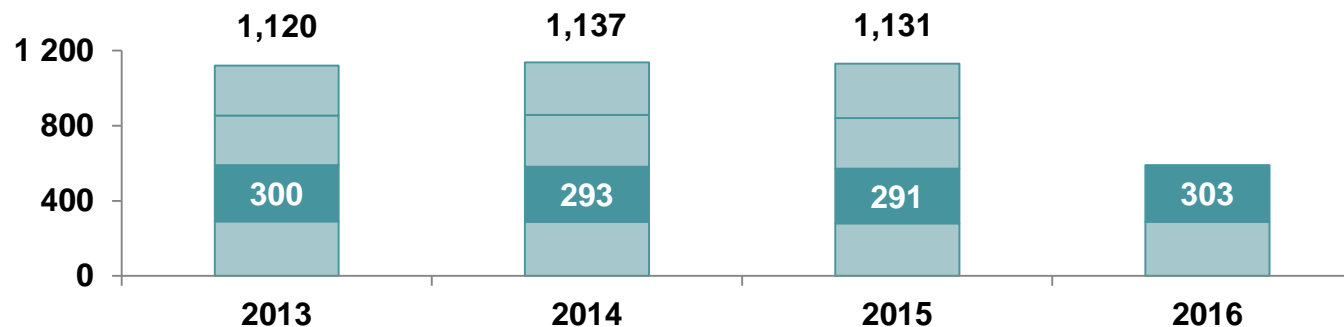


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## Net sales increased by 4% in Q2/16



## ANNUAL AND QUARTERLY NET SALES, MEUR



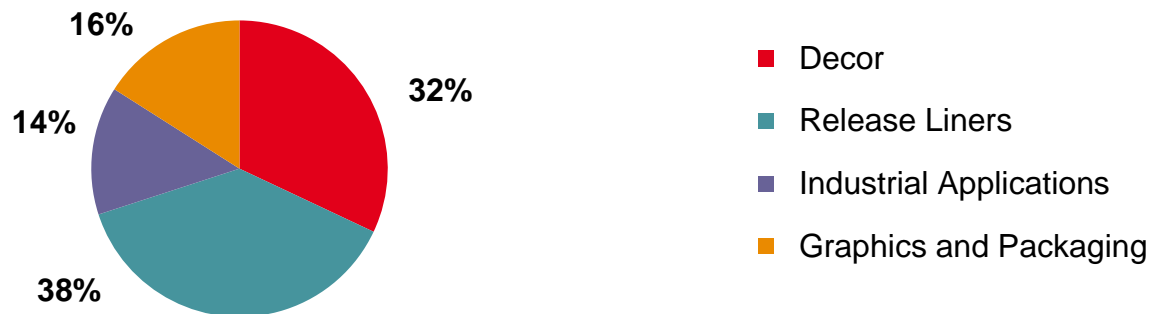
Pro forma figures for 2013. From Q1/2014 the reported figure is used.



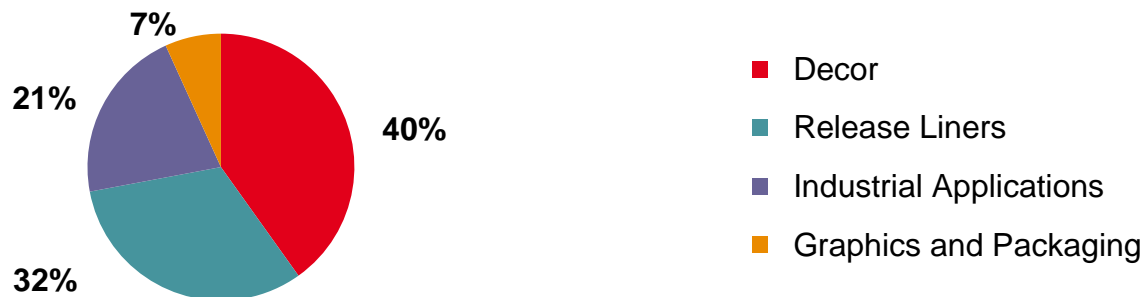
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## Business Area overview for Q1-Q2/2016

### Share of net sales\*



### Share of EBITDA\*



\* Excluding segment *Others* and internal eliminations

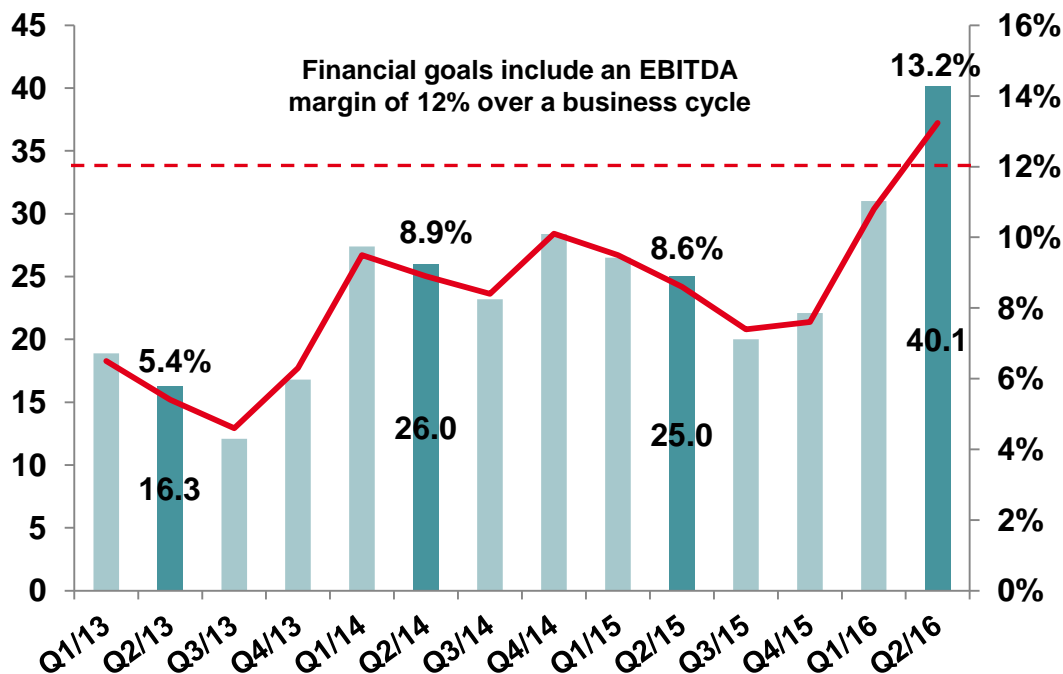


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# Continued clear margin improvement

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

MEUR



\* Adjusted for items affecting comparability

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

### Q2/16

- **Delivery volumes** increased. Specialty pulp in Aspa, Sweden had a maintenance stop in Q2/15.
- **Net sales** increased, as higher volumes more than compensated for lower average price.
- **EBITDA** increased, as higher volumes and lower variable costs more than compensated for lower average price.

### Q1-Q2/16

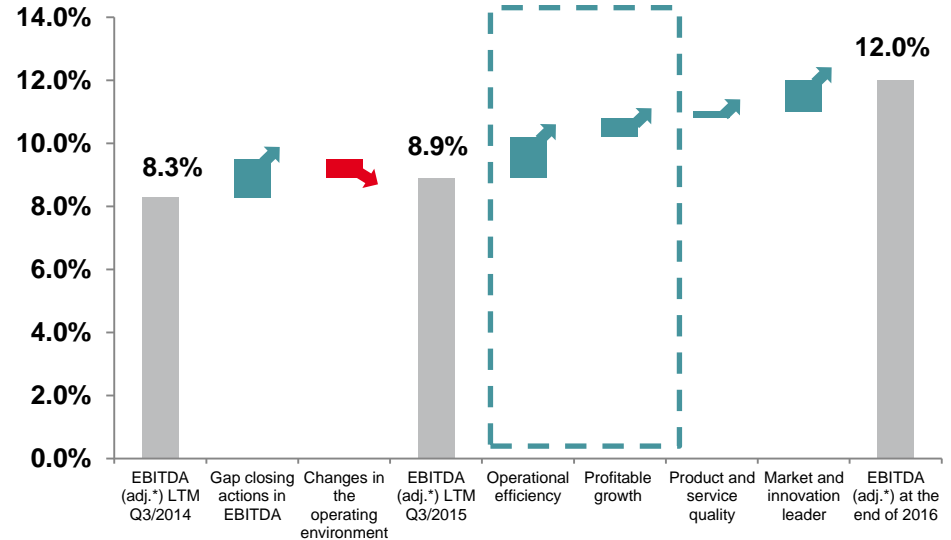
- **Delivery volumes** increased in all business areas. **Net sales** increased as higher volumes more than compensated for lower average price.
- **EBITDA** +20 MEUR
  - Higher delivery volumes +10 MEUR
  - Lower average price -8 MEUR
  - Lower variable costs +23 MEUR
  - Higher fixed costs -5 MEUR

# Update on profitability improvement plan

Plan to reach profitability target at the end of 2016

**EBITDA Q1-Q2/16:**  
**12.0%**

- ➔ Approximately half of the profitability improvement year-on-year was related to plan to reach the profitability target.
- ➔ The target of the plan remains unchanged.
- ➔ Majority of actions within plan related to operational efficiency and profitable growth.
- ➔ Market and innovation leadership is expected to be lower than originally planned.



\* Adjusted for items affecting comparability



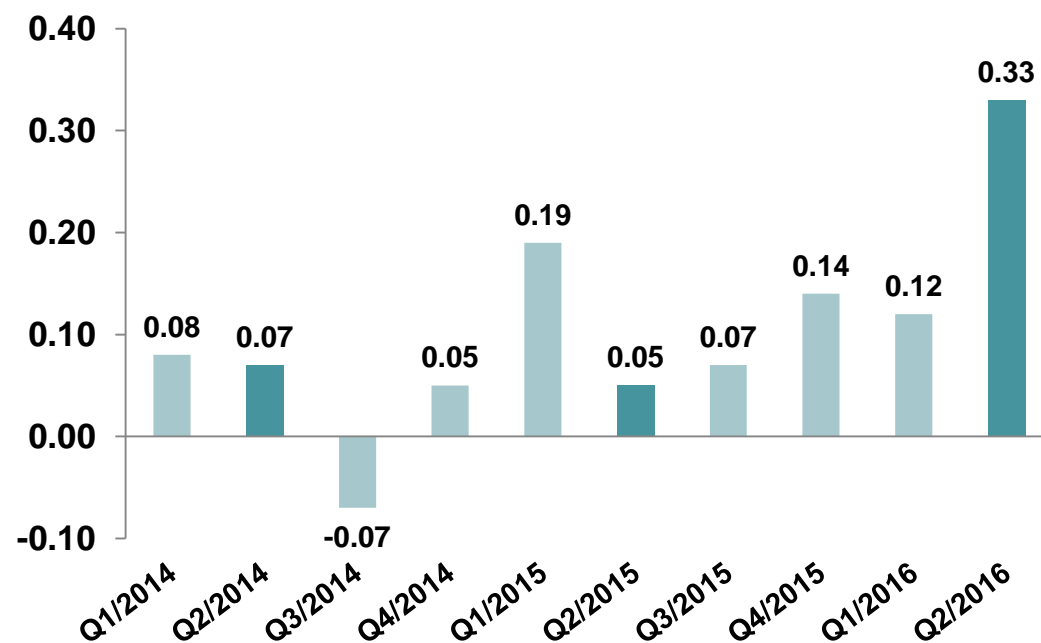


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# Earnings per share development

Strong development in Q2/16

## BASIC EPS (EUR)



### Q2/16

- EPS higher than in Q2/15, mainly as a result of the improved operating profit (+0.35 EUR).

### Q1-Q2/16

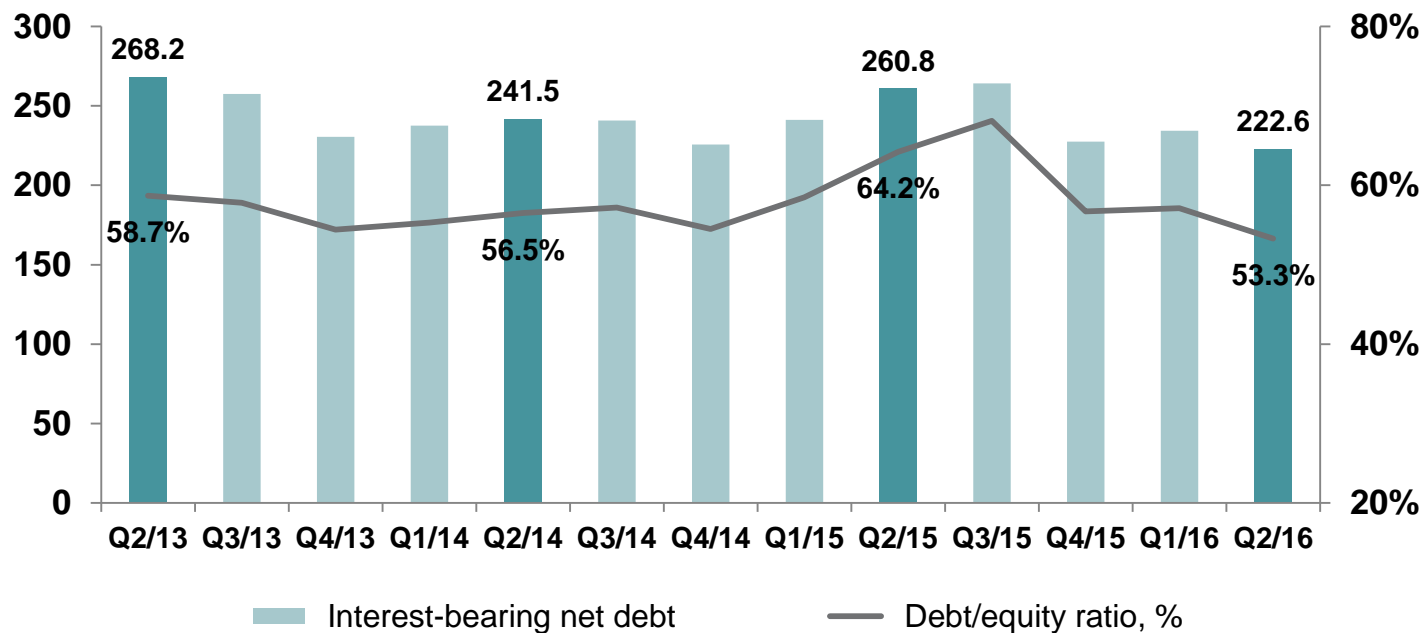
- EPS higher than in Q1-Q2/15, mainly as a result of the improved operating profit (+0.41 EUR), partly offset by a negative effect (-0.14 EUR) due to foreign exchange losses on financial items.



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# Net debt development

## NET DEBT AND GEARING, MEUR



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

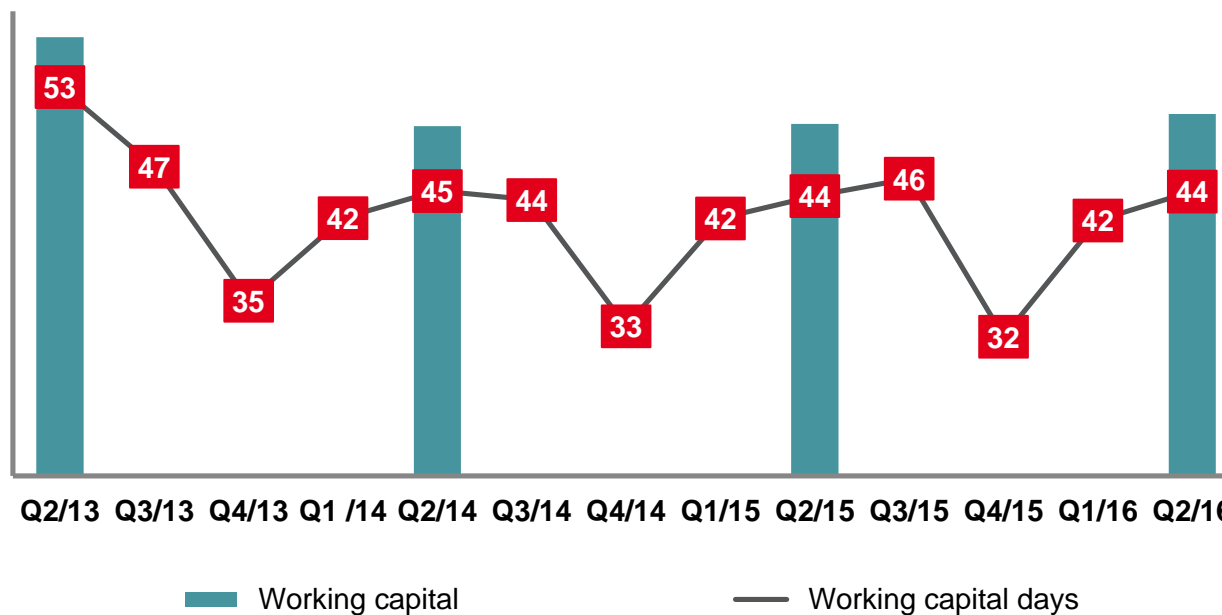


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# Focus on working capital management continues

Q1-Q2/16 reflected the normal seasonal pattern

MEUR



Working capital days:  $DIO + DSO - DPO$

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

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



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1 Key financials

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3 Outlook

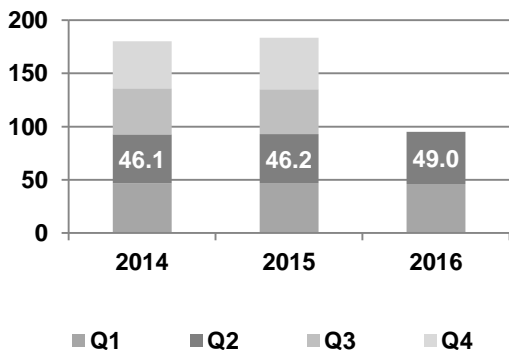
4 Q&A



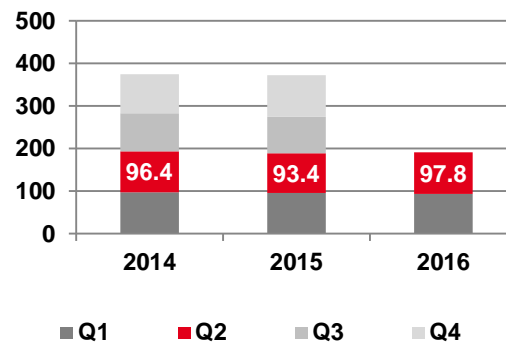
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# Business Area Decor

### DELIVERY VOLUMES, KTON



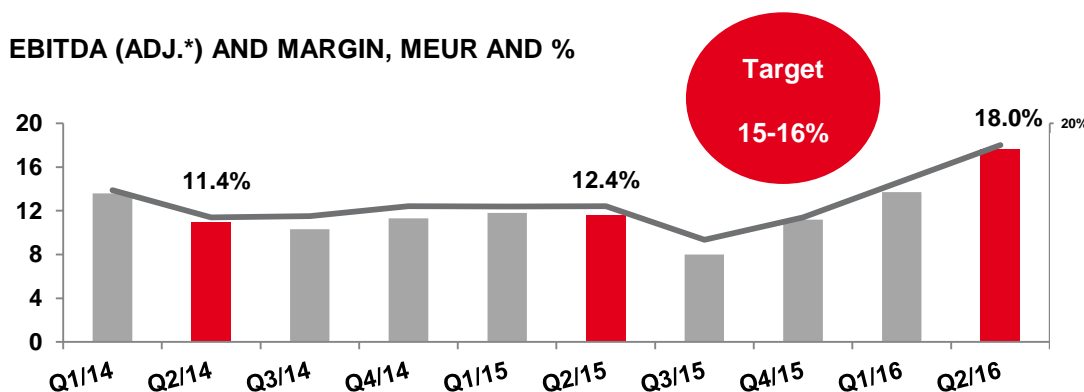
### NET SALES, MEUR



### Q2/2016

- **Delivery volumes** higher mainly driven by Europe, incl. Turkey, and Asia.
- **Net sales** increased mainly due to higher volumes. Average price decreased mainly due to mix.
- **EBITDA** increased as higher delivery volumes, profitability improvement actions and lower variable costs more than compensated for the lower average price.

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



\* Adjusted for items affecting comparability

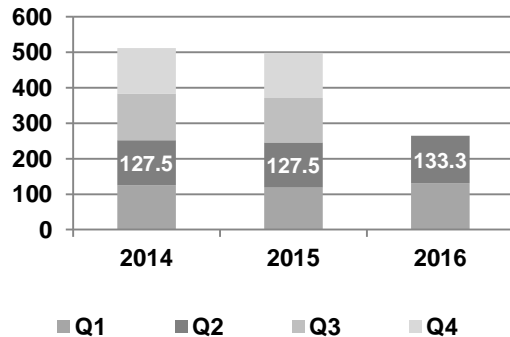
### Q1-Q2/2016

- **Delivery volumes** higher mainly driven by positive development in main markets in Europe and in Asia.
- **Net sales** increased mainly due to higher volumes. Average price decreased mainly due to mix.
- **EBITDA** increased as higher delivery volumes, profitability improvement actions and lower variable costs more than compensated for the lower average price.

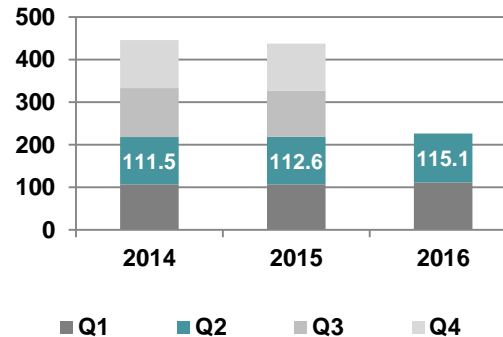


# Business Area Release Liners

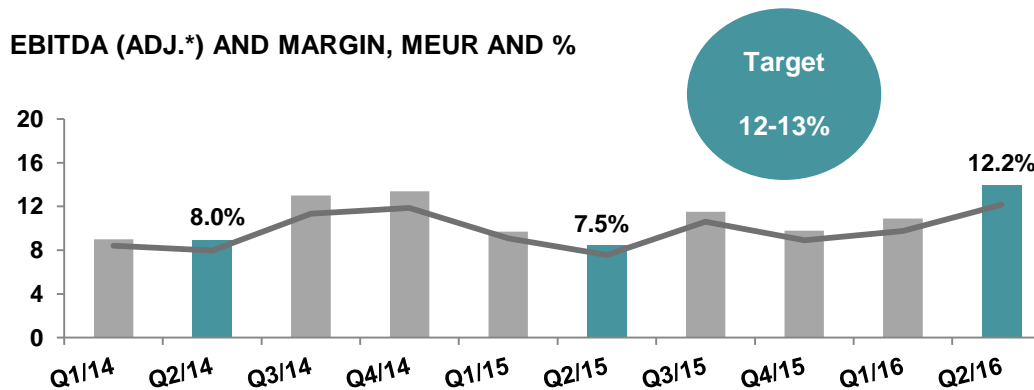
DELIVERY VOLUMES, KTON



NET SALES, MEUR



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



\* Adjusted for items affecting comparability

## Q2/2016

- **Delivery volumes** higher mainly driven by Brazilian paper. Volumes higher also for specialty pulp and European paper.
- **Net sales** increased but average price was lower.
- **EBITDA** increased as higher volumes, profitability improvement actions and lower variable costs more than compensated for lower average price. Maintenance shut down at pulp production in Q2/15.

## Q1-Q2/2016

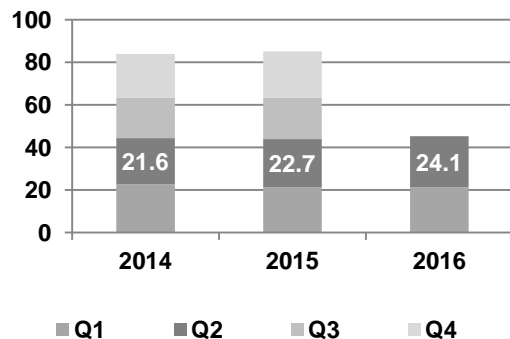
- **Delivery volumes** higher mainly due to specialty pulp. Volumes higher for Brazilian paper and stable for European paper.
- **Net sales** higher and average price lower. Average price positively affected by European paper business, negatively affected both by lower sales price for specialty pulp and the Brazilian paper business in euros.
- **EBITDA** increased as higher volumes, profitability improvement actions and lower variable costs more than compensated for the lower average price.



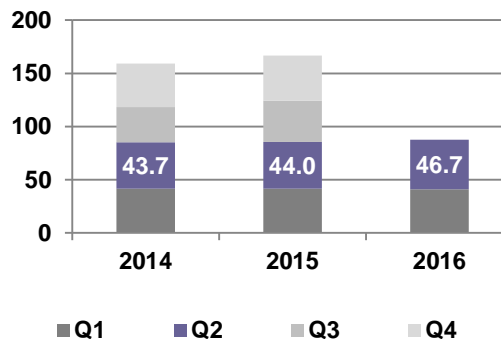
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# Business Area Industrial Applications

### DELIVERY VOLUMES, KTON



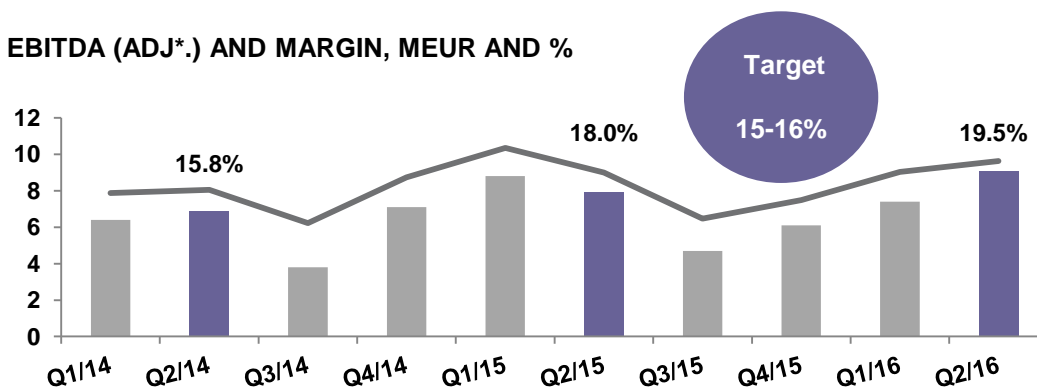
### NET SALES, MEUR



### Q2/2016

- **Delivery volumes** higher mainly driven by thin paper and Spantex™.
- **Net sales** increased mainly driven by higher volumes, average price stable.
- **EBITDA** increased mainly through higher volumes and profitability improvement actions, mainly related to profitable growth and operational efficiency.

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



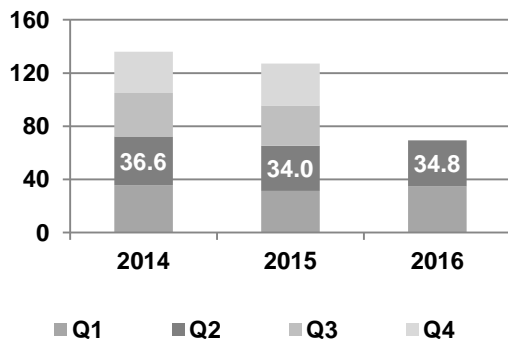
\* Adjusted for items affecting comparability



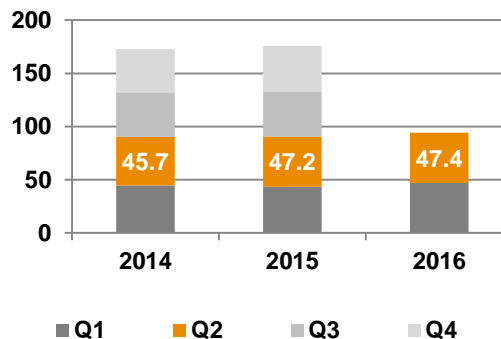
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# Business Area Graphics and Packaging

DELIVERY VOLUMES, KTON



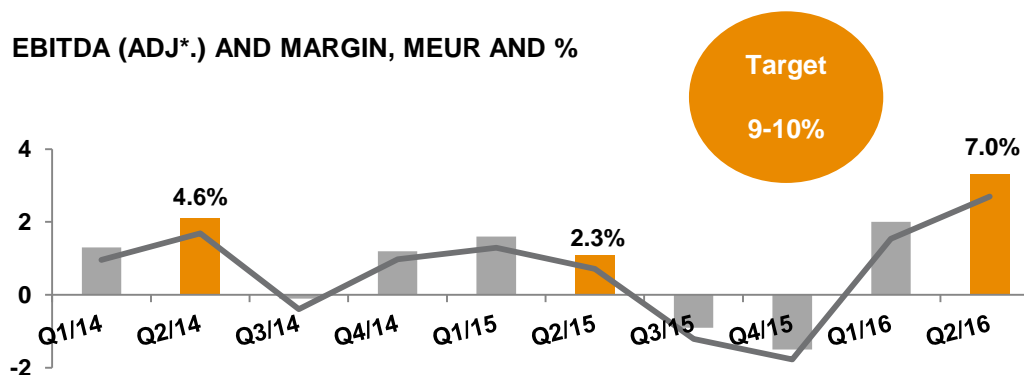
NET SALES, MEUR



## Q2/2016

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

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



## Q1-Q2/2016

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

\* Adjusted for items affecting comparability





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# Outlook and events after the reporting period

## OUTLOOK

- The **demand outlook for the last six months of 2016** for Munksjö's specialty paper products is expected to **remain stable compared with the current good level** and to reflect the **seasonal pattern**.
- The **annual maintenance and vacation shutdowns** in the third quarter, as well as the **shutdowns at the end of 2016**, are expected to follow the seasonal pattern and to be carried out to **about the same extent** as in 2015. The next maintenance shut down at the pulp production facility in Aspa in Sweden will be carried out in September 2016 and will therefore affect the financial result of the third quarter.
- The **EBITDA margin in 2016 is expected to improve compared with 2015** driven by the on-going profitability improvement plan.
- The **cash flow effect of capital expenditure** for fixed assets for 2016 is expected to be EUR 35-40 million.

## EVENTS AFTER REPORTING PERIOD

- Gustav Adlercreutz, General Counsel and member of the Management Team, will retire in February 2017 and will be succeeded by Andreas Elving.



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# Q&A

## Future events:

**Visit to mill and development center in France**

**Q1-Q3/2016**

**Financial Statements Bulletin 2016**

**Tuesday, 27 September 2016**

**Wednesday, 26 October 2016**

**Thursday, 16 February 2017**

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