

Ahlstrom-Munksjö Holding 3 Oy

Financials

The Ahlstrom-Munksjö Holding financial year 2021

Contents

BOARD OF DIRECTORS' REPORT	2
KEY FIGURES	14
UNAUDITED VOLUNTARY PRO FORMA FINANCIAL INFORMATION	20
FINANCIAL STATEMENTS	
Consolidated financial statements, IFRS	
Income statement	25
Statement of comprehensive income	26
Balance sheet	27
Statement of changes in equity	28
Cash flow statement	29
Notes to the consolidated financial statements	
Ahlstrom-Munksjö's business and basis of preparation of financial statements	
Note 1 Information about Ahlstrom-Munksjö Holding	30
Note 2 Basis of preparation	30

Performance

Note 3 Business acquisitions and disposals	34
Note 4 Business area information	36
Note 5 Sources of revenue	38
Note 6 Cost of goods sold and other operating income and other operating expense	40
Note 7 Employee and board of directors remuneration	42
Note 8 Depreciation, amortization and impairment	45
Note 9 Net financial items	46
Note 10 Taxes	48

Operating capital

Note 11 Intangible assets, property, plant and equipment and right-of-use assets	50
Note 12 Inventories	55
Note 13 Trade and other receivables and trade and other payables	56
Note 14 Defined benefit obligation	58
Note 15 Provisions	62

Net indebtedness and capital management

Note 16 Net indebtedness	63
Note 17 Equity	67

Financial risk management

Note 18 Financial risk management	68
---	----

Other notes

Note 19 Off-balance sheet commitments	74
Note 20 Ahlstrom-Munksjö Holding subsidiaries, associates and joint operations and related party transactions	75
Note 21 Auditor remuneration	78
Note 22 New accounting standards	78
Note 23 Post-balance sheet events	79

Auditor's report	81
-------------------------------	----

We use the following symbols throughout the financial statements



This symbol describes the accounting policy applied by the Group to the specific financial statement item.



This symbol is used when the specific item requires management to make judgements, estimates and assumptions that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements.



This symbol is used with a disclosure on a specific risk related to the financial statement item.

Board of Directors' report

We present in this Board of Directors' report certain financial and other information of Ahlstrom-Munksjö Holding (the "Group", "Ahlstrom-Munksjö Holding"), consisting of Ahlstrom-Munksjö Holding 3 Oy (formerly Spa Holdings 3 Oy) as the parent company (the "Issuer", "parent company" and "Ahlstrom-Munksjö Holding 3 Oy"), Spa US Holdco Inc, and Ahlstrom-Munksjö Oyj and its subsidiaries ("Ahlstrom-Munksjö"). Ahlstrom-Munksjö is consolidated from the date of acquisition on February 4, 2021. Income statement and certain related key figures are presented on a pro forma basis for the full year 2020 and 2021 to illustrate the financial effect of the acquisition of Ahlstrom-Munksjö Oyj as if the transaction had been completed in the beginning of 2020. This report also includes certain adjusted figures for the last twelve months ("LTM") ended December 31, 2021.

HIGHLIGHTS OF 2021

- Record high net sales and comparable EBITDA on pro forma basis
- Good progress in transformation related initiatives
- Sales prices were raised to offset increased input costs
- Strong customer demand as the global economic recovery continued despite the resurgence of the pandemic
- Manufacturing and customer service ran as normal, with the exception of a few temporary suspensions caused by employees' absence in connection with quarantine or infections, or delays caused by bottlenecks in the supply chain and availability of transport.
- Investment decision in a new glass fiber tissue production line in the U.S. to better serve the North American market
- Agreement to acquire majority stake in Chinese decor paper producer Minglan to create a global player in decor papers, serving customers better in China and its adjacent export markets. The transaction was completed in January 2022.

FINANCIAL PERFORMANCE 2021

Pro forma compared with Ahlstrom-Munksjö 2020

The pro forma figures illustrate as if the acquisition of Ahlstrom-Munksjö had been completed in the beginning of 2020.

Net sales increased by 14.7% to EUR 3,076.6 million (2,683.3). At constant currency rates the increase was 16%, driven by higher selling prices and delivery volumes. Customer activity was high and delivery volumes exceeded the pre-pandemic level in almost all businesses, despite the resurgence of the pandemic. Manufacturing was uninterrupted and customer service proceeded in normal order, with the exception of a few temporary suspensions caused by employees' absence in connection with quarantine or infections, or delays caused by bottlenecks in the supply chain and availability of transport.

Comparable EBITDA increased to EUR 398.3 million (334.2), representing 12.9% of net sales (12.5), on higher sales volumes. Significantly higher variable costs were offset by higher selling prices and cost efficiency measures relating to the transformation initiatives. Fixed costs increased partly due to the higher level of production. In addition, fixed costs were unusually low in the second quarter of the previous year due to temporary measures to mitigate the financial impact of the pandemic.

Adjusted EBITDA amounted to EUR 494.9 million for the last twelve months (LTM) ending December 31, 2021. Adjusted EBITDA has improved during the year as a result of the increased comparable EBITDA (LTM) and larger potential in the profit improvement initiatives that the group's owners have identified.

Reported 2021

In the reported figures Ahlstrom-Munksjö is consolidated from the date of the acquisition of February 4, 2021.

Net sales were EUR 2,814.2 million. The margin on variable costs (MOVC) was EUR 708.1 per ton and was affected by higher variable costs, despite the company's cost efficiency measures, and higher selling prices.

EBITDA was EUR 244.6 million. Items affecting comparability (IACs) and owners' management fee in EBITDA totalled EUR -117.0 million, and included an inventory adjustment arising from purchase price allocation (PPA) accounting as well as transformation and transaction costs related to the acquisition of Ahlstrom-Munksjö Oyj.

The operating result was EUR 72.3 million. Depreciation, amortization and impairment amounted to EUR -172.3 million, including depreciation and amortization arising from PPA of EUR -62.6 million.

Net financial items were EUR -106.2 million. This figure includes net interest expenses of EUR -89.9 million, a currency exchange loss of EUR -2.3 million and other financial expenses of EUR -14.0 million.

The result before taxes was EUR -33.9 million. Taxes amounted to EUR -23.5 million. The net result was EUR -57.4 million.

CASH FLOW

Reported cash flow and capital expenditure 2021

In the reported figures Ahlstrom-Munksjö is consolidated from the date of the acquisition of February 4, 2021.

Net cash from operating activities amounted to EUR 83.3 million, and was impacted by an increase in working capital due to higher business activity, and IACs relating to the acquisition of Ahlstrom-Munksjö and the transformation initiatives.

Net cash flow from investing activities totalled EUR -1,727.7 million. Capital expenditure excluding acquisitions totalled EUR -145.5 million and related to maintenance, cost and efficiency improvements as well as growth initiatives. Net cash flow from investing activities also included a EUR -1,577.4 million payment to acquire Ahlstrom-Munksjö shares.

Free cash flow was EUR 290.6 million, calculated as comparable EBITDA minus maintenance capital expenditure, and cash conversion was 80.4%, calculated as free cash flow divided by comparable EBITDA.

FINANCING

Financing and indebtedness

During January-December 2021, Ahlstrom-Munksjö Holding 3 Oy entered into several debt financing arrangements to finance the tender offer purchase consideration for the acquisition of Ahlstrom-Munksjö, to refinance certain Ahlstrom-Munksjö's existing debt arrangements and for other uses.

Cash flow from financing activities was EUR 1,775.1 million for January-December 2021. Repayments of borrowings include Ahlstrom-Munksjö's Senior Term Facilities of EUR -607.5 million, senior unsecured notes of EUR -260.4 million and hybrid bond of EUR -101.8 million. Proceeds from borrowings include Senior Term Facilities of EUR equivalent 1,340.4 million and Senior Secured Notes of EUR equivalent 581.6 million. Cash flow from financing activities also includes EUR 1,084.6 million of capital increase.

At the end of the reporting period, Ahlstrom-Munksjö Holding's net indebtedness was EUR 2,084.2 million, while net indebtedness to adjusted EBITDA ratio of was 3.6.

Liquidity

In 2021, the principal sources of liquidity, prior to the completion of the acquisition of Ahlstrom-Munksjö by Ahlstrom-Munksjö Holding 3 Oy, were cash flow from operating activities and short-term and long-term loans and financing. Following the acquisition of Ahlstrom-Munksjö by Ahlstrom-Munksjö Holding 3 Oy the principal sources of liquidity were cash flow from operating activities, financing cash flow from drawings under the revolving credit facility and committed and uncommitted lines, as well as the Finnish Commercial Paper Program.

During the second quarter, Ahlstrom-Munksjö Holding renegotiated a factoring arrangement facility to EUR 300 million and increased factoring volumes to optimize working capital management.

ACQUISITION OF AHLSTROM-MUNKSJÖ

On September 24, 2020, Ahlstrom-Munksjö Holding 3 Oy (formerly Spa Holdings 3 Oy), a consortium consisting of Ahlström Capital, funds managed or advised by Bain Capital as well as Viknum and Belgrano Inversiones, made a public recommended cash tender offer for all shares in Ahlstrom-Munksjö Oyj not held by Ahlstrom-Munksjö or its subsidiaries. Ahlstrom-Munksjö Holding 3 Oy acquired approximately 81% of Ahlstrom-Munksjö shares on February 4, 2021 following the first settlement under the tender offer. On February 9, 2021, Ahlstrom-Munksjö Holding 3 Oy acquired an additional 9.6% of Ahlstrom-Munksjö, increasing its ownership percentage to over 90%, and started a compulsory redemption procedure and applied for the delisting of the shares from Nasdaq Helsinki and Nasdaq Stockholm.

An Extraordinary General Meeting ("EGM") of Ahlstrom-Munksjö Oyj was held on February 19, 2021 in which Alexander Ehrnrooth and Lasse Heinonen were re-elected as members of the Board of Directors and Halvor Meyer Horten, Peter Seligson, Ivano Sessa, Michael Siefke and Karl-Henrik Sundström were elected as new members of the Board of Directors of Ahlstrom-Munksjö Oyj for a term ending at the close of the Annual General Meeting 2021 ("AGM") of Ahlstrom-Munksjö Oyj. All members of the Board of Directors of Ahlstrom-Munksjö Oyj were re-elected in the AGM of Ahlstrom-Munksjö Oyj held on May 6, 2021.

On April 16, Nasdaq Stockholm approved the delisting application and resolved that the last day of trading in Ahlstrom-Munksjö's shares was May 31, 2021.

On June 23, 2021 it was announced that Ahlstrom-Munksjö Holding 3 Oy had posted security approved by the arbitral tribunal appointed by the Redemption Board of the Finland Chamber of Commerce in connection with the redemption proceedings concerning the minority shares in Ahlstrom-Munksjö Oy, and thus gained title to all the shares in Ahlstrom-Munksjö in accordance with Chapter 18, Section 6 of the Finnish Companies Act. The shares in Ahlstrom-Munksjö were delisted as of that day from the official list of Nasdaq Helsinki.

GOVERNANCE

Ahlstrom-Munksjö Holding 3 Oy is a Finnish limited liability company. In its corporate governance, Ahlstrom-Munksjö 3 Oy complies with applicable laws and regulations, including without limitation, the Finnish Limited Liability Companies Act (624/2006, as amended) ("Companies Act") as well as the Company's Articles of Association. The shares of Ahlstrom-Munksjö Holding 3 Oy's wholly owned subsidiary Ahlstrom-Munksjö Oyj were listed on Nasdaq Helsinki and Nasdaq Stockholm until delisting from Nasdaq Stockholm on May 31, 2021 and delisting from Nasdaq Helsinki on June 23, 2021. Ahlstrom-Munksjö Oyj complied with the Finnish Corporate Governance Code 2020, issued by the Securities Market Association ("Finnish Code") as well as all other relevant regulations applicable to Finnish listed companies for the duration of its listing.

The Board of Directors

The role of the Board is to oversee the administration of the company and the appropriate organization of its operation and in its work protect the interests of the company and its shareholders. The Board shall also ensure that control of the accounts and finances of Ahlstrom-Munksjö are appropriately arranged.

Ahlstrom-Munksjö Holding 3 Oy's members of the Board of Directors are Ivano Sessa (chair), Andrej Busch, Alexander Ehrnrooth, Lasse Heinson, Halvor Meyer Horten, Peter Seligson and Michael Siefke.

Auditor

The main function of the statutory audit is to verify that the financial statements provide true, accurate and sufficient information on the Group's performance and financial position for the financial year. The Group's financial year is the calendar year.

The auditor's responsibility is to audit the correctness of the Group's accounting in the respective financial year and to provide an auditor's report to the General Meeting. In addition, Finnish law requires that the auditor also monitors the lawfulness of the company's administration. The auditor reports to the Board of Directors at least once a year.

KPMG Oy Ab (KPMG) was appointed auditor of the company on April 8, 2021. KPMG has designated Anders Lundin, APA, as the responsible auditor. The company's subsidiaries are subject to local auditing under local regulations which are conducted by representatives of KPMG's network or other high standard audit companies in each country.

Internal Audit

The Group's Internal Audit function has been outsourced to a global service provider, EY. The role of the Internal Audit is to evaluate and improve the effectiveness of the control, risk management and governance processes, and to facilitate the implementation of best practices

to ensure that various risk management, control and governance processes, as designed and implemented by the company's management, are adequate and functioning as planned. In doing so, the Internal Audit reviews the effectiveness and efficiency of the business processes and the compliance with policies, standards, procedures, and applicable laws and regulations.

Administratively, the Internal Audit reports to the CEO and CFO as well as to the Audit Committee or the Board. The Internal Audit conducts regular process audits, site and subsidiary audits as well as audits at other Group units in accordance with the audit plan approved by the Board of Directors. The audit plan is developed by using appropriate risk-based methodology taking into account any risks or control concerns identified by the Group Controller, the Executive Management Team, Group Risk Management function and the internal auditors. The Internal Audit makes recommendations to the Executive Management Team members and local management based on its observations. The Internal Audit also monitors the implementation of the action plans made based on its recommendations.

The Internal Audit is coordinated with the work of the external auditors and the company's other controlling and monitoring functions (Financial Accounting, Group Controlling, Taxation, Risk Management, Legal, IT, etc.).

To the extent permitted by law, the Internal Audit function has a free and unrestricted access to all relevant units, functions, records, physical properties and personnel.

Executive Management Team

The Executive Management Team ("EMT") consists of the CEO, Deputy CEO and Executive Vice Presidents of business areas as well as group functions. Biographical details of the EMT members are available at www.ahlstrom-munksjo.com.

PERSONNEL

At the end of the reporting period, the Group employed 7,976 people. The highest numbers of employees were in the United States (31%), France (20%), Sweden (10%), Brazil (9%) and Italy (7%).

CHANGES IN THE EXECUTIVE MANAGEMENT TEAM

In the third quarter, Mikko Lankinen, EVP Corporate Strategy and Development, decided to leave Ahlstrom-Munksjö. He continued in the position until end of October.

In the fourth quarter Robyn Buss, Executive Vice President of the Food Packaging & Technical Solutions business area, announced her retirement. She continued in the position until end of December.

In December, Mark Ushpol was appointed Executive Vice President, Food Packaging & Technical Solutions business area, and a member of the Group Executive Management Team as of January 1, 2022.

INNOVATION

Ahlstrom-Munksjö has extensive research and development capabilities in each business. Product development in the businesses is carried out at the various plants and in collaboration with customers. The company also operates a research center at two sites in France, one in Pont-Evêque and one in Apprieu. The research center employing about 70 people works in close cooperation with the businesses and provides services, and develops new products and next generation technology platforms. Company-wide research and development work is governed by a steering committee chaired by the Executive Vice President, Innovation, Sustainability and Commercial Excellence and composed by key representatives from business areas, centralized R&D and Intellectual Property function. In addition, marketing, sales and customer service organizations support the R&D process by identifying areas where development needs to be prioritized or quality improved, or where customers are looking for new applications.

Ahlstrom-Munksjö uses its EcoDesign tool to evaluate and assess new products from a sustainability perspective. Four aspects are considered for a sustainable design. First, where possible, lower-impact materials, such as renewable, recycled, recyclable, or biodegradable materials that have improved end-of-life outcomes in terms of sustainability are selected. Second, focus on responsible chemical use, including reducing or eliminating hazardous chemicals wherever possible. Third, seeking process efficiencies to make good use of raw materials, water, and energy. Finally, design for product efficiencies, including sustainability performance for customers all along the value chain and end of life disposal.

Ahlstrom-Munksjö has set as a target that all new products in development are assessed with the EcoDesign Tool and that all have a positive EcoDesign score by 2025, meaning their environmental impact is lower than a reference product's. In 2021, 100% of new products in development were assessed with the tool, and 83% of the new products had a positive score, meaning their environmental impact is lower than a reference product's. The company also aims for sales from new products launched during the last three years to reach 15% by 2025. In 2021, 12% (Ahlstrom-Munksjö: 12% in 2020) of sales came from new products launched during the last three years.

The Group's expenditure on R&D was approximately EUR 27 million (Ahlstrom-Munksjö: EUR 27 million in 2020), representing 0.9% of net sales. The figure does not include technical product development costs carried out in close cooperation with customers.

EVENTS DURING THE REPORTING PERIOD

Senior term facilities

On January 29, 2021 Ahlstrom-Munksjö Holding 3 Oy entered into a senior secured credit facilities agreement (as amended and restated on March 18, 2021) with several financial institutions. The senior secured credit facilities agreement provides for (i) senior term loan facilities in principal amounts of EUR 350 million ("TLB1") and USD 363.7 million (EUR 300 million equivalent) ("TLB2" and together with TLB1, "Senior Term Facilities") and (ii) a multicurrency revolving credit facility in a principal amount of EUR 325 million (equivalent) (the "Revolving Credit Facility").

On March 18, 2021 the TLB 1 principal amount was increased by EUR 250 million to a total amount of EUR 600 million and TLB2 principal amount was increased by USD 183.3 million (EUR 150 million equivalent) to a total amount of USD 547 million (EUR 450 million equivalent).

Acquisition of Ahlstrom-Munksjö

In February, 2021 Ahlstrom-Munksjö Holding 3 Oy concluded the acquisition of Ahlstrom-Munksjö Oy. For further information see section Acquisition of Ahlstrom-Munksjö.

Issuance of secured notes

On March 19, 2021, Ahlstrom-Munksjö Holding 3 Oy (formerly Spa Holdings 3 Oy) issued EUR 350 million senior secured notes and USD 305 million senior secured notes. The proceeds of the notes were used to finance indirectly through the repayment of certain bridge facilities, partly the tender offer consideration, to refinance assumed debt of Ahlstrom-Munksjö, and to pay fees and expenses in connection therewith. The EUR notes and the USD notes bear interest at a rate of 3.625% and 4.875% per annum, respectively. Both notes mature in 2028.

Redemption of EUR 250 million senior unsecured 1.875 percent notes due 2022

On April 12, 2021, Ahlstrom-Munksjö redeemed all of the aggregate principal amount of the notes issued. On the optional redemption date, Ahlstrom-Munksjö redeemed all of the notes (including any notes in respect of which the mandatory prepayment right related to the change of control event has been exercised) at a make-whole redemption amount (as defined in condition 8 of the terms and conditions of the notes) together with accrued but unpaid interest up to (but excluding) the optional redemption date in accordance with the terms and conditions of the notes.

Strategic review of Decor business and agreement to acquire Minglian

On May 4, 2021, Ahlstrom-Munksjö announced it had reactivated the exploration of strategic options for its Decor business. In 2021, Ahlstrom-Munksjö has progressed with the carve-out of Decor with the objective of enabling the business to operate as a stand-alone entity.

On September 30, 2021, Ahlstrom-Munksjö entered into an agreement to acquire 60% of Chinese decor paper producer Minglian New Materials Technology Co., Ltd. to form a joint venture, comprising a state-of-the-art decor paper plant in the city of Xingtai, Hebei Province, China. By combining Minglian with its existing Decor business, Ahlstrom-Munksjö will create a global leader in decor papers with improved cost competitiveness and strong presence in Europe, Americas and Asia. Minglian's annual production capacity is approximately 50,000 tons compared to Ahlstrom-Munksjö's decor paper production capacity of some 210,000 tons.

A non-binding letter of intent with the majority shareholders was initially signed in November 2019 but the COVID-19 pandemic delayed the negotiations and signing of the transaction.

The Minglian transaction was completed on January 14, 2022.

Annual General Meeting of Ahlstrom-Munksjö

Please see the section Acquisition of Ahlstrom-Munksjö .

Expansion of glass fiber tissue business through a major investment in North America

On May 10, 2021, Ahlstrom-Munksjö announced it will invest EUR 58 million in a new glass fiber tissue production line in the U.S. to support the flooring industry in North America. The new line, to be built on the existing Madisonville site in Kentucky, will produce a full range of glass fiber tissue with a main focus on Luxury Vinyl Tiles and Vinyl sheet materials. Customer deliveries are expected to start in mid-2023.

Delisting of Ahlstrom-Munksjö shares from NASDAQ Helsinki and Stockholm

Please see the section Acquisition of Ahlstrom-Munksjö.

Ahlstrom-Munksjö Holding 3 Oy (formerly SPA Holdings 3 Oy) return of equity

On July 30, 2021, the board of directors of Ahlstrom-Munksjö Holding 3 Oy (formerly Spa Holdings 3 Oy) decided that Ahlstrom-Munksjö Holding 3 Oy would make a distribution in the aggregate amount of EUR 17,341,816.48 (the "Distribution Amount") by way of return of equity from invested unrestricted equity reserve.

On October 25, 2021, Ahlstrom-Munksjö Holding 3 Oy decided on a cash distribution in the aggregate amount of EUR 8,313,159.82 (the "Distribution Amount") by way of return of equity from invested unrestricted equity reserve.

Redemption of EUR 100 million hybrid bond

On February 19, 2021, Ahlstrom-Munksjö announced its intent to exercise its redemption right in respect of the EUR 100 million hybrid bond issued on December 13, 2019 in accordance with clause 7.7 (change of control) of the terms and conditions of the hybrid bond.

On July 29, 2021, Ahlstrom-Munksjö redeemed the hybrid bond in whole at its nominal amount, together with any accrued interest (each as defined in the terms and conditions of the hybrid bond) in accordance with the terms and conditions of the hybrid bond.

Name change of Spa Holdings 3 Oy

On August 23, 2021, Ahlstrom-Munksjö's parent company Spa Holdings 3 Oy registered with the Finnish Patent and Registration Office as its business name Ahlstrom-Munksjö Holding 3 Oy and registered address Alvar Aallon katu 3 C, 00100 Helsinki, Finland.

Sustainability work awarded with fifth consecutive EcoVadis Gold rating

Ahlstrom-Munksjö was awarded the EcoVadis Gold rating for the company's sustainability management and performance for the fifth consecutive year in September 2021. This places Ahlstrom-Munksjö in the top 2% of suppliers assessed in the pulp, paper and paperboard manufacturing industry. Compared with the results from the previous year, progress was made in ethics.

EcoVadis is a globally recognized business sustainability rating provider. The Corporate Social Responsibility assessment criteria include four themes; environment, labor and human rights, ethics and sustainable procurement. The EcoVadis method is based on internationally adopted principles for sustainability reporting, such as the Global Reporting Initiative, United Nations Global Compact and ISO 26000, and is audited by independent sustainability experts.

Completion of a syndicated bank facility

On October 25, 2021, Ahlstrom-Munksjö Holding 3 Oy announced the launch of syndication of TLB3 in the aggregate principal amount of EUR 282 million under the senior secured facilities agreement. The transaction was completed in November and TLB3 was drawn in December 2021, amount drawn was EUR 282 million, and is currently held in escrow for the payment to minority shareholders to fund the redemption price of the shares not tendered and as additional liquidity on balance sheet.

New member to the board of directors of Ahlstrom-Munksjö Oyj

Helen Mets-Morris was elected Director of the Board of Ahlstrom-Munksjö Oyj as of November 26, 2021. Helen Mets-Morris, who holds British and Dutch citizenship, is Executive Vice President Materials and member of the Executive Committee at Royal DSM. The appointment increases Ahlstrom-Munksjö Oyj's Board of Directors to eight.

Entering a Commercial Paper program

In December, Ahlstrom-Munksjö established a Finnish Commercial Paper Program. The aggregate nominal amount of outstanding notes under this program is limited to EUR 300 million, and the notes are guaranteed by Ahlstrom-Munksjö Holding 3 Oy.

RISK MANAGEMENT AND SHORT-TERM RISKS

The Group has a Risk Management Policy, which sets out the principles for the risk management process as well as the split of responsibilities and reporting within the Group, to ensure that risks are properly managed and monitored. It is actively working to reduce the effects of these risk factors through preventive measures. When preventive measures are not viable, the risk may be hedged or insured as mitigation.

The format and methodology used for the risk evaluation is an Enterprise Risk Management framework, and the evaluation is performed at least once a year.

Short term risks are specified in the section below and updated in the quarterly interim reports. Financial risks are described in notes 16 and 18 of the consolidated financial statements.

What follows is a summary of risk to which we are subject. For a more thorough explanation of risks to which we are subject please refer to disclosure materials distributed to investors in connection with the offering of Ahlstrom-Munksjö Holding's senior secured notes. There have been no material changes to the risks to which we are subject since the distribution of such materials other than as described below and elsewhere in this report.

Short-term risks

As Ahlstrom-Munksjö Holding, through Ahlstrom-Munksjö, manages a broad portfolio of businesses and serves a wide range of end uses globally, it is unlikely to be significantly affected at a Group level by individual business factors. However, slowing global economic growth and uncertain financial market conditions could have an adverse effect on the financial results, operations and financial position.

The coronavirus pandemic has been the key driver of increased uncertainty globally from an economic and social perspective and has disrupted consumers' lives across the world. The length and severity of the pandemic will probably be a key determinant for if and the way consumers life will permanently change, as well as affect future business opportunities.

The company's significant risks and uncertainty factors mainly consist of developments in demand for and prices of sold products, the cost and availability of key raw materials and energy (as further described below), financial risks, as well as other business factors including developments in global politics, regulations and the financial markets.

Local authorities continue with vaccination programs globally meanwhile the pandemic is entering a new phase. The vaccines seem to reduce symptoms and prevent serious illness, allowing the governments to ease on restrictions and keep society open. Operational risk relating to employee absences due to quarantine and infections has been mitigated by the implementation of the Ahlstrom-Munksjö COVID-19 Safety Protocol. As a result of the rebound in economic activity, demand for resources, labor, and transportation has increased, which has led to price increases and some bottlenecks in supply chains. Particularly the energy markets in Europe have been affected, which may lead to sharply rising energy costs. The geopolitical situation has changed in Europe as a result of the war in Ukraine. Although the Group's direct

exposure to Russia and Ukraine is limited, repercussions can be significant from possible sanctions, including any Russian response. The Group manufactures glass fiber tissue at one plant in the city of Tver in Russia. Russia represented 1.3% and Ukraine 0.1% of Group's pro forma net sales in 2021.

The sustainability criteria are developing rapidly as the effect of climate change increases. The transition entails new business conditions at the same time as some of the environmental challenges can be met with the company's products, which strengthens its future business opportunities.

The Group's key financial risks include interest (see note 16 to the financial statements) rate and currency, liquidity and credit risks. To mitigate short-term risks, methods such as hedging and credit insurance are used. There are no major refinancing needs short-term.

The Group is exposed to tax risks due to potential changes in tax laws and regulations or their application, or as a result of on-going or future tax audits or claims.

The company regularly assesses the best structure for its platform of businesses and systematically evaluates M&A opportunities. In potential business combinations, substantial integration work is needed to realize expected synergies.

Ahlstrom-Munksjö has operations in many countries, and sometimes disputes cannot be avoided in daily operations. The company is sometimes involved in legal actions, disputes, claims for damages and other procedures. The result of these cannot be predicted, but taking into account all the available current information, no significant impact on the financial position of the company from any known legal actions, disputes or claims is expected.

NON-FINANCIAL INFORMATION STATEMENT

In the non-financial information report, the comparison figures refer to Ahlstrom-Munksjö Oyj for the year 2020 and are comparable with the reported development of the Group in 2021.

The Group produces sustainable and innovative fiber-based solutions to customers worldwide. The company's offering includes filter materials, release liners, food and beverage processing materials, decor papers, abrasive and tape backings, electrotechnical paper, glass fiber materials, medical fiber materials, applications for diagnostics and energy storage solutions, as well as a range of specialty papers for industrial and consumer end-uses. The Group operates in 45 production and converting sites in 14 countries, serving more than 6,000 customers in 100 countries.

The Group employed at year end 7,976 people in full-time equivalents. As of December 31, 2021, the highest numbers of employees were in the United States (31%), France (20%), Sweden (10%), Brazil (9%) and Italy (7%). Pro forma net sales were EUR 3,076.6 million and pro forma comparable EBITDA EUR 398.3 million.

Know-how, technology and partnership at the center of value creation

The Group is a producer of functional materials. We create value by adding know-how and advanced technology to fibers that we ensure are responsibly sourced. In close partnership with our customers we develop fiber-based solutions that often perform vital functions and have a positive impact as part of the end product or solution.

We deliver a value proposition for our customers that is based on innovation, quality and customized service. With our product offering we facilitate a sustainable everyday life by providing solutions with better performance, safer materials, fewer resources and lower environmental impact. Our customers use our solutions in a large variety of everyday applications within in a broad range of end-uses that are underpinned by fundamental business drivers in today's society.

SUSTAINABILITY POLICY AND MANAGEMENT APPROACH

The Group's Sustainability Policy defines the formal sustainability governance structure. The company's sustainability work is governed by the Sustainable Business Council with representatives from business areas and functions. The Council oversees the integration of sustainability practices into business operations and sets targets and monitors progress. The Sustainable Business Council's work is led by the Executive Vice President, Sustainability, Innovation, Commercial Excellence.

During the year, the Group challenged the business platform of Ahlstrom-Munksjö and examined the individual operations at a more detailed level. Additional emphasis was placed on important sustainability aspects and the sustainability function was strengthened with several new roles.

THE ENVIRONMENT

As part of a resource-intensive industry, the Group has a particular responsibility to advance environmental performance throughout its operations and supply chains.

The Group is striving for designing products and manufacturing processes that use energy, water and raw materials as efficiently as possible to minimize waste and emissions.

It pursues continuous improvement in three areas: the environmental impacts of its supply chain practices, efficiencies in energy and water use and waste reduction, and carbon dioxide emissions reductions.

The Group works to ensure that raw materials are responsibly sourced and that procurement promotes sustainable forestry practices. It works with a large number of suppliers to secure the high quality and diverse inputs needed to create its portfolio of fiber-based solutions.

Supply chain

The Group expects its suppliers to uphold high standards for ethical and socially and environmentally responsible business practices. By supporting partners who adhere to overall responsible practices the Group can avoid the risk of negative impacts on business and reputation and contribute to sustainable development across the value chain. Sound procurement practices also mitigate business risks for the company, customers, and investors.

The Group's Supplier Code of Conduct establishes clear, non-negotiable minimum requirements related to legal compliance, human rights and the prevention of child labor, health and safety, responsible business practices, environmental impacts, and transparency. The Group's Procurement is ensuring that every supplier has signed or is in full compliance with these expectations through regular dialogue with suppliers as well as systems for risk assessment and field auditing. Ahlstrom-Munksjö evaluates Supplier Code of Conduct risks and follows up with mitigation actions as needed.

The supplier risk management procedure is in place to support the organization to identify potential risk factors in the supply chain. The procedure consists of an evaluation per supplier and creation of a risk mitigation action plan according to risk severity. The risk evaluation is assessed annually by the category managers or buyers. Supplier audits are conducted by qualified Ahlstrom-Munksjö personnel, i.e. procurement or quality professionals, or by accredited third party auditors. Typically, heightened risk is associated with certain geographies or that there is a lack of transparency.

The Group has established targets to track its progress in this area. It expects that all suppliers are signatories of its Supplier Code of Conduct or considered compliant. At the end of 2021, 93% (97) of fiber suppliers, 91% (96) of chemical suppliers, 59% (60) of the energy suppliers and 34% (39) of the indirect suppliers had signed the Supplier Code of Conduct or were considered compliant. The changes are partly due to the fact that some of the suppliers have not yet signed a renewed contract.

At the end of 2021, 85% of raw material costs, corresponding to approximately 160 suppliers, were evaluated through supplier risk assessment. The target for the 2021 to 2025 period is that a Corporate Social Responsibility audit has been carried out at all those suppliers that are considered high risk. Thanks to determined supplier development work we succeeded in improving the conditions and reducing the risk level at three suppliers that had been considered high risk based on important criteria for Corporate Social Responsibility. One audit was carried out in 2021, and there were at year-end four high risk suppliers remaining to be audited.

Any potential violations to the Supplier Code of Conduct can be reported to a Procurement Manager, Human Resources or Legal departments. Ahlstrom-Munksjö has also contracted an external service where employees can report violations confidentially through a hotline or online. Reports of violations may also be made by third parties to a dedicated and confidential mailbox at codeviolation@dahlstrom-munksjo.com.

Energy, water and waste

The Group's production generates emissions to air and water, and waste to landfills. The risk of failing to comply with environmental regulation and permits, or failing to continuously improve our production processes and our products could lead to a material adverse effect on the company as well as reducing environmental quality. Plant managers and their teams lead these efforts with the support from group and business area specialists. The Group continues to strengthen internal networks and training opportunities to share best practices in resource management specific to the company's operations. The Group strives for a continuous reduction in energy and water use per gross ton of our production, as well as total tons of waste sent to landfill.

In 2021, the total energy use in million GJ was 43,3 (41,9). Energy consumption per ton of net saleable product decreased by 3.0% to 25.2 GJ per ton (25.9). The improvement is a result of efficiency measures and the growth in product manufacturing.

Water use in cubic meters per ton of net saleable product increased in 2021 by 2.1% to 69.5 cubic meter per ton (68.1). Total water use in million cubic meters increased to 119.5 (110.0), reflecting growth in product manufacturing. Although the Group operates mainly in places that have good access to water resources, there are however some locations with potential water shortages. To mitigate the water shortage risk, the company has set as a target to have water management plans in place for all plants in water stressed areas by end of 2025.

Waste (hazardous non-recoverable) per ton of net saleable product increased by 6.4% in 2021 to 7.3% per ton (6.9). In 2021, a total of 125,986 tons of waste was generated, compared with 111,283 tons in 2020. The increase was due to higher product manufacturing, as well as increased ash at the integrated plants in the USA due to the larger share of coal power production. Disruptions in a sludge press also increased the non-recyclable proportion of waste.

Unified and improved calculation methodologies in 2021 explain changes in comparison figures for 2020 compared to the previously published figures in Annual & Sustainability Report 2020.

Carbon dioxide

The Group uses a wide range of energy sources and energy is the primary source for the company's CO₂ emissions. Approximately two thirds of the company's energy consumption is based on fossil fuels and one third on renewable sources. Of the total energy consumption, about one third is generated on-site, while the remaining two third are purchased externally.

The target for the 2021 to 2025 period is to reduce CO₂ Scope 1 and Scope 2 emissions by at least 15%. In 2021, the Scope 1 emissions were 1,459 (1,338) thousand tons and Scope 2 carbon dioxide emissions were 571 (603) thousand tons. More than half of the increase in Scope 1 emissions comes from the integrated mills in the U.S., where scheduled maintenance downtime in the pulp mills deteriorated the energy balance on the site and paper mills had to

rely on a larger proportion of coal as a fuel. The growth in product manufacturing also contributed to the increase in Scope 1 emissions. The reduction in Scope 2 emissions is a result of increased purchases of renewable electricity. Scope 1 and 2 emissions per ton of net saleable product was 1.18 (1.20).

Based on a study done in 2020 on energy use and efficiency, and an Environmental, Social & Governance diagnostic in 2021 with more than 300 initiatives, a roadmap to reducing CO₂ emissions has been designed. Key components in the plan are to replace the use of coal with natural gas and biomass and increase the use of renewable energy and other low-carbon energy sources. The plan is progressing at the same time as further analyzes have been carried out, partly due to reassessment of the business platform and the ongoing strategy work.

Unified and improved calculation methodologies in 2021 explain changes in comparison figures for 2020 compared to the previously published figures in Annual & Sustainability Report 2020.

SOCIAL AND PERSONNEL-RELATED ISSUES

People are central to all aspects of sustainability at Ahlstrom-Munksjö Holding and it believes in creating safe and inclusive work environments where employees are given fair treatment and equal opportunities. The Group also strives to build close, long-term relationships with the communities where production facilities are located.

The Group's long-term business success depends on strong performance in these areas and it is committed to being a responsible employer and providing fair compensation to its employees.

The Group focuses on three dimensions of developing a safe and responsible culture: Safety, Well-being and Diversity.

Safety

The Group works towards a zero-injury workplace and a healthy, productive team by setting ambitious targets for continuous improvement, developing consistent safety practices and competencies at every level, and creating a culture of responsibility and accountability for all employees, contractors and visitors at our sites. This can reduce the risks of injuries or diseases that can lead to delays, quality issues and liability. This work is determined by the Occupational Health and Safety Policy, safety standards and guidelines, safety rules, lifesaving rules, and that safety management systems required to be certified by an external partner. As highlighted in the company's Occupational Health and Safety Policy, focus lies on conducting the ten preventative activities, with main focus on reporting upon hazards and near misses, behavior-based safety interactions, safety inspections and auditing, and tailored safety training, to ensure a safe working environment. Local Health & Safety Managers lead these activities at each site

in coordination with our Safety Network of leaders across business areas and sites, Human Resources team, and the VP Health & Safety.

To measure our progress in the complete area of safety, the Group tracks two priority metrics: Total Recordable Incidents Rate (TRIR¹), and employee safety participation. The main lagging indicator is the TRIR where a baseline of 2.2 was established in 2017. In 2021, the TRIR decreased by 7% to 1.31 (1.42 in 2020). The TRIR target for the 2021 to 2025 period is 1.0. The target for employee safety participation this year were to get an 80% participation across all employees, and we exceeded this target and ended up with 87%, 12 % higher than 2020.

We have continually modified and responded to the COVID-19 crisis throughout 2021 with changes in our COVID-19 Safety Protocol. This has demonstrated our strength, agility, safety mindset and kept our operations uninterrupted.

1 TRIR: Sum of all recorded occupational accidents for own employees; lost time accidents, occupational diseases, light duty cases, and other recordable incidents. Total recordable Incidents Rate (TRIR); (TRIR/Total hours worked) x 200,000.

Well-being

Key measurement for the employee well-being is the Employee Engagement Index and the percentage of employees that have had a performance and development discussion with their manager in the past year. The Employee Engagement Index was established and measured during our 2020 employee survey, setting a baseline at 8. The target was set at 8 out of 10 through year 2025.

In 2021 Employee Engagement Index score was 7.2, and was impacted by the COVID-19 pandemic as well as the ongoing transformation process that has increased the workload of many roles. The strengths the Group has according to the survey are our culture, teamwork, and safety conscious way of working. Areas for further development are related to workload and recognition. Also, people did not fully see the targets or the benefits of the ongoing transformation, which is something to expect at this point. Results are now discussed in all teams and development will be followed up with Pulse surveys throughout 2022.

Diversity

By fully leveraging diversity, we create a culture where everyone can be themselves and share their unique experience, knowledge and views for the benefit of the whole Group. Our cultural cornerstones and leadership principles guide us in building a culture, where diversity and inclusion are part of our identity.

The Group will continue to actively drive diversity and inclusion and further improve on gender equality in the workplace and in the representation of both genders in managerial roles. We have set as a target to increase female managers to 30% by 2025. In 2021, 18% of employees and 20,5% of managers were female. We have an action plan defined to support reaching the target. The number of different nationalities in the company increased to 55 in 2021 from 52 in 2020.

RESPECT FOR HUMAN RIGHTS

The Group is highly committed to respecting fundamental human rights in all its activities and expects the same from suppliers. Human rights violations in the supply chain is considered a larger risk than in the Group's own operations. As laid out in the company Code of Conduct, this means for example that all employees must be treated with respect and given equal opportunities for personal growth and professional development regardless of their gender, age, race, ethnicity, disabilities, nationality, sexual orientation, religious beliefs, political affiliations, marital or economic status, or position within the company. Mitigating risks of violations in human rights along the supply chain such as poor employment and working conditions can also counteract negative impacts to sustainable development at large and minimize reputational risks. The Group also supports the United Nations' Universal Declaration of Human Rights, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the OECD Guidelines for Multinational Enterprises, and the UN Global Compact. This commits to eradicating child labor and forced labor anywhere in the supply chain and recognizing employees' right to freedom of association and collective bargaining. The same level of commitment is expected from the company's suppliers. The Supplier Code of Conduct's key human rights provisions include fair and equal treatment in hiring and employment practices as well as wages, benefits, and working hours that at minimum comply with all local laws and binding collective agreements. It also mandates respecting freedom of association and collective bargaining rights in accordance to all applicable laws and regulations and prohibits child labor, harassment and abuse, and forced and compulsory labor. Finally, it requires suppliers to respect the traditional and customary rights of local communities affected by their operations.

Compliance with Human Rights issues in the operations is governed by the Group's Code of Conduct and in the supply chain by the Supplier Code Conduct. In order to make sure that all our employees are both aware of and understand the Group's Code of Conduct, they are expected to complete the Code of Conduct course which needs to be renewed biennially and is part of our introduction package for new hires. To date 80% (95%) of all employees have completed the Code of Conduct course. The decrease in the completion rate compared to the prior year, is mostly contributed to the fact that classroom trainings were not offered due to the Covid-19 pandemic restrictions on our plants.

BUSINESS ETHICS

The Group is committed to conducting its business ethically and responsibly in local and global communities. Adhering to ethical business practices is a fundamental principle for the company's work across the globe. To foster this the company has a compliance program in place which is led by the company's Chief Compliance Officer who reports to the Audit Committee. Ahlstrom-Munksjö's Code of Conduct provides with expectations for integrity and ethical behavior throughout the operations, including compliance with all appropriate national and international laws and regulations. Any shortcomings in behaving ethically can result in possible damage to the Group's brand and reputation and the associated risk to its sales, profitability and enterprise value.

To comply with ethical and responsible business practices all employees are expected to complete the Code of Conduct course, i.e. follow the same process as in matters of human rights. To date 80% (95%) of all employees have completed the Code of Conduct course. The decrease in the completion rate compared to the prior year, is mostly contributed to the fact that classroom trainings were not offered due to the Covid-19 pandemic restrictions on our plants.

EVENTS AFTER THE REPORTING PERIOD

Acquisition of majority stake in Chinese decor paper producer Minglian

On January 14, 2022, Ahlstrom-Munksjö completed the acquisition of a 60% stake in Chinese decor paper producer Minglian New Materials Technology Co., Ltd. and forms a joint venture which comprises a state-of-the-art plant in the city of Xingtai, Hebei Province, China.

A non-binding letter of intent with the majority shareholders was initially signed in November 2019 but the COVID-19 pandemic delayed the negotiations and signing of the transaction.

By combining Minglian with its existing Decor business, Ahlstrom-Munksjö will create a global leader in decor papers with improved cost competitiveness and strong presence in Europe, Americas and Asia. Annual production capacity is approximately 50,000 tons compared to Ahlstrom-Munksjö's decor paper production capacity of some 210,000 tons.

Ahlstrom-Munksjö Holding 3 Oy return of equity

On January 20, 2022, Ahlstrom-Munksjö Holding 3 Oy decided on a cash distribution in the aggregate amount of EUR 8,315,142.99 (the "Distribution Amount") by way of return of equity from invested unrestricted equity reserve.

Arbitration award in the redemption proceedings concerning the minority shares in Ahlstrom-Munksjö Oy

On February 25, 2022, the arbitral tribunal appointed by the Redemption Board of the Finland Chamber of Commerce rendered its decision in the redemption proceedings concerning the

minority shares in Ahlstrom-Munksjö Oy. The arbitral tribunal rendered a decision according to which Ahlstrom-Munksjö Holding 3 Oy's right to redeem the minority shares in Ahlstrom-Munksjö is confirmed and the redemption price payable by Ahlstrom-Munksjö Holding 3 Oy for the 10,755,918 Ahlstrom-Munksjö minority shares that are subject to mandatory redemption shall be EUR 21.55 per share.

The redemption price awarded by the arbitral tribunal represents an aggregate payment liability for Ahlstrom-Munksjö Holding 3 Oy of approximately EUR 231.8 million. This is EUR 39.9 million in excess of the EUR 191.9 million redemption liability that has been recognized in Ahlstrom-Munksjö Holding's financial statements. The additional payment liability will be recognized in Q1/2022 interim financial statements. The excess does not have any impact on the income statement as it is limited to a gross presentation in the balance sheet where goodwill, and trade and other payables would increase by EUR 39.9 million.

Ahlstrom-Munksjö Holding 3 Oy will analyse the arbitral award and will make a decision on a potential appeal. The decision by the arbitral tribunal may be appealed within 60 days from the registration of the arbitration award.

Ahlstrom-Munksjö Holding 3 Oy has completed the tender offer that was initially announced in September 2020 and, by a decision of the arbitral tribunal, gained title to all shares in Ahlstrom-Munksjö on 23 June 2021, in accordance with Chapter 18, Section 6 of the Finnish Companies Act.

The shares in Ahlstrom-Munksjö were delisted as of May 31, 2021, from the official list of Nasdaq Stockholm, and as of June 23, 2021, from the official list of Nasdaq Helsinki.

Business related to Russia

On March 1, 2022, Ahlstrom-Munksjö published a statement on its business related to Russia.

Ahlstrom-Munksjö Holding 3 Oy

Board of Directors

Forward-Looking Statements

This report contains and refers to certain forward-looking statements with respect to our financial condition, results of operations and business. Forward-looking statements are statements of future expectations that are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among others, statements concerning the potential exposure to market risks and statements expressing management's expectations, beliefs, plans, objectives, intentions, estimates, forecasts, projections and assumptions. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements.

This report contains forward-looking statements, including statements about market consolidation and our strategy, investment program, future operations, industry forecasts, expected acquisitions, transactions and investments, and target levels of leverage and indebtedness. Forward-looking statements provide our current expectations, intentions or forecasts of future events. Forward-looking statements include statements about expectations, beliefs, plans, objectives, intentions, assumptions and other statements that are not statements of historical fact. Words or phrases such as "aim," "anticipate," "assume," "believe," "continue," "could," "estimate," "expect," "forecast," "guidance," "intend," "may," "objectives," "ongoing," "outlook," "plan," "potential," "predict," "probably," "project," "seek," "should," "target," "will," "would" or similar words or phrases or the negatives of those words or phrases, may identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not forward-looking.

All of these forward-looking statements are based on estimates and assumptions made by such entities that, although believed to be reasonable, are inherently uncertain. Therefore, undue reliance should not be placed upon any forward-looking statements. There are important factors that could cause actual results to differ materially from those contemplated by such forward-looking statements. In addition, even if our actual results are consistent with the forward-looking statements contained in this report, those results or developments may not be indicative of results or developments in subsequent periods. For example, factors that could cause our actual results to vary from projected future results include, but are not limited to: uncertain global economic and financial market conditions; changes in demand for our products, including as a result of the cyclical nature of the industry in which we operate; the highly competitive markets in which we operate; changes in the costs or availability of raw materials and energy; trade restrictions and economic sanctions; political, financial or legal risks in the markets in which we operate; our ability to successfully implement our business strategy and to manage our growth; product development and innovation; the significant capital expenditures required by our business; any reorganization of our operations or divestment of businesses; risks arising out of joint ventures and other partnerships; operational risks and

failures or deficiencies in the management of operational efficiency; loss of customer relationships and customer concentration; compliance with environmental health and safety and other laws and regulations; product safety or quality failures and additional factors which are explained in other reports and or documents prepared by the Group.

The foregoing factors should not be construed as exhaustive. Other sections of this report describe additional factors that could adversely affect our financial position, results of operations and liquidity and developments in the markets and industries in which we operate. New factors will emerge in the future, and it is not possible for the Group to predict such factors. In addition, the Group cannot assess the impact of each factor on its business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those described in any forward-looking statements. In light of these risks, the actual results of the Group could differ materially from the forward-looking statements contained in this report. None of the information contained on the Group's website is incorporated by reference into or otherwise deemed to be linked to this report.

You should not place undue reliance on forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. All forward-looking statements are expressly qualified in their entirety by the cautionary statements referred to in this section and contained elsewhere in this report. In light of these risks, our results could differ materially from the forward-looking statements contained in this report.

Key figures

Certain of our key figures are not accounting measures defined or specified under IFRS and therefore are considered as alternative performance measures. We present these alternative performance measures as additional information to the financial measures presented in the consolidated financial statements prepared in accordance with IFRS. Certain of the adjustments and estimates underlying certain figures such as Adjusted EBITDA are forward-looking by nature and therefore subject to a number of assumptions about the timing, execution and costs associated with implementing the underlying initiatives. Such assumptions are inherently uncertain and are subject to significant business, economic and competition risk and uncertainties as further described under the heading "Forward-Looking Statements" in the Board of Directors' report.

Certain of key figures are calculated on pro forma basis. Basis of compilation of pro forma figures is presented in the section Unaudited voluntary pro forma financial information.

We present alternative performance measures because we believe that they are helpful to investors as measures of our operating performance and ability to service our debt, and that they and similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. Alternative performance measures should not be viewed in isolation or as a substitute for revenue or net result for the period or any other performance or liquidity measures presented in our IFRS financial statements or any other generally accepted accounting principles or as a substitute to cash flows from operating, investing or financing activities. Companies do not calculate alternative performance measures in a uniform way, and therefore Ahlstrom-Munksjö Holding's alternative performance measures may not be comparable with similarly named measures presented by other companies. The alternative performance measures we present may also be defined differently than the corresponding terms under our debt financing arrangements.

Some of the limitations of these alternative performance measures are that:

- they do not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- they do not reflect changes in, or cash requirements for, our working capital needs;
- they do not reflect the significant interest expense, or the cash requirements necessary, to service interest or principal payments on our debt;
- they do not reflect any cash income taxes that we may be required to pay;
- they do not reflect the impact of earnings or charges resulting from certain matters we consider not to be indicative of our ongoing operations;
- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often need to be replaced in the future and EBITDA-based measures do not reflect any cash requirements that would be required for such replacements;
- they may include adjustments for non-cash items and not adjust for all items that impact cash flows;
- some of the items that we eliminate in calculating certain EBITDA-based measures reflect cash payments that were made, or will in the future be made; and
- other companies in our industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Alternative performance measures are unaudited.

Financial key figures 2021-2020

	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö Holding Pro forma/ LTM ²	Ahlstrom-Munksjö Holding Pro forma/ LTM ²	Ahlstrom-Munksjö
EUR million, or as indicated	2021	2021	2020	2020
Employee benefit expenses	-536.2	n/a	n/a	-573.9
Depreciation and amortization	-171.1	n/a	n/a	-169.1
Impairment loss	-1.1	n/a	n/a	-9.2
Net sales	2,814.2	3,076.6	2,683.3	2,683.3
Operating result	72.3	115.8	79.7	176.2
Operating result margin, %	2.6	3.8	3.0	6.6
Net result	-57.4	-27.7	-36.6	94.5
EBITDA	244.6	303.6	272.7	354.5
EBITDA margin, %	8.7	9.9	10.2	13.2
Comparable EBITDA	361.6	398.3	334.2	334.2
Comparable EBITDA margin, %	12.8	12.9	12.5	12.5
Items affecting comparability in EBITDA and management fee	-117.0	-94.7	-61.6	20.3
Adjusted EBITDA (LTM)	n/a	494.9	n/a	n/a
Adjusted EBITDA margin, %	n/a	16.1	n/a	n/a
Comparable operating result	190.4	n/a	n/a	165.1
Comparable operating result margin, %	6.8	n/a	n/a	6.2
Items affecting comparability in operating result and management fee	-118.1	n/a	n/a	11.1
MOVC/ton, EUR	708.1	n/a	n/a	721.5
MOVC margin, %	38.1	n/a	n/a	42.2
Net senior secured indebtedness	1,760.2	n/a	n/a	n/a
Adjusted net senior secured indebtedness	1,479.2	n/a	n/a	n/a
Net indebtedness	2,084.2	n/a	n/a	735.8
Adjusted net indebtedness	1,803.1	n/a	n/a	n/a
Interest expense (LTM)	n/a	91.6	n/a	n/a
Ratio of net senior secured indebtedness to adjusted EBITDA (LTM)	n/a	3.0	n/a	n/a

	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö Holding Pro forma/ LTM ²	Ahlstrom-Munksjö Holding Pro forma/ LTM ²	Ahlstrom-Munksjö
EUR million, or as indicated	2021	2021	2020	2020
Ratio of net indebtedness to adjusted EBITDA (LTM)	n/a	3.6	n/a	n/a
Ratio of adjusted EBITDA to interest expense	n/a	5.4	n/a	n/a
Capital expenditure	145.5	n/a	n/a	117.5
Operating working capital ¹	357.8	n/a	n/a	240.9
Free cash flow	290.6	n/a	n/a	n/a
Cash conversion, %	80.4	n/a	n/a	n/a

¹ Operating working capital figures have been redefined not to include non-operative items. For 2020, dividend liabilities from Ahlstrom-Munksjö Oyj impacted the figures in the historical reporting by EUR 14.9 million. These dividend liabilities have been excluded as non-operative items, i.e. historical periods have been redefined.

² Calculated as if the transaction of acquiring Ahlstrom-Munksjö Oyj had been completed in the beginning of 2020.

Reconciliation of certain key performance measures

EUR million	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö Holding Pro forma	Ahlstrom-Munksjö Holding Pro forma	Ahlstrom-Munksjö
	2021	2021	2020	2020
Items affecting comparability				
Transaction costs	-25.9	-35.4	-56.6	-6.5
Inventory fair valuation	-31.7	–	-31.7	–
Transformation/Integration costs	-50.0	-50.0	-0.5	-0.5
Restructuring costs	-6.5	-6.5	-2.6	-2.6
Gain/Loss on disposals and other related items	0.9	0.9	31.8	31.8
Other	1.5	1.5	-1.9	-1.9
Total items affecting comparability (IAC) in EBITDA	-111.7	-89.5	-61.6	20.3
Management fee to owners	-5.2	-5.2	–	–
Total IAC in EBITDA and management fee	-117.0	-94.7	-61.6	20.3
Impairment loss	-1.1	n/a	n/a	-9.2
Total IAC in operating result and management fee	-118.1	n/a	n/a	11.1
Comparable EBITDA				
Net result	-57.4	-27.7	-36.6	94.5
Taxes	-23.5	-29.5	-12.1	-36.0
Net financial items	-106.2	-114.0	-104.2	-45.7
Operating result	72.3	115.8	79.7	176.2
Depreciation, amortization and impairment	-172.3	-187.8	-193.0	-178.4
EBITDA	244.6	303.6	272.7	354.5
Total IAC in EBITDA and management fee	-117.0	-94.7	-61.6	20.3
Comparable EBITDA	361.6	398.3	334.2	334.2

EUR million	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö Holding Pro forma	Ahlstrom-Munksjö Holding Pro forma	Ahlstrom-Munksjö
	2021	2021	2020	2020
Adjusted Net senior secured indebtedness				
Senior secured Net indebtedness	1,760.2	n/a	n/a	n/a
Escrow account related to minority squeeze-out liability	281.1	n/a	n/a	n/a
Adjusted Net senior secured indebtedness	1,479.2	n/a	n/a	n/a
Adjusted Net indebtedness				
Net indebtedness	2,084.2	n/a	n/a	n/a
Escrow account related to minority squeeze-out liability	281.1	n/a	n/a	n/a
Adjusted Net indebtedness	1,803.1	n/a	n/a	n/a
Comparable operating result				
Operating result	72.3	n/a	n/a	176.2
Total IAC in operating result and management fee	118.1	n/a	n/a	-11.1
Comparable operating result	190.4	n/a	n/a	165.1
Free cash flow				
Comparable EBITDA	361.6	n/a	n/a	n/a
Maintenance capital expenditure	71.0	n/a	n/a	n/a
Free cash flow	290.6	n/a	n/a	n/a

	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö Holding Pro forma	Ahlstrom-Munksjö Holding Pro forma	Ahlstrom-Munksjö
EUR million	2021	2021	2020	2020
Adjusted EBITDA (LTM)⁴				
Comparable EBITDA (LTM) Pro forma	n/a	398.3	n/a	n/a
Pro forma foreign exchange impact	n/a	-0.3	n/a	n/a
Comparable EBITDA, (LTM)	n/a	398.0	n/a	n/a
One off and other adjustments ¹	n/a	-3.7	n/a	n/a
FY21 initiatives ²	n/a	21.9	n/a	n/a
FY22 initiatives ³	n/a	78.8	n/a	n/a
Adjusted EBITDA (LTM)	n/a	494.9	n/a	n/a

Adjusted EBITDA is not an accounting measurement under IFRS and should therefore not be considered as alternative to the disclosures provided in the financial statement for the purpose of assessing the Group's performance. Adjusted EBITDA is based on various assumptions, including successful implementation of certain initiatives and related estimates. It should not be considered as a substitute for revenue or net result for the period or any other performance or liquidity measures derived in accordance with IFRS or any other generally accepted accounting principles.

1 Includes certain other individually not material one-off and other adjustments.

2 Comprises of a number of initiatives focusing on improving efficiencies and better managing of indirect spends. The numbers include savings from initiatives implemented during FY21, not yet included in the LTM EBITDA, for which started to generate benefits in FY21 with the full year impact in FY22. Continuous improvement, mainly related to reducing waste and improving operational efficiencies at the plants (EUR 10.0 million), represents the biggest part (45.7%) of the run rate savings started in 2021 and not yet included in the EBITDA. Indirect savings (EUR 6.9 million) are the second bigger contributor of the project started in 2021 and relates to renegotiation of IT / freight contracts / maintenance and reducing corporate spend by having stronger approvals process for spend greater than EUR 5 thousand.

3 Most of the saving for FY22 initiatives are from post transformation review focused on materials (Fibers & Chemicals), continuous improvement, and indirect spend. These savings are scheduled to be implemented during the course of FY22 and the full run rate benefit will be achieved 12 months from the date of implementation. Fibers projects (EUR 22.8 million) include dual sourcing from a lower cost supplier, optimizing the Group's pulp recipes (long/short fibers replacement) and annual prices negotiation. For Chemicals (EUR 7.7 million) savings mainly come from latex mix optimization, price negotiation, extender usage increases in Decor business and reducing the import taxes in South America (sourcing from different countries). Continuous Improvement savings (EUR 20.3 million) include various efficiency and waste (OEE) initiatives and investment projects - mainly at the Wisconsin plants. Indirect savings (EUR 18.4 million) includes optimization of annual shutdowns, global consolidation and spend transparency initiatives specifically in IT and Travel, and waste to landfill reductions.

4 Calculated as if the transaction of acquiring Ahlstrom-Munksjö Oyj had been completed in the beginning of 2020.

CALCULATION OF KEY FIGURES

The definitions of financial key performance indicators are described below.

Key figure	Definitions	Reason for use of the key figure
Operating result	Net result before taxes and net financial items	Operating result shows result generated by the operating activities
Operating result margin, %	Operating result / net sales	
EBITDA	Operating result before depreciation, amortization and impairment	EBITDA is the indicator to measure the performance of Ahlstrom-Munksjö.
EBITDA margin, %	EBITDA / net sales	EBITDA margin is a key measure in our long-term financial targets.
Comparable EBITDA	EBITDA excluding items affecting comparability in EBITDA	
Comparable EBITDA margin, %	Comparable EBITDA / net sales	Comparable EBITDA, comparable EBITDA margin, comparable operating result, comparable operating result margin, comparable operating result excluding depreciation and amortization arising from PPA, comparable net result, comparable earnings per share, comparable net result excluding depreciation and amortization arising from PPA and comparable earnings per share excluding depreciation and amortization arising from PPA are presented in addition to EBITDA, operating result, net result and earnings per share to reflect the underlying business performance and to enhance comparability from period to period. Ahlstrom-Munksjö believes that these comparable performance measures provide meaningful supplemental information by excluding items outside ordinary course of business including PPA related depreciation and amortization, which reduce comparability between the periods.
Comparable operating result	Operating result excluding items affecting comparability in operating result	
Comparable operating result margin, %	Comparable operating result / net sales	
Items affecting comparability in operating result	Material items outside ordinary course of business, such as gains and losses on business disposals, direct transaction costs related to business acquisitions, costs for closure of business operations and restructurings including redundancy payments, impairment losses, one-off items arising from purchase price allocation such as inventory fair value adjustments, compensation related to environmental damages arising from unexpected or rare events and other items including fines (such as VAT tax audit fines) or other similar stipulated payments and litigations.	
Items affecting comparability in EBITDA	Items affecting comparability in operating result excluding impairment losses	
Management fee to owners	Represents the fees paid to the owners pursuant to a management agreement whereby we have received general business consulting services; financial, managerial and operational advice; advisory and consulting services with respect to selection of advisors; advice in different fields; and financial and strategic planning and analysis.	
Adjusted EBITDA (LTM)	Represents comparable EBITDA as adjusted for additional sponsor adjustments, certain cost savings programs and certain post-acquisition savings programs.	
Adjusted EBITDA margin (LTM), %	Adjusted EBITDA / Net sales	
MOVC/ton, EUR	Net sales minus variable costs of sales / sales tons	
MOVC margin, %	Net sales minus variable costs of sales / net sales	
Net indebtedness	Non-current and current borrowings and non-current and current lease liability less securitization liability less cash and cash equivalents	
Adjusted Net indebtedness	Net indebtedness minus escrow account related to minority interest squeeze-out liability	
Net senior secured indebtedness	includes as adjusted indebtedness, consisting of the Notes offered hereby and borrowings under the Senior Term Facilities but excludes any existing debt of Ahlstrom-Munksjö at the date of the acquisition that will be secured on the Collateral, net of as adjusted cash and cash equivalents. Non-current and current borrowings and non-current and current lease liability less securitization liability	Indebtedness related key figures and total debt are indicators to measure the total external debt financing of Ahlstrom-Munksjö Holding
Adjusted Net senior secured indebtedness	Net senior secured indebtedness minus escrow account related to minority interest squeeze-out liability	

Key figure	Definitions	Reason for use of the key figure
Ratio of net indebtedness to adjusted EBITDA¹	Adjusted Net indebtedness/adjusted EBITDA	
Ratio of net senior secured indebtedness to adjusted EBITDA¹	Adjusted Net senior secured indebtedness / adjusted EBITDA	
Ratio of adjusted EBITDA¹ to interest expense	Adjusted EBITDA (LTM) / interest expense (LTM)	
Capital expenditure	Purchases for property, plant and equipment and intangible assets as presented in the cash flow statement.	Capital expenditure provides additional information of the cash flow needs of the operations.
Operating working capital²	Inventories plus operative receivables before factoring less operating payables ²	
Free cash flow	Comparable EBITDA minus maintenance capital expenditure	
Cash conversion	Free cash flow divided by comparable EBITDA	

1 Calculated as if the transaction of acquiring Ahlstrom-Munksjö Oyj had been completed in the beginning of 2020.

2 Operating working capital figures have been redefined not to include non-operative items. For 2020, dividend liabilities from Ahlstrom-Munksjö Oyj impacted the figures in the historical reporting by EUR 14.9 million. These dividend liabilities have been excluded as non-operative items, i.e. historical periods have been redefined.

Unaudited voluntary pro forma financial information

Basis of Compilation

General

The following voluntary pro forma combined financial information (the "pro forma Information") is presented for illustrative purposes only to give effect to the acquisition of Ahlstrom-Munksjö Oyj and its subsidiaries ("Ahlstrom Munksjö") by Ahlstrom-Munksjö Holdings 3 Oy (the "Issuer", or "parent company") and collectively with Ahlstrom-Munksjö Holding ("Ahlstrom-Munksjö Holding", or the "Group") and the financing for the acquisition on Ahlstrom-Munksjö Holding's financial information as if the acquisition had been completed at an earlier date. The pro forma Information is unaudited.

The unaudited pro forma combined income statements ("pro forma income statement") for the year 2021 and for the year 2020 give effect to the acquisition as if it had taken place on January 1, 2020. Pro forma adjustments that do not have a continuing impact on Ahlstrom-Munksjö Holding's results are presented in the pro forma income statement for the year 2020. No balance sheet is presented as the December 31, 2021 consolidated balance sheet reflects the impacts of the acquisition and the financing for the acquisition.

The pro forma information has been presented for illustrative purposes only. The pro forma Information addresses a hypothetical situation and is not therefore necessarily indicative of what the combined companies' financial performance would have been had the acquisition been completed on January 1, 2020. The pro forma information does not either purport to project the operating results of the combined companies as of any future date. The pro forma income statements do not reflect any expected cost savings, synergy benefits or future integration costs that are expected to be generated or may be incurred as a result of the acquisition. The pro forma effective tax rate differs from the historical tax rates of Ahlstrom-Munksjö Holding and Ahlstrom-Munksjö and from the 2021 effective tax for the Group as pro forma income tax impact is calculated based on the deductibility of the adjustment and using the actual enacted applicable tax rates in the respective jurisdiction. Further actual effective tax rates may also be significantly different in the future depending on the post-acquisition activities, including cash needs and funding activities, geographical mix of income and integration and tax planning strategies.

The pro forma information presented herein is prepared based on the historical results of Ahlstrom-Munksjö Holding and Ahlstrom-Munksjö prepared in accordance with IFRS and on a basis consistent with the EU prospectus regulation's pro forma guidance. The pro forma Information has been prepared on a basis consistent with the accounting principles applied in Ahlstrom-Munksjö Holding's consolidated financial statements.

The acquisition of Ahlstrom-Munksjö has been accounted for as business combination using the acquisition method of accounting under the provisions of IFRS with Ahlstrom-Munksjö Holding determined as the acquirer. The acquisition method of accounting applies the fair value concepts and requires, among other things, that the identifiable assets acquired and liabilities assumed in a business combination are recognized at their fair values as of the acquisition date, with any excess of the purchase consideration over the fair value of identifiable net assets acquired recognized as goodwill.

The pro forma information reflects the application of pro forma adjustments that are based upon certain assumptions, described in the accompanying notes herein, that management believes are reasonable under the circumstances. Pro forma adjustments to historical financial information are prepared to give pro forma effect to events that are directly attributable to the acquisition and the financing for the acquisition and are factually

supportable. Actual results may differ materially from the assumptions within the accompanying pro forma Information.

Acquisition of Ahlstrom-Munksjö

On September 24, 2020, Ahlstrom-Munksjö Holding 3 Oy made a public recommended cash tender offer for all shares in Ahlstrom-Munksjö Oyj not held by Ahlstrom-Munksjö or its subsidiaries. Ahlstrom-Munksjö Holding 3 Oy acquired approximately 81% of Ahlstrom-Munksjö shares on February 4, 2021 following the first settlement under the tender offer. On February 9, 2021, Ahlstrom-Munksjö Holding 3 Oy acquired an additional 9.6% of Ahlstrom-Munksjö, increasing its ownership percentage to over 90%, and started a compulsory redemption procedure and applied for the delisting of the shares from Nasdaq Helsinki and Nasdaq Stockholm.

The purchase consideration amounts to EUR 2,051.5 million, including the redemption liability for the remaining shares in Ahlstrom-Munksjö. The purchase consideration paid in cash amounted to EUR 1,859.6 million. On June 23, 2021 it was announced that Ahlstrom-Munksjö Holding 3 Oy had posted security approved by the arbitral tribunal appointed by the Redemption Board of the Finland Chamber of Commerce in connection with the redemption proceedings concerning the minority shares in Ahlstrom-Munksjö Oy, and thus gained title to all the shares in Ahlstrom-Munksjö in accordance with Chapter 18, Section 6 of the Finnish Companies Act. The redemption liability recognized at the date of acquisition amounts to EUR 191.9 million which will be payable after the arbitration proceedings and the redemption process are completed.

Historical Financial Information

The pro forma Information has been derived from the following historical financial information:

- Ahlstrom-Munksjö's audited consolidated financial statements for the year 2020 and unaudited financial information from the accounting records of Ahlstrom-Munksjö for period ended February 4, 2021 (the "acquisition date");
- Ahlstrom-Munksjö Holding's financial statements for the year 2020 and for the year 2021.

Other Considerations

The pro forma adjustments which have continuing impact on the Ahlstrom-Munksjö Holding's results, have been translated to euros using historical average exchange rates in 2020 and 2021 for respective currencies. The pro forma adjustments for income taxes have been calculated based on the tax deductibility of the underlying pro forma adjustments in the respective jurisdiction and accordingly, tax rates used for pro forma purposes differ depending on the nature of the underlying pro forma adjustment.

All amounts are rounded and presented in millions of euros unless otherwise noted. Accordingly, in certain instances, the sum of the numbers in a column or row may not conform exactly to the total amount given for that column or row.

Consolidated Pro Forma Income Statement Information for 2021

EUR million	Ahlstrom- Munksjö Holding historical	Ahlstrom- Munksjö historical January 1- February 4, 2021	Pro forma adjustments	Pro forma total 2021
Net sales	2,814.2	262.4	–	3,076.6
Cost of goods sold	-2,417.0	-216.7	31.7	-2,602.0
Gross profit	397.2	45.7	31.7	474.6
Sales, R&D and administrative expenses	-278.2	-44.2	14.9	-307.4
Other operating income	20.5	1.3	–	21.9
Other operating expense	-67.1	-4.2	-1.7	-73.1
Share of profit in equity accounted investments	-0.1	–	–	-0.1
Operating result	72.3	-1.5	44.9	115.8
Net financial items	-106.2	-3.6	-4.3	-114.0
Result before tax	-33.9	-5.0	40.7	1.8
Income taxes	-23.5	1.4	-7.4	-29.5
Net result	-57.4	-3.7	33.3	-27.7

Consolidated Pro Forma Income Statement Information for 2020

EUR million	Ahlstrom- Munksjö Holding historical	Ahlstrom- Munksjö historical	Pro forma adjustments	Pro forma total 2020
Net sales	–	2,683.3	–	2,683.3
Cost of goods sold	–	-2,269.5	-31.7	-2,301.2
Gross profit	–	413.9	-31.7	382.2
Sales, R&D and administrative expenses	-35.7	-229.3	-10.9	-275.9
Other operating income	–	53.8	–	53.8
Other operating expense	–	-62.4	-18.2	-80.6
Share of profit in equity accounted investments	–	0.2	–	0.2
Operating result	-35.7	176.2	-60.8	79.7
Net financial items	0.0	-45.7	-58.5	-104.2
Result before tax	-35.7	130.4	-119.3	-24.5
Income taxes	–	-36.0	23.8	-12.1
Net result	-35.7	94.5	-95.4	-36.6

Notes to the Pro Forma information

Note 1 - Pro Forma adjustments

The following table presents the pro forma adjustments for the year 2021:

EUR million	Fair value adjustments (Note 1a)	Transaction costs (Note 1b)	Financing arrangements (Note 1c)	Total pro forma adjustments
Net sales	–	–	–	–
Cost of goods sold	31.7	–	–	31.7
Gross profit	31.7	–	–	31.7
Sales, R&D and administrative expenses	0.5	14.5	–	14.9
Other operating expense	-1.7	–	–	-1.7
Operating result	30.5	14.5	–	44.9
Net financial items	–	–	-4.3	-4.3
Result before tax	30.5	14.5	-4.3	40.7
Income taxes	-8.2	0.0	0.8	-7.4
Net result	22.3	14.5	-3.5	33.3

The following table presents the pro forma adjustments for the year 2020:

EUR million	Fair value adjustments (Note 1a)	Transaction costs (Note 1b)	Financing arrangements (Note 1c)	Total pro forma adjustments
Net sales	–	–	–	–
Cost of goods sold	-31.7	–	–	-31.7
Gross profit	-31.7	–	–	-31.7
Sales, R&D and administrative expenses	3.6	-14.5	–	-10.9
Other operating expense	-18.2	–	–	-18.2
Operating result	-46.3	-14.5	–	-60.8
Net financial items	–	–	-58.5	-58.5
Result before tax	-46.3	-14.5	-58.5	-119.3
Income taxes	12.0	–	11.9	23.8
Net result	-34.3	-14.5	-46.6	-95.4

Note 1a – Fair value adjustments

Upon the completion of the acquisition, the parent company prepared the provisional detailed valuation of Ahlstrom-Munksjö's assets acquired and liabilities assumed as of the acquisition date. As a result, acquired intangible assets were fair valued at EUR 857.6 million comprising of customer relationships, technology, trademarks and other intangible assets. The useful lives for the acquired intangible assets range between 20-38 years. In addition, Ahlstrom-Munksjö's property, plant and equipment fair value as at the acquisition date amounted to EUR 1,187.1 million. The useful lives for the acquired property, plant and equipment range from 8 to 16 years.

The pro forma income statements reflect the additional amortization and depreciation charge arising from the fair value adjustments as if the acquisition had taken place on January 1, 2020 and accordingly, as if the acquired assets would have been depreciated and amortized from that date onwards based on their new fair value basis. Adjustments for amortization and depreciation will have a continuing impact on the results over the remaining useful lives of the acquired assets.

An adjustment of EUR 31.7 million has been recognized to finished goods inventory to reflect the acquisition date fair value of acquired inventories which was recorded as an expense in the year 2021 reflecting the turnover. This fair value adjustment recorded has been eliminated from the year 2021 pro forma income statement and presented as an expense in cost of goods sold for the year 2020. The inventory fair value adjustment will not have a continuing impact on the results.

Note 1b – Transaction costs

Transaction costs amounting to EUR 50.2 million expensed in connection with the acquisition primarily comprise financial, legal and advisory costs (excluding financing transaction costs). These transactions costs have been recorded as administrative expenses in the pro forma income statement as if they have been incurred on January 1, 2020. For pro forma purposes, costs amounting to EUR 14.5 million recorded as an expense in year 2021, have accordingly been eliminated. This adjustment does not have a continuing impact on the results.

Note 1c – Financing arrangements

Ahlstrom-Munksjö's historical results have been adjusted to eliminate financing expenses related to financial liabilities that were assumed by Ahlstrom-Munksjö Holding in the acquisition but either have been, or will be, as a result of the acquisition, refinanced during 2021. The pro forma adjustment for the financing arrangements comprise the elimination of the historical interest expenses and other financial costs incurred on the refinanced assumed Ahlstrom-Munksjö's borrowings amounting to EUR 2.0 million in year 2021 and EUR 24.1 million for the year 2020 as if the refinancing transactions had taken place on January 1, 2020.

To finance the tender offer and to refinance certain of Ahlstrom-Munksjö's existing debt arrangements, the Issuer entered into a senior credit facilities agreement including senior term loan facilities in principal amounts of EUR 600 million ("TLB1") and USD 547 million (EUR 450 million equivalent) ("TLB2" and together with TLB1, "Senior Term Facilities") and a multicurrency revolving credit facility in a principal amount of EUR 325 million equivalent (the "Revolving Credit Facility"). In addition, the Issuer issued EUR 350 million senior secured notes (the "EUR Notes") and USD 305 million senior secured notes (the "USD Notes" and together with the EUR Notes, the "Notes").

Before the issue of the Notes, to finance part of the tender offer consideration, refinance certain existing debt, for cash overfunding and to pay certain fees and expenses, the issuer also entered into a senior secured bridge facilities amounting to EUR 1,000 million (equivalent) (the "Bridge Facilities"). The Bridge Facilities were fully repaid on the Notes issuance day with the proceeds from the Senior Term Facilities and Notes offering and cash on hand. Interest expenses from the Bridge Facilities are not reflected in the pro forma adjustments as Bridge Facilities were used as interim financing before securing long-term financing.

The pro forma interest expenses arising from the Senior Term Facilities and Notes are recognized as financing expenses in the pro forma income statements for both periods presented. The pro forma adjustment reflects the interest calculated using the effective interest rate method for the Senior Term Facilities, the Notes as if they were

issued on January 1, 2020. The expenses arising from the Revolving Credit Facility are reflected in the pro forma income statement based on an assumption that the facility remains undrawn. The pro forma adjustments from the financing arrangements will have a continuing impact on the results and financial position until their maturities or early extinguishment.

Note 2 - Additional Pro Forma Information

Pro Forma Financial Key Figures

EUR million	2021	2020
EBITDA	303.6	272.7
Comparable EBITDA	398.3	334.2
Comparable EBITDA Margin, %	12.9	12.5

Reconciliation of Pro Forma Comparable EBITDA and Pro Forma EBITDA to Pro Forma Operating Result for the year 2021:

EUR million	Ahlstrom-Munksjö Holding historical	Ahlstrom-Munksjö historical January 1- February 4, 2021	Pro forma adjustments	Pro forma total 2021
Net Result	-57.4	-3.7	33.3	-27.7
Taxes	-23.5	1.4	-7.4	-29.5
Net financial items	-106.2	-3.6	-4.3	-114.0
Operating result	72.3	-1.5	44.9	115.8
Depreciation, amortisation and impairment	-172.3	-14.2	-1.3	-187.8
EBITDA	244.6	12.8	46.2	303.6
Transaction costs	-25.9	-23.9	14.5	-35.4
Integration costs	-50.0	–	–	-50.0
Inventory fair value	-31.7	–	31.7	–
Restructuring costs	-6.5	0.0	–	-6.5
Net (gain)/loss on disposals	0.9	–	–	0.9
Other	1.5	–	–	1.5
Total items affecting comparability (IAC) in EBITDA	-111.7	-24.0	46.2	-89.5
Management fee to owners	-5.2	–	–	-5.2
Total IAC and management fees	-117.0	-24.0	46.2	-94.7
Comparable EBITDA	361.6	36.8	–	398.3

Reconciliation of Pro Forma Comparable EBITDA and Pro Forma EBITDA to Pro Forma Operating Result for the year 2020:

EUR million	Ahlstrom-Munksjö Holding historical	Ahlstrom-Munksjö historical	Pro forma adjustments	Pro forma total 2020
Net Result	-35.7	94.5	-95.4	-36.6
Taxes	–	-36.0	23.8	-12.1
Net financial items	–	-45.7	-58.5	-104.2
Operating result	-35.7	176.2	-60.8	79.7
Depreciation, amortisation and impairment	–	-178.4	-14.6	-193.0
EBITDA	-35.7	354.5	-46.2	272.7
Transaction costs	-35.7	-6.5	-14.5	-56.6
Integration costs	–	-0.5	–	-0.5
Inventory fair value	–	0.0	-31.7	-31.7
Restructuring costs	–	-2.6	–	-2.6
Net (gain)/loss on business disposal	–	31.8	–	31.8
Other	0.0	-1.9	0.0	-1.9
Items affecting Comparability in EBITDA	-35.7	20.3	-46.2	-61.6
Comparable EBITDA	–	334.2	–	334.2

Consolidated financial statements, IFRS

Income statement

Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition consist of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only. Ahlstrom-Munksjö consolidated figures before the acquisition are presented for January 1 – February 4, 2021 and full year 2020 for comparison. Ahlstrom-Munksjö figures have been extracted from the Financial Statements of Ahlstrom-Munksjö 2020.

EUR million	NOTE	Ahlstrom-Munksjö Holding 2021	Ahlstrom-Munksjö Holding 2020	Ahlstrom-Munksjö (unaudited) 1.1.- 4.2.2021	Ahlstrom-Munksjö 2020
Net sales	4, 5	2,814.2	–	262.4	2,683.3
Cost of goods sold	6, 7, 8	-2,417.0	–	-216.7	-2,269.5
Gross profit		397.2	–	45.7	413.9
Sales and marketing expenses	7, 8	-53.1	–	-4.7	-56.7
R&D expenses	7, 8	-19.8	–	-2.0	-21.0
Administrative expenses	7, 8	-205.2	-35.7	-37.5	-151.6
Other operating income	6	20.5	–	1.3	53.8
Other operating expense	6	-67.1	–	-4.2	-62.4
Share of profit in equity accounted investments	20	-0.1	–	–	0.2
Operating result		72.3	-35.7	-1.5	176.2
Financial income	9	17.8	–	1.1	20.0
Financial expenses	9	-124.0	-0.0	-4.7	-65.7
Net financial items		-106.2	–	-3.6	-45.7
Result before tax		-33.9	-35.7	-5.0	130.4
Income taxes	10	-23.5	–	1.4	-36.0
Net result		-57.4	-35.7	-3.7	94.5

The notes are an integral part of the financial statements. Notes specify Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition February 4, 2021.

Statement of comprehensive income

Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition consist of the acquiring legal entity Ahlstrom-Munksjö Holdings 3 Oy only. Ahlstrom-Munksjö consolidated figures before the acquisition are presented for full year 2020 for comparison. Ahlstrom-Munksjö figures have been extracted from the Financial Statements of Ahlstrom-Munksjö 2020.

EUR million	NOTE	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö Holding	Ahlstrom-Munksjö
		2021	2020	2020
Net result		-57.4	-35.7	94.5
Other comprehensive income				
Items that may be reclassified to income statement				
Exchange differences on translation of foreign operations	18	53.1	–	-78.3
Hedges of net investments in foreign operations		-30.0	–	–
Change in cash flow hedge reserve	18	-2.5	–	4.6
Cash flow hedge transferred to this year's result	18	-1.5	–	-2.1
Income taxes related to items that may be reclassified		6.8	–	-0.5
Items that will not be reclassified to income statement				
Actuarial gains and losses on defined benefit plans	14	13.8	–	1.1
Income taxes related to items that will not be reclassified		-3.4	–	-0.7
Comprehensive income		-21.1	-35.7	18.6
Net result attributable to:				
Parent company's shareholders		-57.8	-35.7	93.1
Non-controlling interests		0.4	–	1.4
Comprehensive income attributable to:				
Parent company's shareholders		-22.1	-35.7	17.5
Non-controlling interests		1.0	–	1.2

The notes are an integral part of the financial statements. Notes specify Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition February 4, 2021.

Balance Sheet

Balance Sheet is presented for the current financial year 2021 for consolidated Ahlstrom-Munksjö Holding Group and for the previous year 2020 for acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy. Ahlstrom-Munksjö consolidated figures before the acquisition are presented for full year 2020 for comparison. Ahlstrom-Munksjö figures have been extracted from the Financial Statements of Ahlstrom-Munksjö 2020.

EUR million	NOTE	Ahlstrom-Munksjö Holding Dec 31, 2021	Ahlstrom-Munksjö Holding Dec 31, 2020	Ahlstrom-Munksjö Dec 31, 2020
ASSETS				
Non-current assets				
Property, plant and equipment	11	1,214.5	–	1,032.3
Right-of-use assets	11	44.9	–	49.4
Goodwill	11	1,169.3	–	608.9
Other intangible assets	11	857.5	–	452.3
Equity accounted investments	20	1.1	–	1.6
Other non-current assets	18	57.6	5.6	21.3
Deferred tax assets	10	2.4	–	6.1
Total non-current assets		3,347.1	5.6	2,172.0
Current assets				
Inventories	12	440.7	–	366.0
Trade and other receivables	13	599.9	5.2	264.7
Income tax receivables	10	17.4	–	11.9
Cash and cash equivalents	16	162.6	30.7	308.7
Total current assets		1,220.6	35.9	951.4
TOTAL ASSETS		4,567.7	41.5	3,123.4

The notes are an integral part of the financial statements. Notes specify consolidated Ahlstrom-Munksjö Holding on December 31, 2021 and the acquiring legal entity Ahlstrom-Munksjö Holdings 3 Oy only on December 31, 2020. Ahlstrom-Munksjö consolidated figures before the acquisition are not specified in the notes as above. Balance Sheet figures are presented for comparison only. Ahlstrom-Munksjö figures have been extracted from the Financial Statements of Ahlstrom-Munksjö 2020.

EUR million	NOTE	Ahlstrom-Munksjö Holding Dec 31, 2021	Ahlstrom-Munksjö Holding Dec 31, 2020	Ahlstrom-Munksjö Dec 31, 2020
EQUITY AND LIABILITIES				
Equity				
<i>Equity attributable to parent company's shareholders</i>				
Share capital	17	–	–	85.0
Reserve for invested unrestricted equity	17	1,095.3	36.3	661.8
Other reserves and cumulative translation adjustment	17	25.2	–	230.9
Retained earnings	17	-83.2	-35.7	95.2
Total equity attributable to parent company's shareholders		1,037.2	0.7	1,072.9
Non-controlling interests		12.7	–	11.7
Hybrid bond	17	–	–	100.0
Total equity		1,049.9	0.7	1,184.6
Non-current liabilities				
Non-current borrowings	16	1,954.7	–	744.1
Non-current lease liabilities	16	32.6	–	37.8
Other non-current liabilities		1.7	–	5.6
Employee benefit obligations	14	83.3	–	93.1
Deferred tax liabilities	10	250.0	–	141.7
Non-current provisions	15	20.4	–	21.8
Total non-current liabilities		2,342.6	–	1,044.0
Current liabilities				
Current borrowings	16	246.3	–	249.3
Current lease liabilities	16	13.3	–	13.2
Trade and other payables	13	886.4	40.9	608.8
Income tax liabilities	10	12.7	–	13.4
Current provisions	15	16.6	–	10.1
Total current liabilities		1,175.2	40.9	894.8
TOTAL EQUITY AND LIABILITIES		4,567.7	41.5	3,123.4

Statement of changes in equity

Statement of changes in equity is presented as of the establishment of Ahlstrom-Munksjö Holdings 3 Oy during 2020, through business combination with Ahlstrom-Munksjö in 2021 and until the Balance Sheet date December 31, 2021.

EUR million	Equity attributable to parent company's shareholders					Total equity attributable to parent company's shareholders	Non-controlling interests	TOTAL EQUITY
	Reserve for invested unrestricted equity	Other reserves	Cumulative translation adjustment	Retained earnings				
EQUITY AS OF THE ESTABLISHMENT SEPTEMBER 9, 2020	–	–	–	–	–	–	–	–
Net result	–	–	–	-35.7	-35.7	–	–	-35.7
Total comprehensive income	–	–	–	-35.7	-35.7	–	–	-35.7
Equity contribution	36.3	–	–	–	36.3	–	–	36.3
EQUITY AT DECEMBER 31, 2020	36.3	–	–	-35.7	0.7	–	–	0.7
EQUITY AT JANUARY 1, 2021	36.3	–	–	-35.7	0.7	–	–	0.7
Net result	–	–	–	-57.8	-57.8	0.4	–	-57.4
Other comprehensive income before tax	–	-34.0	52.4	13.8	32.2	0.6	–	32.9
Tax on other comprehensive income	–	6.8	–	-3.4	3.4	–	–	3.4
Total comprehensive income	–	-27.2	52.4	-47.3	-22.1	1.0	–	-21.1
Business combination	–	–	–	–	–	12.0	–	12.0
Equity contribution	1,084.6	–	–	–	1,084.6	–	–	1,084.6
Return of equity and other	-25.7	–	–	-0.2	-25.9	-0.3	–	-26.2
EQUITY AT DECEMBER 31, 2021	1,095.3	-27.2	52.4	-83.2	1,037.2	12.7	–	1,049.9

The notes are an integral part of the financial statements.

Cash flow statement

Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition consist of the acquiring legal entity Ahlstrom-Munksjö Holdings 3 Oy only. Ahlstrom-Munksjö consolidated figures before the acquisition are presented for full year 2020 for comparison. Ahlstrom-Munksjö figures have been extracted from the Financial Statements of Ahlstrom-Munksjö 2020.

EUR million	Note	Ahlstrom-Munksjö Holding 2021	Ahlstrom-Munksjö Holding 2020	Ahlstrom-Munksjö 2020
Cash flow from operating activities				
Net result		-57.4	-35.7	94.5
Adjustments:				
Non-cash transactions and transfers to cash flow from other activities				
Depreciation, amortization and impairment	8	172.3	—	178.4
Gains and losses on sale of non-current assets		-0.6	—	-32.1
Change in employee benefit obligations	14	-4.5	—	-3.4
Non-cash transactions and transfers to cash flow from other activities, total		167.2	—	142.9
Interest and other financial income and expense		106.2	—	45.5
Taxes	10	23.5	—	36.0
Changes in net working capital:				
Change in trade and other receivables	13	-4.1	-5.2	-4.7
Change in inventories	12	-52.7	—	1.0
Change in trade and other payables	13	26.7	40.9	20.9
Change in provisions	15	-5.5	—	-6.1
Interest received		1.1	—	1.1
Interest paid		-75.3	—	-36.8
Other financial items		-17.3	—	-6.0
Income taxes paid	10	-29.1	—	-33.1
Net cash from operating activities		83.3	—	255.1

The notes are an integral part of the financial statements. Notes specify Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö consolidated figures before the acquisition are not specified in the notes as above Cash flow statement figures are presented for comparison only.

EUR million	Note	Ahlstrom-Munksjö Holding 2021	Ahlstrom-Munksjö Holding 2020	Ahlstrom-Munksjö 2020
Cash flow from investing activities				
Purchases of property, plant and equipment and intangible assets	11	-145.5	—	-117.5
Payment for acquisition of businesses and subsidiaries, net of cash acquired	3	-1,585.8	—	—
Proceeds from disposal of shares in Group companies and businesses and associated companies	3	1.8	—	42.1
Change in other investments		0.5	-5.6	-0.4
Proceeds from disposal of intangible assets and property, plant and equipment		1.3	—	0.3
Net cash from investing activities		-1,727.7	-5.6	-75.4
Cash flow from financing activities				
Equity contribution		1,084.6	36.3	—
Repurchase of treasury shares		—	—	-4.0
Proceeds from non-current borrowings	16	1,951.1	—	20.0
Repayment of non-current borrowings	16	-136.4	—	-32.8
Change in current borrowings	16	-1,081.7	—	47.2
Change in lease liabilities	16	-14.3	—	-14.8
Return on equity		-25.7	—	—
Dividends and other		-2.6	—	-45.3
Net cash from financing activities		1,775.1	36.3	-29.7
Net change in cash and cash equivalents		130.6	30.7	149.9
Cash and cash equivalents at the beginning of the period		30.7	—	166.1
Foreign exchange effect on cash		1.3	—	-7.4
Cash and cash equivalents at the end of the period	16	162.6	30.7	308.7

Notes to the consolidated financial statements

Ahlstrom-Munksjö's business and basis of preparation

1 INFORMATION ABOUT AHLSTROM-MUNKSJÖ HOLDING

General

Ahlstrom-Munksjö Holding 3 Oy (previously named Spa Holdings 3 Oy) is the parent company (the "Issuer", or "parent company") and, together with its subsidiaries ("Ahlstrom-Munksjö Holding", or "Group", or "company"). Ahlstrom-Munksjö Holding 3 Oy was incorporated on September 9, 2020 for the purpose of executing the public tender offer for the shares in Ahlstrom-Munksjö Oyj. The parent company is a holding, management and finance company with no revenue-generating activities of its own and no business operations, material assets or liabilities other than those acquired or incurred in connection with its incorporation and the acquisition of Ahlstrom-Munksjö Oyj and its subsidiaries ("Ahlstrom-Munksjö") and financing for the acquisition. Ahlstrom-Munksjö Holding 3 Oy is a Finnish limited liability company with a corporate identity number, 3156762-4. Ahlstrom-Munksjö Holding 3 Oy is registered in Helsinki, Finland. Ahlstrom-Munksjö Holding's registered address is Alvar Aallon katu 3 C, 00101 Helsinki, Finland.

On September 24, 2020, Ahlstrom-Munksjö Holding 3 Oy made a public recommended cash tender offer for all shares in Ahlstrom-Munksjö not held by Ahlstrom-Munksjö or its subsidiaries. Ahlstrom-Munksjö Holding 3 Oy acquired approximately 81% of Ahlstrom-Munksjö shares on February 4, 2021 following the first settlement under the tender offer. On February 9, 2021, Ahlstrom-Munksjö Holding 3 Oy acquired an additional 9.6% of Ahlstrom-Munksjö, increasing its ownership percentage to over 90%, and started a compulsory redemption procedure and applied for the delisting of the shares from Nasdaq Helsinki and Nasdaq Stockholm. On April 16, Nasdaq Stockholm approved the delisting application and resolved that the last day of trading in Ahlstrom-Munksjö's shares was May 31, 2021. On March 9, 2021, a trustee was appointed to supervise the interests of Ahlstrom-Munksjö's minority shareholders during the redemption proceedings.

On June 23, 2021 it was announced that Ahlstrom-Munksjö Holdings 3 Oy had posted security approved by the arbitral tribunal appointed by the Redemption Board of the Finland Chamber of Commerce in connection with the redemption proceedings concerning the minority shares in Ahlstrom-Munksjö Oy, and thus gained title to all the shares in Ahlstrom-Munksjö in accordance with Chapter 18, Section 6 of the Finnish Companies Act. The shares in Ahlstrom-Munksjö were delisted as of that day from the official list of Nasdaq Helsinki.

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to customers worldwide. Our offerings include filter materials, release liners, food and beverage processing materials, decor papers, abrasive and tape backings, electro technical paper, glass fiber materials, medical fiber materials and solutions for diagnostics as well as a range of specialty papers for industrial and consumer end-uses.

2 BASIS OF PREPARATION



Basis of preparation and accounting policies in our audited financial statements

Basis of preparation

Ahlstrom-Munksjö Holding's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and the interpretations issued by the IFRS Interpretations Committee as approved by the Commission of the European Communities (EU) for application in the European Union. These consolidated financial statements have been prepared solely for the purpose of reporting to the parent company's bondholders, and thus do not include official parent company financial statements registered separately.

The following general principles have been applied to our financial statements:

- The parent company's functional and presentation currency is the euro ("EUR") and financial statements are presented in millions of euros ("EUR million"), unless otherwise indicated.
- Financial statements are prepared on a historical cost basis, except for derivative financial instruments, unlisted shares and interests and defined benefit pension plan assets, which are measured at fair value.
- Non-current assets and non-current liabilities consist of amounts that are expected to be recovered or paid more than 12 months after the reporting period. Current assets and current liabilities consist of amounts that are expected to be recovered or paid within 12 months of the end of the reporting period.
- All financial data in the financial statements have been rounded and consequently the sum of individual figures can deviate from the total sum. Percentages are subject to possible rounding differences.
- The accounting policies outlined in these financial statements have been applied consistently throughout the Group and comparative information has been reclassified and restated where required to ensure consistency.
- These financial statements include financial information of Ahlstrom-Munksjö Holding (the "Group"), consisting of Ahlstrom-Munksjö Holding 3 Oy (previously Spa Holdings 3 Oy) as the parent company (the "Issuer", "parent company" and "Ahlstrom-Munksjö Holding 3 Oy"), Spa US Holdco Inc, and Ahlstrom-Munksjö Oyj and its subsidiaries ("Ahlstrom-Munksjö"). Ahlstrom-Munksjö is consolidated from the date of acquisition on February 4, 2021.
- Considering the lack of operating history for the company these consolidated financial statements also include historical financial information of Ahlstrom-Munksjö as comparative information (titled Ahlstrom-Munksjö) in Income statement, Balance sheet and Cash flow statement. Statement of changes in equity is presented since as of the establishment of Ahlstrom-Munksjö Holding 3 Oy on September 9, 2020 until the Balance Sheet date December 31, 2021. Notes information is presented for consolidated Ahlstrom-Munksjö Holding Group only, where Ahlstrom-Munksjö is consolidated from the date of the acquisition on February 4, 2021.

Foreign currency translation

Figures representing the financial result and position of each subsidiary in the Group are measured using the currency of the primary economic environment in which the subsidiary operates (the functional currency).

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Monetary balance sheet items denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing at the balance sheet date.

Cont. note 2

Foreign exchange differences arising from the currency translation are recognized in the income statement. Foreign exchange gains and losses arising from operating business transactions are included in operating profit, and those arising from financial transactions are included as a gross amount in financial income and expenses. The foreign exchange gains and losses arising from the qualifying cash flow hedges and qualifying hedges of a net investment in foreign operations are recorded in the statement of other comprehensive income and accumulated currency differences are recognized in equity.

The balance sheets of foreign subsidiaries are translated into euros at the exchange rates prevailing at the balance sheet date while the income statements are translated at the average exchange rates for the period. Translating the result of the period using different exchange rates on the balance sheet and income statement causes a translation difference to be recognized in equity and its change is recorded in the statement of other comprehensive income.

Translation differences arising from the elimination of the acquisition price of foreign subsidiaries and from the translation differences in equity items since the acquisition date. Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognized immediately in income statement within net finance items. Gains and losses accumulated in equity are reclassified to income statement when the foreign operation is partially disposed of or sold. Ahlstrom-Munksjö Holding may use non-derivative financial instruments such as foreign currency borrowings to hedge foreign currency risk on net investments in foreign operations. Derivative instruments are not allowed to be used to hedge this risk.

Expenses by function

Cost of goods sold includes costs of producing inventories that have been sold to third parties, delivery expenses, impairment of inventories, repair and maintenance, operative exchange gains/losses including the impact of the foreign exchange derivatives and general overhead expenses of Group's Production and supply function which are expensed as incurred.

Sales and marketing expenses include costs of selling products, customer service, marketing and promotional expenses.

R&D expenses include the expenses of Ahlstrom-Munksjö Holding's R&D facilities and expenses related to innovation and product development resources.

Administrative expenses include expenses of General Management, Finance, Corporate Strategy and Development, Legal, Communications and Investor Relations, Human Resources, Management fee to owners and Information Systems functions.

Impact of COVID-19

For Ahlstrom-Munksjö Holding, there have been no material financial impacts of the pandemic during 2021.

Ahlstrom-Munksjö Holding assesses continuously the situation and thus also any indications for impairment and carrying amounts of the assets and liabilities.

Redemption liability

For accounting purposes, the public exchange offer (comprising of the initial and the subsequent public exchange offer) and the mandatory redemption proceedings for the minority squeeze-out are treated as linked transactions and accounted for as one single transaction resulting in Ahlstrom-Munksjö Holding consolidating 100% of Ahlstrom-Munksjö at the acquisition date when Ahlstrom-Munksjö Holding reached the 90% threshold in voting rights. Accordingly, Ahlstrom-Munksjö Holding recognized a redemption liability amounting to EUR 191.9 million as a short-term liability to reflect the obligation to redeem the non-controlling interest.

Adopted IFRS standards, amendments and improvements

Ahlstrom-Munksjö Holding has applied the following standards and amendments for the first time for their annual reporting period commencing January 1, 2021:

- Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases
- COVID-19-Related Rent Concessions beyond 30 June 2021 - Amendment to IFRS 16 Leases

The amendments and improvements listed above did not have material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

New IFRIC agenda decisions

In April 2021, the IFRS Interpretations Committee (IFRIC) finalized its agenda decision on the accounting for Configuration or Customization Costs in a Cloud Computing Arrangement. In this agenda decision IFRS IC considered, whether, applying IAS 38, the customer recognizes an intangible asset in relation to configuration or customization of the application software, and if an intangible asset is not recognized, how the customer accounts for the configuration or customization costs. IFRIC agenda decisions have no effective date, so they are expected to be applied as soon as possible. The agenda decision has not had a significant effect on Ahlstrom-Munksjö Holdings 3 Qy consolidated financial statements.

The financial statements were authorised for issue by Ahlstrom-Munksjö Holding's Board of Directors on March 4, 2022 and are expected to be adopted by the Annual General Meeting.



Accounting estimates and judgements

For Ahlstrom-Munksjö Holding Group, there have been no material financial impacts of the pandemic during 2021. The impact of the pandemic on estimates in the financial reporting rely on managements best judgement under the current circumstances.

Notes disclosures

Notes to the financial statements include information required under IFRS to understand the financial statements and is material and relevant to Ahlstrom-Munksjö Holding's operations, financial position and performance. Information is considered material and relevant if, for example:

- The amounts are significant because of size or nature;
- Disclosure is important for understanding the results of the Group;
- Disclosure helps to explain the impact of significant changes in the composition of the Group, operations or significant events such as acquisitions, impairments, major refinancing transactions; or
- The disclosure relates to an aspect of Ahlstrom-Munksjö Holding's operations that is important to its future performance.

Where an accounting policy is applicable to a specific note, it is described within that note with the related disclosures including estimates and judgements of material nature made by management. Certain of our accounting policies that relate to the financial statements as a whole, are disclosed above. New IFRS standards and amendments or interpretations that will be adopted post-balance sheet date are described in note 22.

Financial statement disclosures are organised into the following sections:

- Performance – This section focuses on the results and performance of the Group including a description of changes in our group structure. This section includes disclosures that explain the Group's performance on a consolidated level as well on a business area level, sources of revenue, other operating income and expense, employee benefits and finance items.
 - Operating capital – Disclosures in this section focus on our operating assets and liabilities including information on our investments in long-lived assets, trade receivables and payables, inventories, benefit obligations towards our current and former employees and provisions.
 - Net debt and capital management – This section outlines the Group's net debt and how Ahlstrom-Munksjö Holding Holding manages its capital and liquidity. Net debt is an important indicator for Ahlstrom-Munksjö Holding's to measure the external debt financing of the Group.
 - Financial risk management – This section discusses the Group's exposure to various financial risks, explains how these affect Ahlstrom-Munksjö Holding's financial position and performance and how risk is managed.
 - Other notes – this section provides the additional information required to be disclosed under IFRS and Finnish statutory requirements. However, these are not considered critical in understanding the financial performance or the financial position of Ahlstrom-Munksjö Holding.
-

We use the following symbols throughout the financial statements



This symbol describes the accounting policy applied by the Group to the specific financial statement item.



This symbol is used when the specific item requires management to make judgements, estimates and assumptions that have a significant effect on the financial statements and estimates that may cause material adjustments to the financial statements.



This symbol is used with a disclosure on a specific risk related to the financial statement item.

The following matrix outlines the notes structure and where our accounting policies, estimates, judgements and risk disclosures are included within the footnotes to our main statements:

Note Topic



Ahlstrom-Munksjö Holding's business and basis of preparation

Note	Topic	Accounting policy	Judgement	Risk disclosure
1	Information about Ahlstrom-Munksjö Holding			
2	Basis of preparation	X	X	

Performance

3	Business acquisitions and disposals	X	X	
4	Business area information	X		
5	Sources of revenue	X		
6	Cost of goods sold and other operating income and other operating expense	X		
7	Employee and board of directors remuneration ¹	X	X	
8	Depreciation, amortization and impairment	X		
9	Net financial items	X		

Note	Topic	Accounting policy	Judgement	Risk disclosure
10	Taxes	X	X	
Operating capital				
11	Intangible assets, property, plant and equipment and right-of-use assets	X	X	
12	Inventories	X	X	
13	Trade and other receivables and trade and other payables	X		X
14	Defined benefit obligation	X	X	X
15	Provisions	X	X	
Net debt and capital management				
16	Net indebtedness	X		X
17	Equity	X		
Financial risk management				
18	Financial risk management	X		X
Other notes				
19	Off-balance sheet commitments	X		
20	Ahlstrom-Munksjö Holding subsidiaries, associates and joint operations and related party transactions ¹	X		
21	Auditor remuneration			
22	New accounting standards			
23	Post-balance sheet events			

¹Related party transactions are presented separately for the Board of Directors and key management remuneration in note 7 and other related parties disclosures are presented in note 20.

Performance

This section focuses on the results and performance of the Group including a description of changes in our group structure. This section includes disclosures that explain the Group's performance on a consolidated level as well on a business area level, employee benefits, other operating income and expense, finance items as well as information about our tax footprint.

3 BUSINESS ACQUISITIONS AND DISPOSALS

2021

Acquisition of Ahlstrom-Munksjö

On September 24, 2020, Ahlstrom-Munksjö Holding 3 Oy made a public recommended cash tender offer for all shares in Ahlstrom-Munksjö Oyj not held by Ahlstrom-Munksjö or its subsidiaries. Ahlstrom-Munksjö Holding 3 Oy acquired approximately 81% of Ahlstrom-Munksjö shares on February 4, 2021 following the first settlement under the tender offer. On February 9, 2021, Ahlstrom-Munksjö Holding 3 Oy acquired an additional 9.6% of Ahlstrom-Munksjö, increasing its ownership percentage to over 90%, and started a compulsory redemption procedure.

The acquisition of Ahlstrom-Munksjö through the public tender offer is accounted for as a linked transaction i.e. as if all ownership interests were acquired at the acquisition date as part of the transaction to gain control. In other words, the acquisition is recognized on February 4, 2021 as an acquisition for 100% of the shareholding as the combination of the tender offer results and the market purchases reached the 90% ownership level granting the acquirer the right for mandatory redemption process for the remaining minority shareholding.

Ahlstrom-Munksjö has leading market positions in various niche markets with diversified exposure in terms of customers, end-markets and geographies. Ahlstrom-Munksjö possesses a high quality, well-invested manufacturing base, technical know-how and a diversified and talented pool of approximately 7,800 employees at the time of the acquisition. These underpin the current success and future long-term growth of the business. Ahlstrom-Munksjö Holding sees significant synergies opportunity to accelerate Ahlstrom-Munksjö's operational performance. Ahlstrom-Munksjö is well-positioned to realize its potential and pursue long-term strategic goals along the investment horizon.

A provisional purchase consideration amounts to EUR 2,051.5 million, including the redemption liability for the remaining shares in Ahlstrom-Munksjö. The purchase consideration paid in cash amounted to EUR 1,859.6 million. The redemption liability amounts to EUR 191.9 million and it will be payable after the arbitration proceedings and Ahlstrom-Munksjö Holding is able to exercise its redemption right. The final purchase consideration is contingent on the resolution of the arbitration proceedings related to the mandatory redemption process for the remaining minority shares.

EUR million

Non-current assets	
Property, plant and equipment	1,187.1
Right-of-use assets	49.2
Other intangible assets	857.6
Equity accounted investments	1.6
Other non-current assets	21.2
Deferred tax assets	51.2
Current assets	
Inventories	377.2
Trade and other receivables	306.7
Income tax receivables	12.1
Cash and cash equivalents	276.6
Non-current liabilities	
Non-current borrowings	108.4
Other non-current liabilities	5.5
Employee benefit obligations ¹	91.8
Deferred tax liabilities	294.1
Non-current provisions	22.7
Current liabilities	
Current borrowings	1,050.6
Trade and other payables	615.4
Income tax liabilities	16.0
Current provisions	18.4
Total net assets acquired	917.7
Goodwill	1,145.8
Non-controlling interest	12.0
Provisional purchase consideration	2,051.5

¹ For further details please see note 15 of Ahlstrom-Munksjö's audited consolidated financial statements for the year 2020.

The recognized amounts of assets acquired and liabilities assumed are provisional and subject to change until the determination of fair values is complete. The provisional amounts during the year have changed slightly reflecting new information taken into account concerning facts and circumstances existing on the acquisition date according to IFRS 3 Business Combinations standard. The changes have mostly related to receivables, employee benefit obligations and provisions, and their deferred taxes.

The fair values of the acquired property, plant and equipment amounted to EUR 1,187.1 million, comprising of land and land improvements of EUR 95.2 million, buildings of EUR 221.7 million, machinery and equipment of EUR 789.5 million, other tangible of EUR 10.7 million, construction in progress EUR 70.0 million.

The fair values of the acquired identifiable intangible assets at the date of acquisition amounted to EUR 857.6 million, comprising of customer relationships of EUR 410.0 million, trademarks of EUR 130.0 million, technology of EUR 253.1 million and other intangible assets of EUR 64.5 million.

The fair value of the acquired trade receivables is EUR 244.1 million. The gross contractual amount for trade receivables is EUR 250.5 million of which EUR 6.4 million is expected to be uncollectible. Ahlstrom-Munksjö Holding recognized contingent liabilities for assumed environmental risks and certain legal and customer claims of Ahlstrom-Munksjö at fair value. The total amount of contingent liabilities recognized as an increase in provisions amounted to EUR 15.9 million on the acquisition date.

The non-controlling interest in Ahlstrom-Munksjö amounted to EUR 12.0 million and it was measured based on proportionate share of the entity's net assets.

Total net cash flow

EUR million	
Purchase consideration paid	1,859.6
Cash and cash equivalents	276.6
Net cash flow	1,583.0

The total net cash flows of EUR 1,583.0 million incurred in connection with the settlement of the tender offer consideration of which EUR 1,577.4 million incurred in January-March 2021 and it is reported in the cash flow from investing activities and EUR 5.6 million incurred in the year 2020.

The residual goodwill of EUR 1,145.8 million arising from the acquisition is attributable to workforce and to the acquirer's expected synergies through various cost initiatives to be implemented throughout the following years. Ahlstrom-Munksjö Holding expects that EUR 32.4 million of the goodwill will be deductible for tax purposes.

Acquisition related costs totals to EUR 50.2 million. EUR 35.7 million of the acquisition related costs have been incurred during the year 2020 and the rest during the year 2021. Acquisition related costs are included in administrative expenses in the income statement and in net cash from operating activities in cash flow statement.

The acquired business contributed all of the net sales reported from February 4, 2021 to December 31, 2021 and net profit of EUR 61.9 million.

Kämmerer

Ahlstrom-Munksjö Holding has acquired the electrotechnical paper business related assets from German-based Kämmerer. Through the transaction, Ahlstrom-Munksjö Holding expands its electrotechnical paper offering in area of semiconductor papers used in special applications such as high-performing power cables and

transformers. The transaction is treated as intangible asset purchase and purchase of inventories, and did not have a material impact for Group's result or financial position for the financial year 2021.



Accounting policies

Business acquisitions

Business combinations are accounted for using the acquisition method. The cost of the acquisition is measured at the fair value of consideration transferred comprising of the following:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued as purchase consideration
- fair value of any contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary, if applicable.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values and any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interests' proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred and presented as administrative expenses in the income statement with the exception of costs directly attributable to the issuance of equity instruments that are deducted from equity, net of tax. Any excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill.

Business disposals

Gains or losses arising from the sale of business are recognized as other operating income or other operating expenses. Intangible and tangible assets with definite useful lives are tested for impairment if there are indicators of impairment, see more information on triggering events in note 11.



Accounting estimates and judgements

The application of the acquisition method requires certain estimates and assumptions to be made, especially concerning the fair values of the acquired intangible assets, property, plant and equipment and the liabilities assumed at the acquisition date, and the useful lives of the acquired intangible assets and property, plant and equipment.

Measurement is based to a large extent on anticipated cash flows. If actual cash flows vary from those used in calculating fair values, this may materially affect the Group's future results of operations. In particular, the estimation of discounted cash flows for e.g. customer relationships, technology based assets as well as trademarks and tradename are based on assumptions concerning, for example:

- Assumptions related to long-term sales projections and margin development
- Determination of appropriate discount rates
- Estimates related to customer retention rates
- Estimates related to appropriate market based royalty rates

For significant acquisitions, the fair valuation exercise on the acquired assets and assumed liabilities is carried out with assistance from independent third-party valuation specialists. The valuations are based on the information available at the acquisition date taking into account the provisional adjustment period allowed under IFRS of 12 months.

4 BUSINESS AREA INFORMATION

Ahlstrom-Munksjö Holding is organized into five business areas which are Filtration & Performance Solutions, Advanced Solutions, Industrial Solutions, Food Packaging & Technical Solutions and Decor Solutions and which also form Group's operating segments. Ahlstrom-Munksjö Holding's business areas are described below.

Business area information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only and thus no Business Areas have been included before that date for 2021. Ahlstrom-Munksjö consolidated figures before the acquisition are presented for full year 2020 for comparison.

<p>Filtration & Performance Solutions The Filtration & Performance Solutions business area develops and produces engine oil, fuel and air filtration materials, as well as industrial filtration. It also produces abrasive backings, glass fiber for flooring products as well nonwoven materials for automotive, construction, textile, hygiene and wallcovering applications.</p>	<p>Advanced Solutions The Advanced Solutions business area develops and produces materials for laboratory filters and life science diagnostics, water filtration, beverage and food processing, tapes and medical fabrics. The business area also supplies hot cooking oil and milk filtration materials as well as specialty release liners.</p>
<p>Industrial Solutions The Industrial Solutions business area develops and produces release liners, electrotechnical insulation papers as well as flexible packaging and coated label papers. The business area also supplies specialty pulp, interleaving papers as well as office and printing papers.</p>	<p>Food Packaging & Technical Solutions The Food Packaging & Technical Solutions business area develops and produces a wide range of sustainable food packaging and processing papers as well as specialty papers for industrial and construction use.</p>
<p>Decor Solutions The Decor Solutions business area develops and produces paper-based surfacing for wood-based materials such as laminate flooring, furniture and interiors.</p>	<p>Other and eliminations Other and eliminations include head office costs comprising the following functions: Group Finance, Corporate Development, Legal, R&D, Group Communications and Investor Relations, as well as Group Human Resources. The head office costs comprise mainly salaries, rent and professional fees. Other and eliminations include holding and sales companies' income and expenses. Other and eliminations also include certain other exceptional costs not used in the assessment of business area performance.</p>

Business area key measures

Ahlstrom-Munksjö Holding

Financial performance by business area, EUR million, 2021	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions	Other and eliminations	Pro forma foreign exchange impact	Pro forma/ reported Group total
Net sales, external	760.7	491.5	766.6	604.4	442.1	7.9	3.3	3,076.6
Net sales, internal	9.4	2.0	12.8	24.5	0.1	-48.6	—	—
Net sales	770.0	493.5	779.4	628.9	442.1	-40.7	3.3	3,076.6
Pro forma impact	-60.1	-48.8	-65.2	-53.9	-37.3	6.3	-3.3	-262.4
Net sales Ahlstrom-Munksjö Holding (reported)	709.9	444.7	714.3	575.0	404.8	-34.4	—	2,814.2
Comparable EBITDA	155.7	65.9	94.4	47.7	44.9	-10.6	0.3	398.3
Pro forma impact								-36.7
Comparable EBITDA (reported)								361.6
IAC in EBITDA and management fee (reported)								-117.0
Depreciation, amortization and impairment (reported)								-172.3
Operating result (reported)								72.3

Additional business area information**Ahlstrom-Munksjö Holding**

Additional business area information, Pro forma, EUR million, 2021	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions	Other and eliminations	Group total
Capital expenditure	39.7	26.4	27.1	20.7	9.6	28.9	152.4
Operating working capital	86.3	108.4	62.0	77.5	48.2	-24.6	357.8

Business area key measures**Ahlstrom-Munksjö**

Financial performance by business area, EUR million, 2020	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions	Other and eliminations	Group total
Net sales, external	630.0	473.7	676.8	526.2	369.2	7.5	2,683.3
Net sales, internal	7.1	2.5	7.1	28.4	0.5	-45.5	—
Net sales	637.1	476.2	683.9	554.6	369.7	-38.1	2,683.3
Comparable EBITDA	118.6	61.1	71.3	52.5	37.6	-6.8	334.2
Items affecting comparability in EBITDA	30.6	-0.3	-1.5	-0.4	-0.9	-7.2	20.3
EBITDA	149.2	60.8	69.7	52.1	36.7	-14.0	354.5
Depreciation, amortization and impairment							-178.4
Operating result							176.2

Additional business area information**Ahlstrom-Munksjö**

Additional business area information, EUR million, 2020	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions	Other and eliminations	Group total
Capital expenditure	26.3	12.5	32.4	17.5	8.9	20.0	117.5
Operating working capital ¹	58.8	73.0	51.6	49.9	33.1	-40.3	240.9

¹ Operating working capital figures have been redefined not to include non-operative items. For 2020, dividend liabilities from Ahlstrom-Munksjö Oyj impacted the figures in the historical reporting by EUR 14.9 million. These dividend liabilities have been excluded as non-operative items, i.e. historical periods have been redefined.

**Accounting policies****Business areas**

Ahlstrom-Munksjö Holding's CEO together with the Board of Directors is the Group's chief operating decision maker ("CODM") and operating segments are determined on the basis of information reviewed by the CEO for the purposes of allocating resources and assessing the business area's performance. The business area's performance is assessed internally based on net sales and comparable EBITDA. Comparable EBITDA is defined for internal management reporting purposes as operating result before depreciation, amortization and impairments and excluding items affecting comparability and management fees. Ahlstrom-Munksjö Holding defines items affecting comparability being material items outside ordinary course of business, such as gains and losses on business disposals, direct transaction costs related to business acquisitions, costs for closure of business operations and restructuring including redundancy payments, one-off items arising from purchase price allocation such as inventory fair value adjustments, compensation related to environmental damages arising from unexpected or rare events and other items including fines (such as VAT tax audit fines) or other similar stipulated payments and litigations.

In addition to comparable EBITDA, the CODM also follows the business areas' net asset position based on the operating working capital which is defined as inventories plus operative receivables before factoring less operating payables.

Sales between the business areas are invoiced at market prices. None of Ahlstrom-Munksjö Holding's individual customers accounts for more than 10 per cent of the Group's revenues.

5 SOURCES OF REVENUE

Ahlstrom-Munksjö Holding's revenue comprise the sale of manufactured products through its five business areas, including filter materials, release liners, food and beverage processing materials, abrasive and tape backings, electrotechnical paper, glass fiber materials, medical fiber materials and solutions for diagnostics as well as a range of specialty papers for industrial and consumer end-uses.

Information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only and thus presented below each table of this note or in other relevant context.

Net sales by geography

Net sales by geography, EUR million	Ahlstrom-Munksjö Holding 2021
USA	887.4
Germany	272.9
Brazil	153.1
China	150.8
Italy	130.7
Poland	128.2
Netherlands	112.3
Spain	112.2
France	91.4
Turkey	75.0
India	58.6
Other	641.6
Total	2,814.2

Net sales in the table above are presented based on the customers' geographical location. Ahlstrom-Munksjö Holding recognizes revenue at a point in time.

Ahlstrom-Munksjö Holding 2021

Net sales by region, EUR million

Europe	1,257.1
North America	947.2
South America	204.6
Asia-Pacific	359.8
Rest of the world	45.6
Total	2,814.2

Contract assets and liabilities

The Group has advance payments received from customers EUR 4.6 million, see note 13.

Non-current assets by geography

Non-current assets by geography, EUR million	Ahlstrom-Munksjö Holding 2021
US	877.1
Italy	457.8
France	398.7
Sweden	344.6
Finland	329.5
Germany	215.3
Brazil	158.6
China	131.1
Korea	108.2
Russia	89.5
Other	236.6
Total	3,347.1

Non-current assets for Ahlstrom-Munksjö Holding in 2020 amounted to EUR 5.6 million and were located in Finland.



Accounting policies

Revenue recognition

IFRS 15 Revenue from Contracts with Customers standard defines a five-step model to recognize revenue arising from contracts with customers. The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the good or service underlying the particular performance obligation is transferred to the customer.

The Group is delivering goods to the customers where each good provided to the customer is distinct from the other goods provided to the customer. A typical good consist of a packed sheet of paper, a roll of paper or a cube of pulp, which each represent a distinct performance obligation. The Group does not provide significant amount of services. Sale of goods is the revenue stream of the Company that consists of the following business areas: Filtration & Performance Solutions, Advanced Solutions, Industrial Solutions, Food Packaging & Technical Solutions and Decor Solutions.

A typical contract with customer consists of purchase order and order confirmation, including the general terms and conditions of the arrangement.

The Group provides standard assurance-type warranties only and consequently the customer contracts do not include any service-type warranties that should be accounted for as a separate performance obligation.

The transaction price may include variable consideration components, including volume and cash discounts and refunds. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated discounts and refunds. Accumulated experience is used and provide for the discounts and customer refunds, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Revenue is recognised at a point in time when control of goods has been transferred to the customer based on Incoterms.

6

COST OF GOODS SOLD AND OTHER OPERATING INCOME AND OTHER OPERATING EXPENSE

Information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only and thus presented below each table of this note or in other relevant context.

Cost of goods sold

Cost of goods sold, EUR million	Ahlstrom-Munksjö Holding 2021
Raw materials	-1,268.9
Production costs	-674.5
Energy	-203.0
Delivery expenses	-122.8
Other variable costs	-139.1
Operative exchange gains/losses including foreign exchange derivatives	0.5
Total	-2,417.0

Other operating income

Other operating income, EUR million	Ahlstrom-Munksjö Holding 2021
Government grants	5.9
Sale of scrap and side products	5.6
R&D and other tax credits	1.6
Gain on sale of fixed assets	1.1
Rental and lease income	0.2
Insurance compensation	0.2
Other	5.8
Total	20.5

Other operating expense

Other operating expense, EUR million	Ahlstrom-Munksjö Holding 2021
Depreciation and amortization arising from PPA ¹	-62.6
Impairment loss	-1.1
Other	-3.4
Total	-67.1

¹ Depreciation and amortization arising from PPA comprise depreciation and amortization charges from fair value adjustments relating to the business combinations starting from the acquisition of Ahlstrom-Munksjö on Feb 4, 2021.



Accounting policies

Repair and maintenance

Ordinary repairs and maintenance activities are performed to maintain the plants and equipment in operating condition. Ordinary repairs usually benefit only the period when such repairs are done and accordingly are expensed in the period incurred.

Cost of goods sold

Cost of goods sold includes costs of producing inventories that have been sold to third parties, delivery expenses, impairment of inventories, repair and maintenance, operative exchange gains/losses including the impact of the foreign exchange derivatives and general overhead expenses of Group's Production and supply function which are expensed as incurred

Other operating income

Other operating income includes gain from disposal of assets, gain on sale of emission rights, sale of scrap and side products and regular incomes, such as rental and lease income and gain relating to business disposals. Other operating income includes also grants. Government grants are recognized in the income statement in the same period as the costs they are intended to compensate. Government grants relating to the purchase of property, plant and equipment are deducted from the cost of the assets and accordingly reduce the depreciation of the underlying asset.

Other operating expense

Other operating expenses include depreciation and amortization arising from purchase price allocations (PPA), impairment losses, losses from disposal of assets, bad debt allowances and other costs not directly related to production, supply and sale of products.

7 EMPLOYEE AND BOARD OF DIRECTORS REMUNERATION

On December 31, 2021 Ahlstrom-Munksjö Holding had some 8,000 employees working in 45 production and converting facilities and offices in 24 different countries. The following section outlines the benefits granted to our employees, to our Executive Management Team including the CEO and the Board of Directors. The section also provides information about the long-term incentive plan that the company operates to align the objectives of the shareholders with the Group's key personnel.

Information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only and thus presented below each table of this note or in other relevant context.

Employee benefit expenses (including members of the Board of Directors)

Below figures are presented from the consolidated Ahlstrom-Munksjö Holding from the date of acquisition of Ahlstrom-Munksjö on February 4, 2021.

Wages, salaries and other remuneration

	Ahlstrom-Munksjö Holding
Employee benefit expenses for all employees, EUR million	2021
Wages and salaries	-419.3
Statutory social expenses	-73.7
Pension expenses, defined contribution plans	-30.3
Pension expenses, defined benefit plans (note 14)	-3.1
Other indirect employee costs	-9.8
Total	-536.2

Executive Management

Ahlstrom-Munksjö Holding's Executive Management consists of the CEO, Deputy CEO, Business Area Executive Vice Presidents (EVPs) and EVPs responsible for Group Functions. See Board of Director's report for changes in Group Executive Management team and Board of Directors.

2021

Ahlstrom-Munksjö Holding

Remuneration of the CEO ¹ and the Executive Management Team, EUR thousand, 2021 ²	Fixed salary payments	Short term incentives and bonuses payments	Long-term incentives	Fringe benefits	Payments to voluntary pensions	Total
Total	2,879	2,093	6,081	55	477	11,585

¹ Ahlstrom-Munksjö Holding 3 Oy does not have a CEO. The CEO has a service contract with Ahlstrom-Munksjö Oyj.

² Not including social costs.

Ahlstrom-Munksjö Holding

CEO and Executive Management Team remuneration and benefits recognized in income statement, EUR thousand, 2021 ¹	Salaries and other short-term employee benefits	Long-term incentives	Payments to voluntary pensions	Total
Total	5,038	–	477	5,515

¹ Not including social costs.

Remuneration of the Board of Directors and Board Committees

Ahlstrom-Munksjö Holding 3

Members of Board of Directors of Ahlstrom-Munksjö Holding 3 Oy were not paid any remuneration in January-December 2021.

Ahlstrom-Munksjö Oyj

Ahlstrom-Munksjö Oyj's Board of Directors were compensated by EUR 0.3 million during 2021 based on their agreed compensation approved by Annual General Meeting.

Shareholding of the Board of Directors and Executive management

The members of the Board of Directors or Executive Management team do not hold any company shares.

Ahlstrom-Munksjö Holding Long-term Incentive Plans

The Board of Directors of Ahlstrom-Munksjö Holding has on September 2, 2021 decided to establish a synthetic option program for members of the Group's key personnel. The program serves as a share value-based long-term incentive scheme for selected key employees of the Company. The Program is established to form part of the overall incentive scheme of the selected key employees of the company.

The objectives of the Long-term Incentive programs are particularly:

- to align the interests of the participants with company's shareholders by creating a long-term equity interest for the participants and, thus, to promote shareholder value creation in the long term;
- to promote long-term performance culture and the achievement of the company's strategic targets; and
- the retention of critical key resources as well as to offer them with the opportunity for competitive compensation for excellent performance.

Synthetic options 2021

The program consists of annually commencing synthetic option plans. Within each plan the company may decide that synthetic options are granted to the individuals selected for participation in the plan. Each plan comprises a vesting period of three years and the exercise of the synthetic options after the passage of the vesting period.

Performance conditions

Synthetic options will afford an optionholder the right to receive a cash reward equal to the positive difference, if any, between the defined strike price and the value of the company's share either at the time of exercise or on the vesting date of the synthetic option multiplied by the number of the granted synthetic options, as on plan specific basis determined by the company.

Service condition

In addition to the performance condition, the grant of an option holder's synthetic options and his/her receipt of any reward derived from the synthetic options is conditional on continued employment or service relationship with the company throughout the plan period from the grant of the synthetic options until the payment date.

Data related to the LTI plans	Synthetic options 2021
Initial maximum amount, pcs	5,545,000
Initial allocation date	Oct 1, 2021
Beginning of earning period	Oct 1, 2021
End of earning period	Sep 30, 2024
Vesting conditions	Share price, Service period
Maximum contractual life, years	3.0
Remaining contractual life, years	2.75
Number of persons at the end of reporting year	122
Payment method	Cash

Changes in the number of Synthetic options	Synthetic options 2021
January 1, 2021	
Outstanding at the beginning of the period	—
Changes during the period	
Granted	4,830,000
December 31, 2021	
Outstanding at the end of the period	4,830,000

Fair value determination

The fair value of share based incentives have been determined at grant date and the fair value is expensed until vesting. The pricing of the share based incentives granted during the period was determined by the following inputs and had the following effect:

Valuation parameters for instruments granted during period	Synthetic Options
Grant date	December 31, 2021
Share price at grant, EUR	1.35
Share price at reporting period end, EUR	1.35
Exercise price, EUR	1.35
Expected volatility, %	30.8
Maturity, years	3
Risk-free rate, %	0.00
Expected dividends, EUR	—
Valuation model	Binomial Monte Carlo Simulation
Fair Value, EUR million	1.1

For this synthetic options 2021 program, no expenses or liabilities have been recorded for the financial year 2021 as the grant date of the program has been December 31, 2021.

No other rewards were exercised or forfeited during the period for these plans.

Cash settlement of Ahlstrom-Munksjö long-term incentive plans in 2021

Based on the acquisition of Ahlstrom-Munksjö on February 4, 2021, all then outstanding share-based long-term incentive plans were terminated and settled during 2021. All future discretionary periods were discontinued. The settlement of the plans were in cash, total cash outflows amounting to EUR 18.1 million including social costs. The settlement costs were booked in opening balance of provisional purchase price allocation of the acquired Ahlstrom-Munksjö.



Accounting policies

Share-based payments

The long term incentive share based plans are accounted for as share-based payments whereby employees in exchange for providing services receive Ahlstrom-Munksjö Holding share-derived instruments including synthetic options settled in cash. Ahlstrom-Munksjö Holding has classified current programs as cash-settled as it is the Group's intention to settle the rewards in the form of cash.

Ahlstrom-Munksjö Holding's current share-based payments include only non-market performance conditions. The non-market performance condition and the requirement to stay in service are not factored into the grant date fair value. The fair value of the long term incentive share based plans have been estimated at the grant-date based on the synthetic annualized market volatility. If the non-market performance condition or the service condition is not met, the cumulative share-based payment cost will be trued-up accordingly.

The share-based cost related to cash-settled schemes is recognized by the Group under Employee benefit expenses in the income statement. The total cost is determined by reference to the fair value at grant-date and is recognized over the expected vesting period. At each balance sheet date, Ahlstrom-Munksjö Holding revises the cumulative share-based cost expected to be paid out based on the likelihood of achieving non-market performance criteria levels and the estimated retention rate of participants at the end of the performance period.

The rewards will be settled by the Group, net of taxes that will be withheld.



Accounting estimates and judgements

The long term incentive share based plans have been accounted for as cash-settled share-based payments. This is based on a judgment made by the Group that the plans will be rewarded in the form of cash as the options given are synthetic.

The fair value of the long term incentive share based plans have been estimated at the grant-date based on the synthetic annualized market volatility.

The expense recognized in Administrative expenses is based on management's estimate of the likelihood of achieving the non-market performance criteria and the estimated number of participants remaining in the scheme when the vesting period ends.

At the end of each period, management estimates the likelihood of achieving the non-market performance criteria and the expected retention rate for participants in order to calculate the expense for the current period and the change in the amount recognised in liabilities. In order to estimate the likelihood for achieving the non-market performance criteria management considers the Group's non-market performance criteria against the target to date and the forecast for the remainder of the performance period.

Management estimate the number of participants that they expect to remain in the scheme at the end of the vesting period by reviewing the number of participants remaining at the end of each period, and the expected number of these participants who will remain at the pay-out date, considering the historic rate of staff retention in the Group.

8

DEPRECIATION, AMORTIZATION AND IMPAIRMENT

Intangible assets, property, plant and equipment and right-of-use assets ("ROU assets") are stated in the balance sheet at cost less accumulated depreciation, amortization and impairment. Information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holdings 3 Oy only and thus presented below each table of this note or in other relevant context.

	Ahlstrom- Munksjö Holding 2021
Depreciation and amortization, EUR million	
Other intangible assets	
Customer relationships	-19.1
Patents and trademarks	-3.9
Other	-18.0
Property, plant and equipment	
Land improvements and buildings	-18.3
Machinery and equipment and other	-98.1
Right-of-use assets	
Land and water areas and buildings	-3.2
Machinery and equipment and other	-10.4
Total	-171.1

Other comprises favourable contracts (e.g. economic value of the landfill rights) and technology related intangible assets identified in business combinations.

Depreciation and amortization arising from PPA comprise depreciation and amortization charges from fair value adjustments relating to the business combinations starting from the acquisition of Ahlstrom-Munksjö on Feb 4, 2021. Depreciation and amortization arising from PPA adjustments was EUR 62.6 million in 2021.

Impairment, EUR million

	Ahlstrom- Munksjö Holding 2021
Property, plant and equipment	
Machinery and equipment	-1.1
Right-of-use assets	
Land and water areas and buildings	—
Total	-1.1

	Ahlstrom- Munksjö Holding 2021
Depreciation, amortization and impairment, EUR million	
Depreciation, amortization and impairment	-172.3

Impairment losses

In 2021 impairment losses totalled to EUR -1.1 million. Impairment losses recognized relates to a paper machine in Rhineland, US that was temporary idle.



Accounting policies

Depreciation and amortization is recognized in the income statement on a straight-line basis based on estimated useful life of intangible assets, property, plant and equipment and ROU assets, adjusted in appropriate cases by impairments. The useful lives are estimated as the period over which the Group will derive a benefit from the asset.

Goodwill and other intangible assets with an indefinite useful life are considered as non-depreciable assets. For non-depreciable assets, impairment tests are performed annually, as well as if there are any indications of impairments during the year, by calculating the assets recovery value. For more information on the impairment of goodwill and other intangible assets see note 11.

Depreciation and amortization periods

Other intangible assets

Customer relationships	15-25 years
Patents and trademarks	20-30 years
Other	10-40 years

Property, plant and equipment

Land improvements	20 years
Buildings	20-50 years
Machinery and equipment	2-20 years

Right-of-use assets

Land and water areas	5-12 years
Buildings	5-53 years
Machinery and equipment	2-8 years

9 NET FINANCIAL ITEMS

Information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only and thus presented below each table of this note or in other relevant context.

Net financial items outline the components of financial income and financial expenses included in the income statement. The Group's financial income is mainly comprised of exchange rate gains on financing items. Financial costs mainly consist of interest expense on term/bank loans, bonds, pension loan. See Note 16 for more information.

	Ahlstrom- Munksjö Holding
Net financial items, EUR million	2021
Interest income from loans and receivables	1.1
Exchange rate gains	16.4
Gain on interest rate derivatives	0.3
Other financial income	0.1
Financial income	17.8
Interest expense from borrowings	-89.0
Interest expenses on lease liabilities	-2.0
Unwinding of discount on provisions and net interest cost on defined benefit plans (note 14, 15)	-1.0
Exchange rate losses	-18.6
Other financial costs ¹	-13.4
Financial expenses	-124.0
Net financial items	-106.2

¹ Other financial costs include bank fees, factoring costs, and various fees related to existing financing agreements.

Net financial items for Ahlstrom-Munksjö Holding in 2020 amounted to EUR 0.0 million and consisted of other financial items.

Ahlstrom-
Munksjö
Holding

Exchange rate gains and losses in the income statement, EUR million

2021

Exchange gains and losses	
Operating result	-0.8
Financial income and expenses	-4.6
Foreign exchange derivatives	
Operating result	1.3
Financial income and expenses	2.4
Total	-1.7



Accounting policies

Financial income and expenses

Financial income in the income statement consists of interest income from financial asset measured at amortized cost, gain on interest rate derivatives, exchange rate gains and gains from foreign exchange derivatives on financial items.

Financial expenses consist of interest expenses on borrowings, commitment fees and other financial fees, net interest costs of defined benefit plans, the interest related to discounted provisions, and exchange rate losses on exchange, interest rate derivatives and foreign exchange derivatives. These costs are reported in the income statement in the period in which they were incurred using the effective interest method, except for the interest rate derivatives.

Fair value changes of interest rate derivatives are recognized as financial income or expenses in the period in which they arise. Exchange gains and losses and foreign exchange derivatives on operative items are recorded in operating result.

The premium paid for the purchased interest rate options is amortized over its lifetime and shown in interest expenses. If at any interest rate fixing date the agreed interbank reference rate is above the strike of the interest rate cap, a cash flow will realize. This cash flow will be booked to income statement in interest expenses, in order to reduce the actual interest expenses from the underlying hedged item.

10 TAXES

This note explains Ahlstrom-Munksjö Holding's income tax expense and tax related balances in the consolidated financial statements. The deferred tax section provides information on expected future tax payments.

Information presented for the year 2021 consists of Ahlstrom-Munksjö Holding, including Ahlstrom-Munksjö consolidated from the date of the acquisition on February 4, 2021 until December 31, 2021, presented in Business Combination. Business Combination impacts are further described in note 3. Ahlstrom-Munksjö Holding figures before the date of the acquisition have consisted of the acquiring legal entity Ahlstrom-Munksjö Holding 3 Oy only and are thus presented below each table of this note or in other relevant context if any.

	Ahlstrom- Munksjö Holding
Income tax expense, EUR million	2021
Result before taxes	-33.9
Current tax income/expense	
Current tax on profits for the year	-19.6
Adjustments in respect of prior years	-1.0
Total	-20.7
Deferred tax	
Relating to tax loss carry forwards	1.0
Relating to other temporary differences	-3.9
Total	-2.8
Total income taxes	-23.5

Ahlstrom-
Munksjö
Holding

Reconciliation of effective tax rate, EUR million

	2021
Result before taxes	-33.9
Income tax at Finnish tax rate (20%)	6.8
Effect of other tax rates for foreign subsidiaries	-1.4
Regional, minimum and foreign withholding taxes	-1.7
Effect on deferred tax from change in tax rate	-0.1
Adjustments to current tax in respect of prior years	-1.0
Current year losses for which no deferred tax asset recognized	-10.8
Revaluation of deferred tax assets and liabilities	2.7
Non-deductible expenses	-18.6
Tax exempt income and tax reliefs	1.1
Other	-0.7
Income taxes in the income statement	-23.5

Uncertain tax positions

The Group had income tax receivables and liabilities where the amount of tax recoverable or payable is uncertain due to pending tax audits, tax disputes or other reasons. At balance sheet date, the net liability of uncertain tax positions was EUR 3.8 million. The recorded amount is based on management's estimates of the outcomes.

Ahlstrom-Munksjö Holding

Change in deferred tax on temporary differences and loss carry forwards, EUR million, 2021	Opening	Business combination	Translation difference/ other	Recognized in income statement	Recognized in OCI or directly in equity	Closing
Property, plant and equipment and intangible assets	–	-324.2	-6.8	10.1	–	-320.9
Employee benefit obligations	–	14.8	0.1	-1.3	-3.4	10.3
Provisions	–	21.8	1.0	-1.5	–	21.3
Tax losses carried forward	–	30.6	0.4	1.0	–	32.0
Other	–	14.2	-0.1	-11.2	6.8	9.7
Net of deferred tax liabilities (-) and deferred tax assets (+)	–	-242.8	-5.4	-2.8	3.4	-247.6
Assets	–					2.4
Liabilities	–					-250.0

Ahlstrom-Munksjö Holding	Tax losses carried forward	Recognized deferred tax assets	Unrecognized deferred tax assets
Tax losses and related deferred tax assets EUR million	2021	2021	2021
Expiry within one year	–	–	–
Expiry within two-five years	59.4	–	14.9
Expiry after five years	46.5	1.2	8.5
No expiry	192.2	30.8	16.3
Total	298.2	32.0	39.7

Recognized deferred tax assets on losses at December 31, 2021 relate mainly to France, Brazil and India. Unrecognized deferred tax assets on losses at December 31, 2021 relate mainly to China, Finland, France, Spain and the United Kingdom.

**Accounting policies****Current and deferred tax expense**

The income tax expense is comprised of current tax and deferred tax. Tax is recognised in the income statement except when underlying transactions are reported in other comprehensive income, or directly in equity, in which case the associated tax effect is reported in other comprehensive income or directly in equity.

Current taxes are based on the results of group companies and are calculated using the local tax laws and tax rates that are enacted or substantively enacted as of each reporting date. The Group files tax returns in several jurisdictions and evaluates regularly tax positions taken. Tax liabilities for uncertain tax positions are recognized when it is considered that certain tax positions will be challenged or have already been challenged by tax authorities.

Deferred tax is calculated using the liability method on temporary differences between the carrying amounts and taxable values of assets and liabilities. Deferred tax is not recognised for temporary differences that arise on initial recognition of goodwill or the initial recognition of assets and liabilities in a transaction other than a business combination that do not affect either the accounting or taxable profit at the time of the transaction.

Deferred tax is not recognized for temporary differences that arise on investments in subsidiaries where the reversal is in the Group's control and not expected in the foreseeable future.

The valuation of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realized or settled. Deferred tax is calculated by applying the tax rates enacted or substantially enacted at the reporting date.

Deferred tax assets for tax-deductible temporary differences and loss carry forwards are recognized only to the extent it is likely that they will be utilized.

Deferred tax assets and liabilities are offset when there is a legal right to offset current tax assets and liabilities, and when the deferred tax assets and tax liabilities are attributable to taxes charged by the same tax authority and relate to either the same tax entities or different tax entities, where there is an intention to settle the balances on a net basis.

**Accounting estimates and judgements**

The utilization of deferred tax assets is dependent on the reversal of deferred tax liabilities and generation of future taxable profits. The Group estimates possibilities to use deferred tax assets based on current business plans. The Group periodically evaluates status of ongoing tax audits and disputes and positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It makes a revaluation of the amounts recorded, where appropriate, on the basis of amounts expected to be paid to the tax authorities. Because the Group operates in complex international tax environment, significant degree of judgement is used in identifying outcomes of tax audits and disputes and uncertain tax positions.

Operating capital

Disclosures in this section focus on our operating assets and liabilities including information on our investments in long-lived assets, trade receivables and payables, inventories, benefit obligations towards our current and former employees and provisions.

11 INTANGIBLE ASSETS, PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Intangible assets

Ahlstrom-Munksjö Holding	Other intangible assets				
	Goodwill	Customer relationships	Patents and trademarks	Other	Other intangible assets in Total
Intangible assets, EUR million, 2021					
Historical cost					
Opening	–	–	–	–	–
Business combination	1,145.8	410.0	130.0	317.6	857.6
Additions	–	1.6	–	28.5	30.2
Disposals	–	–	–	-0.1	-0.2
Reclassifications and other	–	–	–	-8.0	-8.0
Translation differences	23.5	11.5	–	8.0	19.5
Closing	1,169.3	423.1	130.0	346.1	899.2
Accumulated amortization					
Opening	–	–	–	–	–
Amortization	–	19.1	3.9	18.0	41.1
Disposals	–	–	–	-0.1	-0.1
Reclassifications	–	–	–	–	–
Translation differences and other	–	0.4	–	0.2	0.6
Closing	–	19.4	3.9	18.2	41.6
Net book value at year end	1,169.3	403.7	126.1	327.9	857.6

At acquisition date February 4, 2021 for Ahlstrom-Munksjö the assets acquired in business combinations are recorded at fair value. See note 3.

Other intangible assets as at December 31, 2021 mainly comprise of customer relationships, favourable contracts (e.g. economic value of the landfill rights) and technology related intangible assets identified in business combinations. Increase in other intangible assets for year ended December 31, 2021 mainly relate to intangible assets, capitalized development expenses, technology assets and IT projects. Goodwill reported in 2021 relates to the acquisition of Ahlstrom-Munksjö. See note 3 for more information.

Goodwill

The carrying value of goodwill amounted to EUR 1,169.3 million as of December 31, 2021.

Ahlstrom-Munksjö Holding is organized into five business areas which are Filtration & Performance Solutions, Advanced Solutions, Industrial Solutions, Food Packaging & Technical Solutions and Decor Solutions. These five business areas form the Group's operating and reportable segments. Goodwill is allocated to the business areas reflecting their share of the deemed fair values of the acquired assembled workforce, expected synergies and other benefits such as acquirer's expected synergies through various cost initiatives to be implemented throughout the following years. These five business areas correspond to the groups of cash-generating units (CGU) and the lowest level at which goodwill is monitored for internal management purposes. See note 4 for business area information.

As a result of acquisition of Ahlstrom-Munksjö on February 4, 2021, the Group has allocated goodwill to groups of CGUs. The following table presents the allocation of goodwill to Ahlstrom-Munksjö Holding's business areas (groups of CGUs). The allocation was based on Ahlstrom-Munksjö Purchase Price Allocation and was performed using relative enterprise values and net assets of the acquired business areas.

The following tables present the allocation of goodwill to Ahlstrom-Munksjö Holding's business areas (groups of CGUs) as of the Balance sheet date:

Allocation of goodwill by business area, EUR million	Ahlstrom-Munksjö Holding 2021
Filtration & Performance Solutions	686.6
Advanced Solutions	173.1
Industrial Solutions	120.6
Food Packaging & Technical Solutions	80.3
Decor Solutions	108.9
Total	1,169.3

Impairment tests for goodwill

The recoverable amounts of each group of cash-generating units are determined using a discounted cash flow model (value-in-use). Key assumptions used in the determination include short-term and long-term growth rate for net sales, development of EBITDA, annual capital expenditure, changes in operative working capital and post-tax discount rate.

The cash flows are based on Annual Plan for 2022 and derived business plans covering a period of three years. The impact of COVID-19 on the future cash flows has been assessed as a potential indication and is considered to be insignificant. Cash flows beyond this three-year period are based on the terminal value and have been extrapolated using an estimated long-term sales growth rate of 2.0% considering inflation. All cash flow projections

Cont. note 11

reflect the past performance of the Group's business operations and management expectations for future market development considering the external sources of information when available.

The discount rate used in the calculation is based on weighted average cost of capital (WACC) based on the market view of the time-value of money and reflect specific risks related to each business area. In the weighted average cost of capital (WACC) management has included an alfa factor amounting to 3.5% to mitigate the risks related to the future cash flow projections.

The following tables set out the key assumptions for the groups of CGUs. Below tables concern the five business areas (groups of CGUs). All have been tested in annual impairment testing cycle.

Key assumptions, 2021	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions
Average net sales growth % in the testing period	4.6	5.7	5.3	3.4	10.2
Long-term growth-%	2.0	2.0	2.0	2.0	2.0
Average EBITDA margin % in the testing period	19.3	14.9	10.9	8.2	8.4
Pre-tax discount rate %	8.7	8.5	8.6	8.5	9.2

The impairment tests for 2021 indicated that the recoverable amount of the groups of CGUs exceeded their carrying value and goodwill has not been impaired.

Sensitivity analysis

As a part of the performance reviews, management has performed sensitivity analysis regarding the key assumptions. The parameters used in the impairment tests, which were the most sensitive for changes were EBITDA margin and pre-tax discount rate. The table below shows the percentage change in the key parameters used in the calculations that would result in the value in use being equal to the carrying value (keeping other parameters constant). The recoverable amount of the assets tested in 2021 exceeds their carrying value by EUR 778.9 million for Filtration & Performance Solutions, EUR 312.8 million for Advanced Solutions, EUR 462.6 million for Industrial Solutions, EUR 363.5 million for Food Packaging & Technical Solutions and EUR 174.2 million for Decor Solutions.

Key assumptions, 2021	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Decor Solutions
Annual average change % in EBITDA margin in the testing period	-6.1	-4.9	-3.9	-3.1	-2.5
Pre-tax discount rate % change in percentage points	4.0	3.7	6.4	4.7	4.1

Management has considered and assessed reasonable possible changes for other key assumptions and has not identified any instances that would result in a carrying amount that exceed the recoverable amount of the groups of CGUs.

Research and development

Ahlstrom-Munksjö Holding has product and process development activities focusing mainly on meeting customer requirements in relation to product properties and adaptations. Research and development costs are expensed except those development expenses that meet the capitalization criteria. In 2021 development costs that met capitalization criteria and were capitalized amounted to EUR 9.2 million.

Emission rights

Ahlstrom-Munksjö Holding participates in the European Union emission trading scheme in which it has received free emission allowances for a defined period. Ahlstrom-Munksjö Holding was granted 299,436 units of CO2 emission rights for the year 2021. As of December 31, 2021, the CO2 rights amounted to 174,511 units of which 30,511 units are left after 2020 surrendering and 144,000 units are externally purchased during 2021. The CO2 credits will be surrendered in April 2022. The market value of the CO2 credits was approximately EUR 14.1 million.

In 2021, Ahlstrom-Munksjö Holding bought emission rights amounting to EUR 7.9 million but didn't sell any.



Accounting policies

Intangible assets

Goodwill

Goodwill arises from business combinations and represents the excess of the consideration transferred over the Group's interest in the fair value of the identifiable net assets acquired at the acquisition date. Goodwill is an intangible asset with an indefinite useful life. It is not amortized, but it is subject to impairment testing annually, or more frequently, if events or changes in circumstances indicate that goodwill might be impaired.

For impairment testing purposes, goodwill is allocated to groups of cash-generating units reflecting the lowest levels at which the goodwill is monitored for internal management purposes. A cash-generating unit, as determined for the purposes of the impairment testing, is the smallest group of assets generating separately identifiable cash inflows, which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). The carrying value of a cash generated unit includes its share of relevant corporate assets allocated to it on a reasonable and consistent basis.

Ahlstrom-Munksjö Holding conducts its impairment testing by determining the recoverable amount for a group of CGUs. The recoverable amount is defined as value-in-use according to a present value of the estimated future cash flows. The recoverable amount is compared to the group of CGUs' carrying value. If the carrying value exceeds the recoverable amount, the asset is considered impaired and is written down to its recoverable amount. If an impairment loss is recognized, the loss is first allocated to reduce goodwill and then to reduce other assets.

Impairment is recognized as an expense in the income statement. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Other intangible assets

Customer relationships, patents and trademarks, technology related assets and other intangible assets acquired in business combinations are recorded at fair value at the acquisition date and are subsequently amortized on a straight-line basis over estimated useful lives.

Computer software and separately acquired patents and trademarks are recorded at historical cost and amortized on a straight-line basis over their expected useful lives. Cloud computing arrangements that meet the definition of an intangible asset and comply with the capitalization criteria in IAS 38 Intangible assets are capitalized. Configuration and customization costs for Cloud computing arrangements that do not meet the definition of an intangible asset and that are distinct from the access to the software are expensed when the service is received.

Cont. note 11

Configuration and customization costs that are not distinct from the access to the software are recognized as prepayments in the balance sheet and expensed over the contract term.

Other intangible assets with definite useful lives are tested for impairment if there are indicators of impairment, see more information on triggering events in Accounting policy of Property, plant and equipment.

Research and development

Ahlstrom-Munksjö Holding has product and process development activities focusing mainly on meeting customer requirements in relation to product properties and adaptations. Activities are divided into a research phase and a development phase. Research costs are expensed as incurred and recorded in the income statement. Expenditures on development activities are also expensed as incurred except those development expenses that meet the capitalization criteria. Development costs arising from the development of new or significantly improved products are capitalized as intangible assets when the costs of the development stage can be reliably determined, the product is technically feasible and economically viable, the product is expected to produce economic benefits and the Group has the intention and the required resources to complete the development effort. Capitalized development costs include the costs of material, labour and testing that are directly attributable to creating, producing and preparing the asset to be capable of operating in the manner intended by management. Amortization period for capitalized development costs is 10 years.

Emission rights

Ahlstrom-Munksjö Holding participates in the European Union's Emissions Trading Scheme aimed at reducing greenhouse gas emission and receives allowances for a defined period to emit a fixed tonnage carbon dioxide. The Group receives allowances either free of charge from the scheme or acquires them from other participants. The allowances received and the liability based on the actual emissions are netted. A provision is recognized if the allowances received do not cover the actual emissions. No intangible asset is recognized for the excess of granted allowances. Gains arising from the sale of the emission right allowances are recorded in other operative income in the income statement.



Accounting estimates and judgements

Key assumptions used in goodwill impairment testing

The management makes significant estimates and judgements in determining the level at which the goodwill is tested and whether there are any indications of impairment.

The calculations of the value-in-use are based on cash flow projections, which require assessments and estimates from the management. The most significant estimates concern development of net sales and EBITDA including estimates for market prices of pulp and cost levels of main raw materials and energy as well as determination of the weighted average cost of capital (WACC) used to discount cash flows. Management tests the impacts of changes in significant estimates used in forecasts by sensitivity analyses as described above in this note.

In the weighted average cost of capital (WACC) management has included an alfa factor amounting to 3.5% to mitigate the risks related to the future cash flow projections.

Estimates and judgements related to other intangible assets

For more information on the estimation of useful economic life of an intangible asset, see note 8.

Property, plant and equipment

Ahlstrom-Munksjö Holding

Property, plant and equipment, EUR million, 2021	Land and land improvements	Buildings	Machinery and Equipment	Other tangible	Construction in progress	Total
Historical cost						
Opening	–	–	–	–	–	–
Business combination	95.2	221.7	789.5	10.7	70.0	1,187.1
Additions	–	0.4	15.2	0.4	106.2	122.2
Disposals	0.0	-0.2	-4.6	-0.3	-0.0	-5.0
Reclassifications and other	0.3	3.9	48.1	0.9	-53.2	-0.0
Translation differences	1.2	3.5	17.3	0.0	2.7	24.7
Closing	96.6	229.4	865.5	11.8	125.7	1,329.0
Accumulated depreciation						
Opening	–	–	–	–	–	–
Depreciation	0.7	17.6	96.2	1.9	–	116.4
Disposals	–	-0.2	-4.1	-0.3	–	-4.5
Impairment	–	–	0.8	–	0.4	1.1
Reclassifications	–	–	–	–	–	–
Translation differences and other	0.0	0.2	1.3	0.0	0.0	1.5
Closing	0.8	17.7	94.1	1.6	0.4	114.5
Net book value at year end	95.9	211.7	771.4	10.1	125.3	1,214.5

At acquisition date February 4, 2021 for Ahlstrom-Munksjö, the assets acquired in business combination are recorded at fair value. See note 3.

Increase in property, plant and equipment for the year ended December 31, 2021 were mainly related to investments in Chirside, UK EUR 19.8 million, in Turin, Italy EUR 14.9 million, in Malmedy, Belgium EUR 9.1 million, in Thilmany, U.S. EUR 8.1 million, in Billingsfors, Sweden EUR 5.6 million and in Madisonville, U.S. EUR 5.1 million.

See note 19 for information on capital expenditure commitments and note 8 for information on impairment losses.

Right-of-use assets ("ROU assets")

Right-of-use assets recognized in the balance sheet include vehicles, forklifts, machinery and equipment, premises and land areas.

Ahlstrom-Munksjö Holding

Right-of-use assets, EUR million, 2021	Land and water areas	Buildings	Machinery and Equipment	Total
Historical cost				
Opening	–	–	–	–
Business combination	0.6	15.4	33.2	49.2
Additions	–	0.4	8.2	8.6
Other	–	-1.0	-3.2	-4.2
Translation differences	0.0	0.5	0.9	1.5
Closing	0.6	15.3	39.3	55.2
Accumulated depreciation				
Opening	–	–	–	–
Depreciation	0.0	3.2	10.4	13.7
Other	–	-0.7	-2.8	-3.5
Translation differences	0.0	0.1	0.1	0.2
Closing	0.1	2.5	7.7	10.3
Net book value at year end	0.5	12.8	31.5	44.9

At acquisition date February 4, 2021 for Ahlstrom-Munksjö, the assets acquired in business combinations are recorded at fair value. See note 3.

The expenses relating to leases for which Ahlstrom-Munksjö Holding applied the practical expedient (short-term leases and low-value leases) amounted to EUR 4.3 million and the income from subleasing right-of-use assets amounted to EUR 0.2 million for the year end December 31, 2021 and are reported as other operating income.

Ahlstrom-Munksjö Holding has currently no material variable lease payments that are not included in the measurement of ROU asset and no leases with residual value guarantees.

**Accounting policies****Property, plant and equipment****Impairment of property, plant and equipment, goodwill and other intangible assets**

Ahlstrom-Munksjö Holding assesses the recoverability of the carrying amount of property, plant and equipment and intangible assets with definite useful lives if events or changes in circumstances indicate that the carrying amount may be impaired (a triggering event). Factors that the Group considers when it reviews indicators of impairment include, but are not limited to:

- Observable indications for decrease in value
- Significant adverse changes that have taken place in the technological, market, economic or legal environment
- Increases in interest rates
- Obsolescence or physical damage affecting the asset
- Deterioration in the expected level of the asset's performance or adverse changes impacting the way the asset is used or expected to be used
- Where management's own forecasts of future net cash inflows or operating profits show a significant decline from previous budgets and forecasts

The carrying amount of an asset is written down immediately to the asset's recoverable amount if the carrying value exceeds the recoverable amount. The recoverable amount is determined as the higher of an asset's fair value less costs to sell or its value-in-use. Value-in-use is determined by discounting future cash flows expected to be generated by the asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating unit).

The impairment of assets is reversed if there is an indication that it is no longer necessary, and there has been a change in the assumptions which formed the basis of the calculation of the recoverable amount. A reversal is only made to the extent that the asset's carrying value after reversal does not exceed the carrying value that the asset would have had, with a deduction for depreciation, if no impairment had been carried out.

Property, plant and equipment

Land and land improvements include the Group's freehold land and the landfills that the Group operates at or near certain of its facilities in the United States. The operation of these landfills require state, federal and local permits for construction, operation and closure and the landfills are subject to constructing final capping and continued monitoring.

The freehold land and land improvements are recognized at cost. The cost of land improvements include the cost of landfill preparation and excavation, construction of liners, related costs for environmental permits and studies and the initial estimate to close, cap and care the landfill, for which the Group has made the environmental provision (see note 15).

Property, plant and equipment are recognized at cost less accumulated depreciation and any impairment. The cost includes the purchase price and expenditure directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Interest on borrowings directly attributable to the purchase, construction or production of assets that take considerable time to complete are capitalized.

Property, plant and equipment comprising parts with different useful lives are treated as separate components of the asset. The costs incurred for replacing the part are recognized in the carrying amount of the asset which is depreciated over the useful life of replacement. The carrying value of a property, plant and equipment is derecognized from the balance sheet on scrapping or sale, or when no future economic benefits are expected from use of the asset. Ordinary repair and maintenance costs are expensed as incurred.

Gains or losses arising from the sale of property, plant and equipment are recognized as other operating income or other operating expenses.

Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the grant will be received. Government grants relating to the purchase of property, plant and equipment are deducted from the cost of the assets and accordingly reduce the depreciation of the underlying asset. Other government grants are recognized in the income statement in the same period as the costs they are intended to compensate unless the grant compensates an item which has been expensed in prior years.

Right-of-use assets

The measurement of the right-of-use asset and the lease liability is determined by discounting the minimum future lease payments. Ahlstrom-Munksjö initially measures the lease liability at the present value of the lease payments to be made over the lease term. The payments are based on the lease contracts and respective payment schedules. Non-lease components, such as maintenance rents and other variable components are separated from the lease liability and expensed if the non-lease components are specified in the agreement. Open ended lease contracts and extension options are taken into account using management's best estimate, e.g. end date for open ended lease contracts is the most likely end date for the contracts and the extension option is included if it is reasonably certain that the extension option will be exercised. Right-of-use asset is initially measured equal to the lease liability and adjusted if payments relating to agreement are done in advance or there are initial costs for the agreement. Right-of-use assets are also subject to impairment (IAS 36). The lease payments are discounted using the interest rate implicit in the lease or the incremental borrowing rate. The incremental borrowing rate comprises the reference rate and credit spread for incremental borrowing. Factors affecting the incremental borrowing rate include the length of the contract and potential premiums for country and currency risks. The revised incremental borrowing rate is used when there are changes in the lease term, changes in assessment of an option to purchase the asset and modifications to the lease that are not accounted as a separate lease. A change in index or such expected changes do not result in a revised discount rate.

After the commencement date according to IFRS 16 the following applies: lease liabilities are reduced by lease amortization and remeasurements are made to reflect changes to the lease payments; rights-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses adjusted for remeasurements of the lease liability.

Payments of short-term leases with a maturity less than 12 months, leases of low-value assets and variable lease payments are not included in the measurement of the lease liability nor right-of-use asset and are presented in cost of goods sold, sales and marketing, R&D and administrative expenses in the income statement.



Accounting estimates and judgements

Estimates and judgements related to property, plant and equipment as well as other intangible assets

The Group has tangible and other intangible assets with definite useful lives which values are presented above. The assets are tested for impairment when there are events or changes in circumstances indicate that the carrying value may be impaired (a triggering event). The recoverability of these assets is based on market assumptions and managements estimate of future cash flows. Changes in assumptions and failure to meet certain earnings targets could result in impairment. Management has considered the triggering events due to COVID-19 pandemic and other events and tested the assets for impairment accordingly. For impairment testing see more details in note 8.

Estimates and judgements related to right-of-use assets

The Group has open ended lease contracts and contracts with extension options. Management uses their best estimate according to the existing information available to evaluate the most likely end date for these types of contracts. Changes in the estimated end dates impact the amount of right-of-use asset and lease liability booked in the balance sheet.

12 INVENTORIES

Inventories consist of products from the Group's five business areas - Filtration & Performance Solutions, Advanced Solutions, Industrial Solutions, Food Packaging & Technical Solutions and Decor Solutions - in varying stages of the production process.

	Ahlstrom-Munksjö Holding
Inventories, EUR million	2021
Materials and supplies	130.8
Work in progress	42.2
Finished products	223.9
Consumables and spare parts	43.8
Total	440.7
	Ahlstrom-Munksjö Holding
Change in allowance for inventory obsolescence for Finished products and Work in progress, EUR million	2021
Opening	-
Business combination	-29.6
Change in allowance for inventory obsolescence	-0.4
Inventory write-downs through profit and loss	1.1
Translation differences	-0.7
Closing	-29.7

Accounting policies

Inventories are recognized at the lower of cost and net realizable value. Net realizable value is calculated as the selling price less costs attributable to the sale.

The methodology for determining the cost of inventories varies depending on the inventory class.

Materials and supplies

Materials and supplies are valued using the weighted average cost method. Under the weighted average cost method, the cost of each items remaining in inventories at the period end is determined from the weighted average of the cost of similar items at the beginning of the period and the cost of similar items purchased during the period.

Finished products and Work in progress

Finished products and work in progress are valued on a first-in, first-out basis. Costs comprise all costs that are directly attributable to the manufacturing process, including direct material and labour, and production related overheads (based on normal operating capacity and normal consumption of material, labour and other production costs) and depreciation charges.

Accounting estimates and judgements

Inventory obsolescence

If the net realizable value of inventory is deemed lower than the cost, then allowance is established for inventory obsolescence. The amount to be allocated to inventory obsolescence is based on an estimation of the net realizable value of inventory.

13 TRADE AND OTHER RECEIVABLES AND TRADE AND OTHER PAYABLES

Trade and other receivables represent amounts that Ahlstrom-Munksjö Holding expects to collect from other parties. Trade and other payables mainly consist of amounts owed to suppliers, employees and customers.

Trade and other receivables

	Ahlstrom-Munksjö Holding
Current trade and other receivables, EUR million	2021
Trade receivables	238.5
Escrow cash account	288.3
Value added tax	35.0
Prepaid expenses and accrued income	19.8
Current derivative assets (note 18)	0.6
Other receivables	17.7
Total	599.9

Trade receivables consists mainly of receivables from contracts with customers.

Trade and other receivables for Ahlstrom-Munksjö Holding on December 31, 2020 amounted to EUR 5.2 million and consisted of prepaid expenses.

Ageing of trade receivable

The ageing of trade receivable, both gross and the impaired amount, is shown in the following table.

Ahlstrom-Munksjö Holding						
EUR million, 2021	Not due	1-30	31-180	181-360	>360	Total
Trade receivable	216.5	19.5	2.0	0.3	6.3	244.5
Loss allowance	-0.1	-0.0	-0.0	-0.0	-5.9	-6.0
Trade receivables	216.4	19.5	1.9	0.3	0.4	238.5

Recoverability of trade receivable

	Ahlstrom- Munksjö Holding
Change in allowance for trade receivable, EUR million	
Opening at January 1, 2021	–
Business combination	-6.4
Increase in allowance recognized in profit or loss during the year	-0.3
Reversal of allowance	0.7
Translation differences	-0.0
Closing at December 31, 2021	-6.0



Credit risk

Financial instruments that could potentially expose Ahlstrom-Munksjö Holding to counterparty risk consist primarily of trade receivables, cash and cash equivalents and derivative financial instruments. The Group is exposed to counterparty credit risks from financial transactions and customer credit risks.

Financial transactions counterparty credit risk

Financial transactions counterparty credit risk refers to the Group's exposure under financial contracts arising from the deterioration of the counterparties' financial position. In order to minimize this risk, Ahlstrom-Munksjö Holding have the following guidelines in place in the Group Finance Policy:

- Only entering into transactions with leading financial institutions and with industrial companies that have a high credit rating (preferably BBB or higher).
- Investing in liquid cash funds only with financially secure institutions or companies (preferably BBB or higher).
- Requiring parent company guarantees when dealing with any subsidiary of a rated company.

Customer credit risk

Customer credit risk is applied centrally and managed locally in each subsidiary.

Factoring

The Group entered into a new factoring program during 2021. The program has a maximum total funding amount of EUR 300 million and is a committed non-recourse factoring program, with possibility to further activate volume on recourse basis (15% of the total outstanding amount of accounts receivables within the limit of EUR 45 million).

When seeking to finance the Group's receivables, this shall be limited to 60% of the total accounts receivables before factoring calculated as a rolling average for three month's ends. Group companies may enter into factoring, supplier finance or other corresponding financing arrangements subject to CFO approval and according to the criteria defined in the credit exposure policy approved by the Board. At the end of the reporting period the outstanding amount under the factoring or similar arrangements was EUR 281.5 million, in addition there was EUR 13.8 million factoring with recourse.

Trade and other payables

	Ahlstrom- Munksjö Holding
Trade and other payables, EUR million	2021
Trade payables	491.2
Accrued expenses	161.2
Trade payables to equity accounted investments	3.5
Current derivative liabilities (note 18)	2.6
Advances received from customers	4.6
Other liabilities	223.4
Total	886.4

Trade and other payables for Ahlstrom-Munksjö Holding on Dec 31, 2020 amounted to EUR 40.9 million and consisted of Trade payables.

	Ahlstrom- Munksjö Holding
Accrued expenses, EUR million	2021
Accrued personnel costs	95.3
Accrued customer rebates	30.9
Accrued interest expenses	8.8
Other	26.2
Total	161.2

Accrued expenses include rebates from contracts with customers amounting to EUR 30.9 million.

Trade payables to equity accounted investments comprise of trade payables to Sydved AB. More details on Ahlstrom-Munksjö Holding's associate investee can be found in note 20.

Other liabilities include redemption liability for the remaining shares in Ahlstrom-Munksjö amounting to EUR 191.9 million

**Accounting policies****Trade and other receivables**

Trade and other receivables are recognized at amortized cost, using the effective interest rate method, less any impairment losses, with the exception of fair value of unrealized hedges whose treatment is discussed in note 18. The credit quality of receivables that are neither past due nor impaired has been deemed sufficient and payments are expected to be received when the receivables are due. Any changes to the allowance for doubtful accounts receivable are recognized as an expense in the income statement.

In the non-recourse factoring the substantial risks and rewards have been transferred to the factor, and thus these receivables are derecognized.

The Group applies the simplified approach to assess the credit risk of trade receivables. The loss allowance is measured at the estimate of the lifetime expected credit losses. The Group uses loss allowance provision matrix to determine the expected credit loss rates. It considers historical loss rates for each ageing category and region. The calculated loss percentage is then adjusted with the forward looking macroeconomic data. For trade receivables not due or maximum 180 days overdue, a loss allowance of 0.0%-10.0% is made. The trade receivables, which are overdue 181-360 days a loss allowance of 60.0% will be made and for more than 360 days a loss allowance of 100.0 % will be made. The trade receivables are partly insured and the amount that will be received from the insurer is excluded from the calculation of the trade receivables impairment.

Trade and other payables

Trade and other payables represent liabilities for goods and services and are recognized at amortized cost, using the effective interest rate method. The amounts are unsecured and are usually paid within 30 days from initial recognition.

14 DEFINED BENEFIT OBLIGATION

Group has defined benefit plans in several countries, of which the most significant are the United States 60.1% of Group's total gross defined benefit obligation, France 14.8%, Sweden 9.7% and Germany 6.5%. The plans are in accordance with local laws and practices and are funded to satisfy the local statutory funding requirements.

Ahlstrom-Munksjö Holding's most significant funded defined benefit plans were in the United States. The assets are managed by external fund managers. The funds are allocated between equities and fixed income instruments in order to provide return at target level and limited risk profile. The valuations of the obligations are carried out by independent qualified actuaries.

In the United States, a part of Ahlstrom-Munksjö Holding's employees are members Group Retirement Plan for U.S. Employees, which is a funded defined benefit plan and the largest of the Group's schemes in the United States. The plan is managed by Ahlstrom-Munksjö USA Inc.'s Pension Committee. The scheme has been closed to new members since 2006. In addition to the Group Retirement Plan for U.S. Employees, Ahlstrom-Munksjö Holding also operates a number of other post-employment benefit plans in the United States, including providing post-employment medical and life insurance benefits, retirement plans for hourly paid employees, and State Earnings Related Pension Schemes (SERPS). These plans are predominantly unfunded.

In France the main funded defined benefit plan operated by the Group is the termination indemnity plan. Termination indemnity plans are designed to finance the severances paid to the employees who leave the company for retirement. Ahlstrom-Munksjö Holding still operates other post-employment benefit plans in France which are closed to new members for many years.

In the United Kingdom, the Group operated a funded defined benefit plan which was sold to an external party during 2021 ("pension scheme buy-out"). The pension plan was designed according to the Definitive Trust Deed and Rules and complied with the guidelines of the UK Pension Regulator. The pension scheme has been closed to new members since 2006 and was managed through Ahlstrom-Munksjö Chirnside Ltd before the buy-out. All the UK pension scheme related gains, losses, contributions, assets and liabilities do not belong anymore to Ahlstrom-Munksjö Holding after buy-out but to an external party, which is reflected in these Group financial statements and note information presented. Ahlstrom-Munksjö UK is exposed to a 18-month standard-term wind-up period after the buy-out where no material impacts are expected. The buy-out process has been taken into account as new information concerning the facts and circumstances on the acquisition date of Ahlstrom-Munksjö on February 4, 2021 on the respective defined benefit obligations. The expected outcome of the buy-out is recorded in opening balance of the provisional Purchase Price Allocation. The settlement cost recorded in the opening balance in the buy-out was EUR 8.6 million.

The Group's main unfunded defined benefit plans are in Germany, Italy (TFR Trattamento di Fine Rapporto, termination indemnity plan) and in Sweden. The pension schemes in Germany and Italy are closed for new entrants. In Sweden, the pension cover is organized through unfunded defined benefit plans (ITP system, Industrins och handels tilläggs pension).



Risks associated with defined benefit plans

Through its defined benefit pension plans the Group is exposed to a number of risks.

Changes in bond yields

The employer's defined benefit obligations pension liability are calculated using a discount rate which is determined with reference to corporate bond yield as at the balance sheet date. A decrease (increase) in used discount rates

increase (decrease) the defined benefits obligations. However, a decrease (increase) in the used discount rate yield also increases (decreases) the fair value of the assets partially offsetting the total impact of the change in yield on the net defined benefit pension liability.

Inflation risk

The benefit of the plans is tied to the future pension increase, which depends on inflation and common salary index. Higher inflation increases the benefit increase, which leads to an increase in liabilities and annual payments to the insurance company.

If the active employee's salary increases more than the common salary index, the amount of promised benefit and the benefit obligation increases together with annual payments to life insurance company.

Life expectancy

Longevity risk arises in case the actual timing of mortality differs from the assumed. Possible adjustments in mortality assumption have an effect on the employer's liability.

Post-employment and other long-term benefit plans

	Ahlstrom-Munksjö Holding
	2021
<i>Employee benefits liability recognized in the balance sheet, EUR million</i>	
Present value of funded benefit obligations	139.0
Present value of unfunded benefit obligations	53.8
Fair value of plan assets	-128.5
Net defined benefit liability - closing	64.3
Other long-term employee benefits	7.6
Total net liability	71.9
<i>Amounts in the balance sheet, EUR million</i>	
	2021
Employee benefit obligations	83.3
Other non-current assets	-11.4
Total net liability	71.9

	Ahlstrom- Munksjö Holding
Changes in the present value of obligations, EUR million	2021
Present value of defined obligation - opening	–
Business combinations	202.3
Current and past service cost	3.1
Interest cost	3.2
Remeasurement gain/loss on pension scheme liabilities	-10.2
Gains and losses on settlement	0.0
Benefits paid	-12.5
Other changes	0.0
Translation differences	6.7
Present value of defined benefit obligation - closing	192.5

	Ahlstrom- Munksjö Holding
Changes in the fair value of the plan assets, EUR million	2021
Opening fair value of plan assets	–
Business combinations	122.2
Interest income on plan assets	2.6
Remeasurement gain/loss on pension scheme assets	3.6
Contributions by employer	6.5
Benefits paid	-12.5
Other changes	0.0
Translation differences	6.1
Closing fair value of plan assets	128.5

	Ahlstrom- Munksjö Holding
Amounts recognized in income statement, EUR million	2021
Personnel costs	
Current service cost	-3.0
Past service cost	-0.1
Finance costs	
Net interest cost	-0.6
Cost recognized in income statement	-3.7

	Ahlstrom- Munksjö Holding
Remeasurement effects recognized in other comprehensive income (OCI), EUR million	2021
Remeasurement gain/loss on pension scheme assets	3.6
Remeasurement gain/loss on pension scheme liabilities	10.2
Remeasurement effects before tax	13.8
Income tax relating to remeasurement effects	-3.4
Remeasurement effects recognized in OCI net of tax	10.4

The Group expects to contribute EUR 4.5 million to its defined benefit plans in 2022.

	Ahlstrom- Munksjö Holding
Plan asset categories, EUR million	2021
Equity instruments (listed)	48.3
Debt instruments	64.6
Other	15.5

	Ahlstrom- Munksjö Holding
Principal actuarial assumptions, %	2021
USA	
Discount rates	2.7
Future salary increases	n/a
Future pension increases	n/a
France	
Discount rate	1.0
Future salary increases	2.8
Future pension increases	n/a
Sweden	
Discount rate	1.8
Future salary increases	3.1
Future pension increases	2.1
Germany	
Discount rate	0.7
Future salary increases	2.5
Future pension increases	1.7

The actuarial assumptions in other countries are immaterial.

Assumptions regarding future mortality are based on actuarial guidelines in accordance with published statistics and experience in each region.

The sensitivity of the defined benefit obligation to changes in discount rate, future salary growth and future pension growth is presented in the following tables (increase of liability (+)/decrease of liability (-)).

Sensitivity analyses: Discount rate impact, EUR million	2021
Discount rate change + 0.50%	-8.7
Discount rate change - 0.50%	12.5

	Ahlstrom- Munksjö Holding
Sensitivity analyses: Future salary growth, EUR million	2021
Future salary growth + 0.50%	2.6
Future salary growth - 0.50%	-2.3
	Ahlstrom- Munksjö Holding
Sensitivity analyses: Future pension growth, EUR million	2021
Future pension growth + 0.50%	2.0
Future pension growth - 0.50%	-1.8

Sensitivities are calculated by changing one assumption while keeping other variables constant.



Accounting policies

Defined benefit obligation

The Group has various pension schemes and other post-employment benefits in accordance with local practices in different countries. The post-employment plans are classified as either defined contribution plans or defined benefit plans. The schemes are mostly funded through payments to insurance companies or trustee-administered funds according to local regulations. A defined contribution plan is a post-employment plan under which the company and usually also the employees pay fixed contributions to an insurance company. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits to the employees. Contributions to defined contribution pension plans are recognized as expense in the period when they incur. All pension plans which do not meet the criteria for defined contribution plans are defined benefit plans. Defined benefit plans typically define a fixed amount of benefit that an employee will receive after retirement and which the company is responsible for.

The Group's net obligation of defined benefit plans is calculated and recorded separately for each pension or other post employment plan based on calculations prepared by independent actuaries. The present value of defined benefit obligations is determined using the projected unit credit method. The net liability recognized in the balance sheet is the present value of the defined benefit obligation at the end of the reporting period less the fair value of the plan assets. The discount rate used to determine the present value of the defined benefit obligation is equal to the yield on high quality corporate bonds or, if not available, government bonds.

The interest rates of the high quality corporate bonds are determined in the currency in which the benefits will be paid with a similar maturity to the obligation.

The Group's net obligation in respect of long-term service benefits, other than post-employment benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods.

The defined benefit obligation schemes that have been sold to external parties, and where all the key rights, obligations and commitments are transferred to an external party, are not recognized on Balance Sheet anymore afterwards to the extent there are no probable obligations left in the Group.



Accounting estimates and judgements

Pension calculations under defined benefit plans include several factors that rely on management estimates: the discount rate used in calculating pension expenses and obligations for the period, the rate of salary increase and the rate of future discretionary bonuses decided by the insurance company. Changes in these assumptions can significantly impact the amounts of pension liability and future pension expenses.

15 PROVISIONS

Provisions are estimated liabilities with uncertainty over the timing and amount that will be paid by Ahlstrom-Munksjö Holding in the future.

Ahlstrom-Munksjö Holding

Provisions, EUR million, 2021	Environmental	Restructuring	Other	Total
Opening	–	–	–	–
Business combination	18.2	5.0	18.0	41.1
Unwinding of discount	0.4	–	–	0.4
Provisions made during the year	0.9	2.0	4.6	7.5
Provisions used during the year	-0.2	-3.3	-6.6	-10.1
Provisions reversed	–	-0.1	-2.8	-3.0
Reclassification	–	–	–	–
Translation differences	0.5	0.0	0.4	0.9
Closing	19.9	3.5	13.5	36.9
Non-current provisions				20.4
Current provisions				16.6

Environmental provisions of EUR 19.9 million mainly consist of landfill related provisions in the U.S. EUR 9.3 million and future restoration costs of environment and facilities in Sweden. Provisions made are mainly other provisions and provisions related to customer claims. For the most part the provisions used relates to the Stenay and Arches mills in France. Business combination include also contingent liabilities recognised as part of Ahlstrom-Munksjö acquisition according to IFRS 3 Business Combinations.

Accounting policies

A provision is recognized when a present legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are split between amounts expected to be settled within 12 months on the balance sheet (current) and amounts expected to be settled later (non-current).

Restructuring

A provision for restructuring is only recognized when a formal plan has been approved and the implementation of the plan has either commenced or the plan has been announced.

Environmental

Environmental provisions are recorded based on current interpretations of environmental laws and regulations. Such provisions are recognized when it is probable that an obligation has arisen and that the amount of the obligation can be reliably measured. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements.

Accounting estimates and judgements

Environmental

The estimates used in determining the provisions for environmental costs are based on management's expectations of, for example:

- Timing and scope
- Future cost levels
- Laws and regulations enacted at time of the restoration works

The timing of the environmental costs depends on the expected useful lives of the Group's sites. These range from 50 - 70 years. In measuring the future cost levels, the Group estimates future costs and adjusts these for the effect of inflation, cost-base development and discounting. The estimated costs are based on current laws and regulations in place at the time of making the provision.

The Group utilizes a third party consultant to estimate both the closure and long-term care costs for the landfills. The estimate is based on the area finally to be capped and the capping materials and activities required along with the permit and regulatory requirements for closure and post-closure maintenance. These costs are reviewed periodically by the Group's environmental experts and by a third party consultant.

Because actual outflows can differ from estimates due to changes in law, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take into account any such changes. The discount rate used is reviewed annually.

Net indebtedness and capital management

This section outlines the Group's net debt and how Ahlstrom-Munksjö Holding manages its capital including liquidity management. The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure to reduce the cost of capital.

16 NET INDEBTEDNESS

Net indebtedness is Ahlstrom-Munksjö Holding's key measure to evaluate the total external debt financing of the Group. Net debt is defined as borrowings less cash and cash equivalents. The Group's sources of borrowing for funding and liquidity purposes are primarily term loans, bonds, bank loans, and commercial paper. The Group has also entered into a number of lease liabilities to secure the availability of assets used in the production process.

	Ahlstrom- Munksjö Holding
Net indebtedness, EUR million	2021
Cash and cash equivalents	162.6
Senior secured credit facilities	1,327.9
Senior secured notes	594.9
Senior secured net indebtedness	1,760.2
Bank loans	124.2
Pension loan	15.0
Commercial papers	119.9
Lease liabilities	45.9
Other financial liabilities	19.0
Net indebtedness	2,084.2

Reconciliation of net indebtedness

An analysis of the changes in net debt is provided below.

Ahlstrom-Munksjö Holding

Reconciliation of net indebtedness, EUR million, 2021	Opening	Business combinations	Movements in cash flow	Non-cash movements	Translation differences	Closing
Gross borrowings	—	1,159.0	718.7	352.8	16.4	2,246.8
Cash and cash equivalents	30.7	276.6	-146.0	—	1.3	162.6
Net Indebtedness	-30.7	882.4	864.6	352.8	15.1	2,084.2

Non-cash movements include minority interest squeeze-out liability related escrow account amounting to EUR 281.1 million.

Borrowings

Ahlstrom-Munksjö Holding 3 Oy has entered into the following debt financing arrangements to finance the tender offer purchase consideration for the acquisition of Ahlstrom-Munksjö, to refinance certain of Ahlstrom-Munksjö's existing debt arrangements and for the other uses described below:

Senior term facilities

Ahlstrom-Munksjö Holding 3 Oy entered into a senior secured credit facilities agreement on January 29, 2021 (as amended and restated on March 18, 2021) with several financial institutions. The senior secured credit facilities agreement provides for (i) senior term loan facilities in principal amounts of EUR 350 million ("TLB1") and USD 363.7 million (EUR 300 million equivalent) ("TLB2" and together with TLB1, "Senior Term Facilities") and (ii) a multicurrency revolving credit facility in a principal amount of EUR 325 million (equivalent) (the "Revolving Credit Facility").

On March 18, 2021 the TLB 1 principal amount was increased by EUR 250 million to a total amount of EUR 600 million and TLB2 principal amount was increased by USD 183.3 million (EUR 150 million equivalent) to a total amount of USD 547 million (EUR 450 million equivalent).

On June 21, 2021, Ahlstrom-Munksjö Holding 3 Oy entered into an additional facility to the senior secured credit facilities agreement providing for a senior term loan facility in principal amount of EUR 282 million ("TLB3") in support of a letter of credit in respect of the guarantee issued in connection with the redemption process of minority shareholders. The TLB3 term loans have the same interest rate as TLB1. The TLB3 was drawn in December 2021, amount drawn was EUR 282 million, and is currently held in escrow for the payment to minority shareholders after the arbitration proceedings and redemption process is completed.

The Senior Term Facilities will mature on February 4, 2028 and the Revolving Credit Facility matures six months before the Senior Term Facilities (as defined below).

The TLB1 term loans carry interest of EURIBOR (with zero floor) plus 3.75% p.a. and will be repaid in full at the maturity date. The TLB2 term loans carry interest of LIBOR (with 0.75% floor) plus 4.0% p.a. and will be repaid in instalments on a quarterly basis (i.e. the last day of each full quarter) by 0.25 per cent of their outstanding principal amount, with the remaining balance to be repaid in full at the maturity date. The Revolving Credit Facility carries interest of IBOR (with zero floor) plus 3.75% p.a. for drawn commitment. For the undrawn commitment, 30% of margin (i.e. 1.1250%) is charged as commitment fee.

As at December 31, 2021, Senior Term Facilities (TLB1, TLB2, and TLB3) have been drawn in full, and no amounts were outstanding under the Revolving Credit Facility. The principal amount of outstanding guarantees from ancillary

Cont. note 16

facilities under the Revolving Credit Facility were EUR 64.9 million. The Revolving Credit Facility can be utilized until 1 month prior to the maturity date of the Revolving Credit Facility.

Ahlstrom-Munksjö Holding		
Notional currency, 2021	Weighted average interest rate %	Carrying value, EUR million
Committed loans from banks grouped by currency		
EUR	3.74	863.6
USD	4.75	466.4
CNY	5.53	60.1
BRL	7.29	45.5
Uncommitted loans from banks grouped by currency		
BRL	8.35	16.6

Bonds

On March 19, 2021, Ahlstrom-Munksjö Holding 3 Oy issued EUR 350 million senior secured notes (the "EUR Notes") and USD 305 million senior secured notes (the "USD Notes" and together with the EUR Notes, the "Notes"). The proceeds of the Notes, together with a portion of the proceeds of the Senior Term Facilities, were used to refinance the Bridge Facilities (as defined below) and to pay costs associated with the refinancing. The EUR Notes and the USD Notes bear interest at a rate of 3.625% and 4.875% per annum, respectively. The Notes will mature on February 4, 2028. Prior to February 4, 2024, Ahlstrom-Munksjö Holding 3 Oy will be entitled, at its option, to redeem all or a portion of each series of Notes by paying a "make-whole" premium. At any time on or after February 4, 2024, Ahlstrom-Munksjö Holding 3 Oy may redeem all or part of the Notes at the redemption prices set forth in the Notes. Interests on the Notes are paid semi-annually in arrears on April 1 and October 1 of each year. The Notes were admitted on the Official List of The International Stock Exchange on May 25, 2021.

Ahlstrom-Munksjö Holding				Carrying value, EUR million
Notional currency	Initial notional amount, EUR million	Maturity	Coupon, %	2021
EUR	350.0	February 4, 2028	3.625	336.6
USD	269.3	February 4, 2028	4.875	258.3

Commercial paper programme

In December 2021 Ahlstrom-Munksjö Oyj decided to enter a Finnish Commercial Paper program with the aggregate nominal amount of outstanding notes under this program limited to EUR 300 million. The notes are guaranteed by Ahlstrom-Munksjö Holding 3 Oy.

Bridge facilities

On January 29, 2021, Ahlstrom-Munksjö Holding 3 Oy entered into a senior secured bridge facilities agreement, which provided for an EUR Bridge Facility of EUR 600 million and an USD Bridge Facility of USD 484.9 million (EUR 400 million equivalent)(the "Bridge Facilities"). The proceeds from the Bridge Facilities, together with the equity contributions and a portion of the proceeds under the Senior Term Facilities, were used to pay a portion of the tender offer consideration, refinance certain existing debt, for cash overfunding and to pay certain fees and expenses in connection with the acquisition. The Bridge Facilities were repaid in full on March 19, 2021 with the proceeds from the Senior Term Facilities and Notes offering and cash on hand.

Repayment of Ahlstrom-Munksjö debt

Ahlstrom-Munksjö Holding 3 Oy assumed in the acquisition of Ahlstrom-Munksjö a total of EUR 1,159.0 million equivalent of debt, including a EUR 100 million hybrid bond and leasing liabilities. Majority of these assumed debt arrangements either have been repaid or cancelled through voluntary repayment or through exercise of mandatory prepayment or cancellation rights based on customary change of control terms in the assumed financing arrangements. These repayments by the end of December 31, 2021 comprised e.g. of senior term facilities of EUR 303.7 million, SEK 602 million (EUR 59.4 million equivalent), USD 296.2 million (EUR 244.4 million equivalent), senior unsecured notes of EUR 260.4 million, and EUR 101.8 million hybrid bond, the amounts include interest expenses paid at repayment date.

For further information on the maturity of financial liabilities of the Group, see note 18.



Interest rate risk

Interest rate risk refers to the risk that changes in interest rates would have a negative effect on the result of the Group and could affect the long-term competitiveness of Ahlstrom-Munksjö Holding. There is a risk of interest rates moving both upwards and downwards. However, as the TLB1 and TLB3 term loans have a floor at zero and the TLB2 term loans a floor at 0.75%, the Group's interest payments correspond to the margin until floor levels are exceeded.

Due to the reference interest rate floors that apply to the Group's variable rate loans, the currently applicable debt servicing costs are fixed. The bonds are fixed rate borrowings. The average maturity of the interest rates of the total debt portfolio, was at the reporting date 23 months (i.e. this is the average reset interval that applies to the interest rates).

Consideration is taken at all times to assess how exposed the Group is to a change in interest rates. In order to limit the impact of movements in interest rates, the Treasury Policy provides the following guidelines:

- Aim is to achieve an average maturity of the interest rates in the debt portfolio, including the interest rate derivatives, of 2 years +/- 1 year
- Interest maturities are preferably spread out evenly over time in order to avoid substantial risk concentrated to one period.

Cont. note 16

In accordance with its policy, Ahlstrom-Munksjö Holding can hedge its interest rate risk by using derivative instruments.

Due to the repayment of assumed debt, the interest rate swaps related to these debt arrangements were terminated in February 2021. The one-time cost of the termination was EUR 0.3 million and is included in P/L as interest expenses.

In October 2021 the company entered into interest rate cap options to hedge part of its interest rate risk of its floating rate USD debt. The gross nominal amount of interest rate derivatives at the end of the reporting period was USD 370.0 million. All outstanding interest rate options are maturing in 2025. The company decided not to apply IFRS hedge accounting for its interest rate options. At December 31, 2021, the fair value of the interest rate derivatives was EUR 4.5 million.

More information on how Ahlstrom-Munksjö Holding manages its financial risks is presented below in note 18.

Sensitivity analysis of Ahlstrom-Munksjö Holding position to changes in interest rates

The impact of reasonably possible interest rate fluctuation on the Group's result before tax is shown in the table below at year-ends.

	Ahlstrom-Munksjö Holding
Interest rate sensitivity, EUR million	2021
Variable rate cash equivalents	162.7
Variable rate bank loans	-1,476.5
Position used in sensitivity analysis	-1,313.9
Interest +1%, impact on net result	-8.4
Interest +2%, impact on net result ¹	-19.2

¹ Impact of IR Caps included

Effect of IBOR reform and management of the transition

In November 2020, the ICE Benchmark Administration (the administrator of LIBOR) announced its intention to cease publication of the one-week and two-month US dollar (USD) LIBOR settings as well as all non-USD LIBOR settings immediately following the LIBOR publication on December 31, 2021. It will cease publication of the remaining USD LIBOR settings immediately following the LIBOR publication on June 30, 2023. Concerns about the sustainability of LIBOR and other interbank offered rates (IBORs) globally has led to an effort to identify alternative reference rates.

The Group currently has debt arrangements and derivative contracts which reference USD LIBOR and extend beyond 2023. At the time of reporting, it is expected that the USD LIBOR will be replaced with SOFR (The Secured Overnight Financing Rate), however some uncertainty around the timing and precise nature of the replacement remains.

There has been general communication with derivative and debt counterparties, but specific changes required by IBOR reform have not yet been agreed. Risks arising from the transition relate principally to the potential impact of,

rate differences if the debt and related derivative instruments do not transition to the new benchmark interest rate at the same time and/or do not use exactly the same methods of calculation and/or the rates move by different amounts.

The main contracts which reference USD LIBOR are the Groups USD floating-rate senior term facilities (nominal amount in total USD 542.9 million) as well as its USD interest rate cap options (in total USD 370 million), which hedge part of the interest rate risk of the mentioned USD floating-rate debt. Other exposures to the IBOR transitions within the Group are minor, including for instance lease liabilities.

Cash and cash equivalents

Ahlstrom-Munksjö Holding utilizes cash pools to centralize and optimize its cash and liquidity management; and to reduce the cost of carry otherwise incurred on credit and debit balances held at various individual accounts. Group Treasury is responsible for the Group's cash management, including the cash pool structures.

EUR million	Ahlstrom-Munksjö Holding
	2021
Cash and cash equivalents	162.6

Bank deposits are subject to variable interest based on the bank's daily deposit rate.

The cash and cash equivalents disclosed above include restricted cash amounting to EUR 35.8 million.



Accounting policies

Borrowings

Bonds, bank loans and loans from multilateral institutions are recognized at their inception at their fair value (typically the proceeds received) net of directly related transaction costs incurred. The borrowings are subsequently measured at amortized cost using the effective interest method. Transaction costs are amortized over the life of the borrowings based on the effective interest method.

Facility fees

Fees paid on the establishment of loan facilities are recognized as transaction costs of the credit facilities and facility loans to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

De-recognition of borrowings

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss within financial items.

Lease liabilities

For the accounting policy please see note 11.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts, as applicable, are shown within borrowings in current liabilities in the balance sheet. Restricted cash includes cash balances that are subject to regulatory restrictions or other limitations, and are therefore not immediately available to the other entities of the Group.

17 EQUITY

In 2021, there was a distribution of reserve for invested unrestricted equity from which EUR 25.7 million was returned to owners, but no dividends were distributed. The Board of Directors' dividend proposal to the Annual General Meeting based on the financial statements of the year 2021 is that no dividend will be distributed, but instead EUR 34.2 million distribution of reserve for invested unrestricted equity is proposed.

Distributable funds of Ahlstrom-Munksjö Holding 3

The following table shows distributable funds of the parent company Ahlstrom-Munksjö Holding 3 Oy as at December 31, 2021 and December 31, 2020:

Distributable funds, EUR million	2021	2020
Reserve for invested unrestricted equity	1,095.3	36.3
Retained earnings	0.0	–
Net result	-83.4	0.0
Total distributable funds	1,011.9	36.3

Shares and share capital

Ahlstrom-Munksjö Holding has one series of shares issued under Finnish Law. The shares have no nominal value. Each share entitles the holder to one vote at the general meetings of shareholders of Ahlstrom-Munksjö Holding. As at December 31, 2021, Ahlstrom-Munksjö Holding share capital amounts to EUR 0.0 million and the total number of shares is 1000. No treasury shares were held during 2021 or at December 31, 2021.

Reserve for invested unrestricted equity

During 2021, equity contributions amounting to EUR 1,084.6 million have been made to parent company Ahlstrom-Munksjö Holding 3 Oy's reserve for invested unrestricted equity. Similarly in 2021, EUR 25.7 million was returned to owners from the reserve for invested unrestricted equity.



Accounting policies

Return of equity and dividends

Return of equity and dividends proposed by the Board of Directors are recognized in equity and liability in the balance sheet when they have been approved by the shareholders at the Annual General Meeting.

Treasury shares

The parent company's shares that are acquired are recognized as a reduction of equity at cost of acquisition, including any directly attributable costs (net of tax). When the shares are cancelled or reissued, the acquisition cost of treasury shares is recognized in retained earnings.

Cumulative translation adjustment

Translation differences consist of translation differences arising from translation of foreign Group companies' assets and liabilities into euro, the presentation currency of the consolidated financial statements. On disposal of all or a part of a foreign Group company, the cumulative amount of translation differences is recognized as income or expense in the income statement when the gain or loss on disposal is recognized.

Reserve for invested unrestricted equity

Reserve for invested unrestricted equity is recognised when paid in full. The amount not recorded in share capital or any other reserve is recognised in this reserve. Any reduction of share capital is also recorded in this reserve. Reserve for invested unrestricted equity belong to distributable funds and can be returned to owners under certain general restrictions. Transaction costs directly related to the issue of these shares are recognized, net of tax, in the reserve for invested unrestricted equity as a reduction in the proceeds.

Hedging reserve

The hedging reserve comprises the unrealized fair value changes of cash flow hedges and net investment hedges, net of taxes, qualifying for hedge accounting and the amount recognized is reclassified in income statement when the hedged item affects the profit or loss. See note 18 for more information on cash flow hedges.

Retained earnings

The following are recorded directly to retained earnings:

- The Group has had certain equity-settled long-term incentive plans for key personnel. The shares in those plans have been acquired through the Public Tender Offer and Acquisition on Ahlstrom-Munksjö. For this reason, the settlement of those plans were treated as part of opening balance of acquired equity. See note 7 for more information on share-based payments.
- The Group has defined benefit plans. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions for these defined benefit plans are charged or credited to retained earnings. See note 14 for more information on defined benefit obligations.

Financial risk management

This section discusses the Group's exposure to various financial risks, explains how these affect Ahlstrom-Munksjö Holding's financial position and performance and how management manages the risks.

This section also describes the Group's financial instruments and the risk exposures, sensitivities and monitoring strategies related to these financial instruments.

18 FINANCIAL RISK MANAGEMENT

General

Financial risks of the Group consist of credit risk (see note 13), funding risk, liquidity risk and market risks. Market risks are further divided to currency risk, interest rate risk (see note 16) and commodity risk.

The Treasury Policy sets the Board of Directors' guidelines on how finance and treasury operations are carried out and how financial risks within the Group are managed. The guidelines aim to ensure that the Group's financial risks are kept at an acceptable level.

The Treasury Policy is approved by the Board of Directors of Ahlstrom-Munksjö Holding. The Board of Directors has the overall responsibility for managing financial risks. Executive Treasury Committee monitors and manages the financial risks. Operational management of financial risks is carried out centrally by the Group Treasury under the Treasury Policy. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

Group Treasury is handling all hedging of foreign exchange, commodity and interest rates, unless otherwise agreed. In case all applicable criteria are met, and if deemed appropriate, hedge accounting is applied to remove P/L volatility due to remeasurement risk.

Currency risk

Due to the global operations of Ahlstrom-Munksjö Holding, the Group is exposed to currency risk. Currency risks refers to the risk that fluctuations in the foreign exchange market will affect the company's cash flow (including tax cash flows), net result and equity (including distributable equity) negatively. Currency exposure, defined as all unhedged exposure in foreign currency, is split into two types of exposure: transaction exposure and translation exposure.

Transaction exposure

Ahlstrom-Munksjö Holding manufactures and sells its products around the globe and is therefore exposed to transaction risk from foreign currency exposures. As such, transaction exposure arises from commercial and finance-related transactions and payments in a currency other than the respective applicable functional currencies, e.g. internal transactions, external sales and purchases, or external financing transactions in foreign currencies. Additionally, firm commitments to acquire businesses may expose the Group to foreign currency transaction risk.

Foreign currency cash flows are hedged on a net exposure basis in accordance with the rules set out in the Treasury Policy. The Group's risk management strategy in terms of currency risk is to hedge 75% (+/-10%) of the forecasted cash flows for a period up to 9 months if the total exposure to forecasted net flows of foreign currency exceeds the equivalent of 2% of the total turnover of the company. The Group uses forward contracts to hedge this commercial foreign currency exposure and applies cash flow hedge accounting. The forward contracts' maturity is materially reconciled with the timing of the forecasted sales and purchases. At December 31, 2021, the fair value of the foreign currency forwards under hedge accounting was EUR -2.0 million. In 2021, the Group booked loss of EUR 1.5 million to the cash flow hedge transferred to this year's result in OCI. To a certain extent, ineffectiveness in the hedging relationship can arise from timing differences, however, material ineffectiveness from the hedging relationships has not been incurred.

In addition to using derivatives for hedging, Ahlstrom-Munksjö Holding also aims to limit currency exposures at their source by applying natural hedges and by reducing the number of currencies used in intercompany transactions where possible.

The following tables show the Group's exposure to currency cash flow risk during 2021 full year, including the period prior to the acquisition on February 4, 2021; as well as our current forecast for 2022.

Cash flows by currency before hedging activities

Ahlstrom-Munksjö Holding								
EUR million, 2021	BRL	CNY	EUR	GBP	KRW	SEK	USD	Other
Net sales	150	88	1,384	21	16	61	1,287	42
Operating costs	-138	-77	-1,160	-34	-26	-204	-1,123	-40
Net cash flow	12	11	224	-13	-10	-143	164	2

Ahlstrom-Munksjö Holding								
EUR million, 2022	BRL	CNY	EUR	GBP	KRW	SEK	USD	Other
Net sales	199	100	1,499	24	14	69	1,480	51
Operating costs	-176	-96	-1,240	-38	-27	-221	-1,256	-46
Net cash flow	23	4	259	-14	-13	-152	224	5

At the end of the reporting period, the hedge ratios for the forecasted cash flows for the next 9 months, including indirect exposure embedded in pulp prices and other adjustments, were approximately 75% for USD, 76% for SEK, and 78% for GBP. The exposures in other currencies are limited and are not hedged. Outstanding nominal amounts at the end of the year for these forward contracts were USD 47 million, SEK 850 million, and GBP 6.5 million.

The following table shows the Group's estimated sensitivity for the next 9 months to a depreciation of EUR by 5%, including FX-hedges and indirect exposures. The table is based on information monitored by the Board for currency risk management.

Ahlstrom-Munksjö Holding

EUR million, Q1-Q3 2022	BRL	CNY	GBP	KRW	SEK	USD	Other
Depreciation of EUR by 5%	-2.2	-0.9	0.2	0.4	2.3	-3.0	0.4

Ahlstrom-Munksjö Oyj as the Group's In House Bank (IHB) provides financing to its foreign subsidiaries through IC loan agreements and cash pools. The resulting exposures are hedged by the IHB with FX forward contracts. Hedge accounting is not applied to these relationships. The FX forward contracts are recognised at fair value with changes in fair value passing through the FX gain/loss accounts within the financial items. The fair value for the FX forwards was EUR 0.0 million at December 31, 2021.

Translation risk

Ahlstrom-Munksjö Holding's income statement and balance sheet are both exposed to foreign exchange fluctuations, as these affect the translation of subsidiaries' assets and liabilities denominated in foreign currencies.

The Group aims to minimize currency risk related to translation exposure by aiming to balance assets and liabilities, e.g. equity in subsidiaries, in foreign currencies in order to minimize the foreign exchange risk in the consolidated balance sheet. According to its hedging directive, the company may use non-derivative financial instruments such as foreign currency borrowings to hedge foreign currency risk on net investments in foreign operations. Derivative instruments are not allowed to be used to hedge this risk. Equity hedging needs to be approved by the board of directors.

During 2021 the parent company started hedging a portion of its USD net investment in foreign operations by applying USD borrowing, which offsets the changes in cumulative translation adjustments previously recognized in OCI.

The following table shows the Group's translation exposure arising from net investments in foreign subsidiaries in the main currencies for the Group.

	Net investment in subsidiaries
Group translation exposure, EUR million	2021
USD	666.8
SEK	261.6
KRW	109.1
BRL	91.3
GBP	93.0
RUB	92.9
CNY	90.8
INR	66.3

At the end of the reporting period the net investment hedge has a hedge ratio of 78,1%.

The following table shows the consolidated equity's estimated sensitivity to a depreciation of EUR by 5%. The sensitivity amount for USD does not consider the net investment hedge.

Ahlstrom-Munksjö Holding

EUR million	INR	BRL	CNY	GBP	RUB	KRW	SEK	USD
Depreciation of EUR by 5%	3.2	4.3	4.3	4.4	4.4	5.2	12.5	31.8



Accounting policies

Derivative instruments and hedging activities

Ahlstrom-Munksjö Holding uses derivative instruments to manage certain exposures to fluctuations in foreign currency rates and interest rates. These derivative financial instruments are recognized initially at fair value on the date on which a derivative contract is entered into and subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Hedge accounting is applicable when, at inception of the hedge, there is a formal designation and documentation of the hedging relationship and other criteria for hedge accounting are met. At inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management strategy and objective for undertaking its hedge transactions.

The Group only applies cash flow hedge accounting, which is used to hedge exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecasted transaction or firm commitment. The effective portion of changes in the fair value of the hedging instrument is booked in OCI and accumulated in equity. It is reclassified in income statement when the hedged item affects the income statement, or in the initial cost of the hedged item when it relates to the hedge of a firm commitment to acquire a non-financial item (for example, business combination). The Group does not separate forward points in a hedge relationship.

When a hedging instrument expires, is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecasted transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecasted transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to income statement. Subsequent changes in the value of the hedging instrument after the hedging relationship is terminated are recorded in income statement.

Commodity risk

Commodity risk refers to the risk that changes in the cost of raw materials (pulp, titanium dioxide etc.) and energy (electricity, gas, oil etc.) have a negative effect on the result and/or competitiveness of Ahlstrom-Munksjö Holding. Consideration as to the vulnerability of the Group to changes in relevant commodity prices is taken periodically.

To mitigate the commodity risk exposure, the Group hedges commodity exposures in line with the Group Treasury Policy. In accordance with the policy, commodity hedging should have a maximum length of 3 years and can be up to 50% of forecasted consumption in the first year, 40% of forecasted consumption in the second year and 30% in the third year. All hedging transaction are also to be connected to projects, customer agreements or other direct identifiable business risks. This is in order to avoid speculative hedging. At the balance sheet date, the Group did not have any outstanding commodity derivatives.

The Group monitors and forecasts its carbon dioxide emissions and granted emission allowances. For 2021 the Group has a net deficit of emission allowances. Consequently, during 2021 the group has been purchasing European Union Allowances from the market on a monthly basis, according to its forecasted need for the year. Emission allowances are held only to meet Group's own use, and are not intended for trading purposes.

Funding and liquidity risk

Funding risk

Funding risk refers to the risk that Ahlstrom-Munksjö Holding does not at all times have access to financing or financing at an acceptable cost. This may arise should the Group become too dependent on a single source of financing. In order to mitigate funding risk, the Group aims to spread its debt across different lenders, and different forms of financing.

Ahlstrom-Munksjö Holding has outlined the following guidelines in its Treasury Policy, which aim to mitigate the funding risk. The Group aims to ensure that the average maturity of the long-term finance should be at least 2 years. The aim is also to spread the Group's funding on different lenders and different forms of financing. Furthermore, the Group aims to avoid the inclusion of covenants in all types of financing agreements.

Liquidity risk

Liquidity risk is the risk that Ahlstrom-Munksjö Holding will not have sufficient funds to pay foreseen committed obligations in addition to unforeseen expenditures. In order to mitigate this risk, Group Treasury monitors the Group's cash pools, headroom under committed and uncommitted facilities, and cash forecast to ensure at all times that there is sufficient liquidity.

Ahlstrom-Munksjö Holding's cash needs in respect of meeting its financial liabilities are show in the tables below. The maturity analysis was determined at the balance sheet date based on the existing contractual obligations. The maturity analysis is based on undiscounted cash flows, excluding interest payments that are shown separately at the bottom of the table.

Ahlstrom-Munksjö Holding

Maturity of financial liabilities, EUR million, 2021	2022	2023	2024	2025-	Total
Non-derivative financial liabilities					
Notes	–	–	–	619.3	619.3
Term loans	4.8	4.7	4.7	1,347.2	1,361.3
Bank loans	93.1	21.4	10.2	–	124.7
Pension loan	10.0	5.0	–	–	15.0
Commercial papers	119.9	–	–	–	119.9
Lease liabilities	13.3	10.2	7.6	14.9	45.9
Other financial liabilities	18.7	0.3	–	–	19.0
Trade payables	478.0	–	–	–	478.0
Total	737.7	41.6	22.5	1,981.3	2,783.1
Future interest on financial liabilities	-93.0	-86.7	-83.4	-258.1	-521.2
Derivative financial liabilities					
Forward exchange contracts used for hedging:					
- Outflow	307.1	–	–	–	307.1
- Inflow	-309.1	–	–	–	-309.1

The table below represents the total amount of funds that are available to the Group at year end. In addition to Bank overdrafts and cash and cash equivalents, the Group's funding programmes include committed Revolving Credit Facilities of EUR 325 million (equivalent), and a uncommitted Finnish Commercial Paper programme totalling EUR 300 million and available uncommitted bank overdrafts.

	Ahlstrom-Munksjö Holding
Liquidity position, EUR million	2021
Available committed bank overdrafts	34.7
Cash and cash equivalents	162.6
Committed revolving credit facilities	260.1
Finnish Commercial Paper programme	180.0
Available uncommitted bank overdrafts	36.8
Liquidity position	674.2

Ahlstrom-Munksjö Holding uses factoring or similar arrangements for working capital management. At the end of the reporting period the outstanding amount under the factoring or other similar arrangements was EUR 281.5 million. For more information please refer to note 13.

Financial instruments subject to offsetting, enforceable master netting agreements and similar agreements

Ahlstrom-Munksjö Holding have a number of counterparties in respect of which the Group is both buyer and seller. Consequently, Ahlstrom-Munksjö Holding's gross financial assets can be significant before offsetting. Offsetting is typically limited within specific products and is possible when payment and receipt from the same counterparty occur simultaneously. These financial assets and liabilities are not offset on the balance sheet as the offsetting in the balance sheet is allowed only in certain, limited circumstances.

The table below shows the Group's derivative contracts that are subject to offsetting agreements. The column net amount shows the impact on the Group's balance sheet if all set-off rights were exercised. Under the terms of these arrangements, only where certain credit events occur (such as default), the net position owing/receivable to a single counterparty in the same currency will be taken as owing and all the relevant arrangements terminated. As the Group does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet.

Ahlstrom-Munksjö Holding

Derivative instruments, EUR million	Carrying value of recognized financial assets (liabilities)	Master netting arrangements	Net amount
2021			
Derivative assets	0.6	-0.6	–
Derivative liabilities	-2.5	0.6	-1.9

Accounting policies

Offset of financial instruments

Financial assets and liabilities are offset and recognized with a net amount in the balance sheet only when there is a legal right to offset the recognized amounts and an intention to balance the items with a net amount, or to simultaneously realize the asset and settle the liability.

Financial assets and liabilities by category

Financial assets and liabilities recognized in the balance sheet include cash and cash equivalents, loans and other financial receivables, trade receivables, other investments, trade payables, borrowings and derivatives.

The following table summarizes the carrying value of financial assets and liabilities by categories.

Ahlstrom-Munksjö Holding	Information on financial assets and liabilities					
	Carrying amounts	Of which financial assets and liabilities	Measured at amortised cost	Derivatives at fair value through income statement	Other financial items through income statement	Derivatives under hedge accounting
EUR million, December 31, 2021						
Non-current assets						
Other non-current assets	57.6	5.6	0.9	4.3	0.5	–
Current assets						
Trade and other receivables	599.9	536.3	535.7	0.2	–	0.4
Cash and cash equivalents	162.6	162.6	162.6	–	–	–
Carrying amount by measurement category	820.1	704.6	699.2	4.5	0.5	0.4
Non-current liabilities						
Non-current borrowings	1,954.7	1,954.7	1,954.7	–	–	–
Non-current lease liabilities	32.6	32.6	32.6	–	–	–
Other non-current liabilities	1.7	0.5	0.5	–	–	–
Current liabilities						
Current borrowings	246.3	246.3	246.3	–	–	–
Current lease liabilities	13.3	13.3	13.3	–	–	–
Trade and other payables	886.4	501.8	499.2	0.2	–	2.4
Carrying amount by measurement category	3,134.9	2,749.1	2,746.6	0.2	–	2.4

Fair values of financial assets and liabilities

The following table shows the carrying values (book values), fair values and valuation hierarchy of the Group's financial instruments as at the balance sheet date.

Ahlstrom-Munksjö Holding	2021		
	Carrying value	Fair value	Level
EUR million			
Non-current financial instruments measured at amortized cost			
Notes	594.9	622.5	1
Term loans	1,323.2	1,366.5	1
Bank loans	31.3	31.3	2
Pension loan	5.0	5.0	2
Lease liabilities	32.6	32.6	2
Other financial liabilities	0.2	0.2	2
Financial instruments measured at fair value			
Forward contracts - cash flow hedge accounting	-2.0	-2.0	2
Forward contracts - fair value through income statement	0.0	0.0	2
Interest rate derivatives - fair value through income statement	4.3	4.5	1

The Group considers that the carrying amount of cash and cash equivalents, trade and other receivables and trade and other payables provide a reasonable approximation of fair value, due to the short maturity and liquid nature of these elements. In addition, the carrying amounts of non-current and current loan from financial institutions and other loan are measured at amortized cost using the effective interest rate. The fair value for level 2 classified financial instruments are reasonable approximations of their carrying amounts.



Accounting policies

Financial assets at amortised cost

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- the asset is held within a business model whose objective is to collect the contractual cash flows;
- the contractual terms give rise to cash flows that are solely payments of principal and interest.

The financial assets in this group are carried at amortized cost using the effective interest method. Gains and losses are recognized in income statement when the loans and receivables are derecognized or impaired (see note 13). Amortized costs are also recorded in income statement. This category of financial assets includes trade and other receivables and cash equivalents (see note 16).

Financial assets and liabilities at fair value through income statement

The Group classifies derivatives for which hedge accounting is not applied as financial assets at fair value through profit or loss (FVPL).

Financial assets at fair value through income statement are carried on the balance sheet at fair value with gains or losses recognized in the income statement.

Other investments include unlisted shares and interests carried at fair value. Fair value changes are recognised in the other comprehensive income. For unlisted shares and interests, cost is considered to be reasonable approximation of the fair value.

Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are initially recognized at fair value, net of transaction costs. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

Financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in interest and other income and finance costs respectively.

This category of financial liabilities includes trade and other payables and debt (see note 13).

Fair values of financial assets and liabilities

Fair values of financial assets and liabilities in the balance sheet have been classified based on the three hierarchy levels:

- level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- level 2: inputs that are observable for the asset or liability, either directly or indirectly;
- level 3: unobservable inputs for the asset or liability.

The Group considers that the carrying amount of cash, trade receivables and various deposits provide a reasonable approximation of fair value, due to the short maturity and liquid nature of these elements.

For financial liabilities at amortized cost, the fair value of financial liabilities is determined using:

- the quoted price for listed instruments (a detailed analysis is performed in the case of a material decrease in liquidity to evidence whether the observed price corresponds to the fair value; otherwise the quoted price is adjusted);
- the present value of estimated future cash flows, discounted using rates observed by the Group at the end of the period for other instruments.

Fair values of derivatives are based on valuations provided by external parties using various valuation techniques. The fair value of the forward exchange contracts is determined using forward exchange rates at the balance sheet date with the resulting fair value discounted to present value. The fair value of interest rate derivatives is determined using net present value method, supported by market interest rates and other market information at the end of the reporting period.

Other notes

This section provides the additional information required to be disclosed under IFRS and Finnish statutory requirements. However, these are not considered critical in understanding the financial performance or the financial position of Ahlstrom-Munksjö Holding.

19 OFF-BALANCE SHEET COMMITMENTS

Ahlstrom-Munksjö Holding has the following off-balance sheet commitments at the balance sheet date.

Off-balance sheet commitments, EUR million	2021
Assets pledged:	
Pledges	282.0
Commitments:	
Guarantees and commitments given on behalf of Group companies	45.4
Capital expenditure commitments	48.0
Other guarantees and commitments	84.9

Assets pledged include minority squeeze-out liability related loan's escrow account among others.

Capital expenditure commitments are mainly related to the strategic investments in Filtration & Performance Solutions business area in Madisonville, US, in Malmédy, Belgium and in Turin, Italy as well as in Advanced Solutions business area in Chirnside, UK.

Other guarantees and commitments include binding contracts for purchases of IT development projects and energy among others.

At the end of December, 2021, the Group does not have any contingent liabilities.



Accounting policies

Commitments

Unrecognized commitments are disclosed where the Group has an agreement or a pledge to assume a financial obligation at a future date.

Contingent liabilities

Contingent liabilities are possible obligations whose existence will be confirmed by uncertain future events that are not wholly within the control of the entity. They can also include obligations that are not recognized because their amount cannot be measured reliably or because settlement is not probable. A contingent liability is not recognized in the statement of financial position but as off-balance sheet commitments.

20 AHLSTROM-MUNKSJÖ HOLDING SUBSIDIARIES, ASSOCIATES AND JOINT OPERATIONS AND RELATED PARTY TRANSACTIONS

Related parties

Parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. Ahlstrom-Munksjö Holding's related parties comprise of several parent companies of which the ultimate parent company for the Group is Spa Lux Topco SARL, whose owners exercise significant influence in Ahlstrom-Munksjö Holding, the members of the Board of Directors of the Ahlstrom-Munksjö Holding 3 Oy (parent company) and the Board of Directors of previously publicly listed subsidiary Ahlstrom-Munksjö Oyj and the Executive Management Team of Ahlstrom-Munksjö Holding and their closely related family members and the entities over which they have control or joint control. In addition, the Group's investments in associated companies are related parties.

Parent companies

Related parties include the parent companies Ahlstrom-Munksjö Holding 2 Oy, Ahlstrom-Munksjö Holding 1 Oy, Spa Lux Midco SARL and Spa Lux Topco SARL which all belong to the same Group with Ahlstrom-Munksjö Holding. The ultimate parent company is Spa Lux Topco SARL, an entity domiciled in Luxembourg.

Owners

The ultimate parent company Spa Lux Topco SARL is owned by a consortium comprising of:

- Spa (BC) Lux Holdco SARL (entity owned and controlled by funds managed and/or advised by Bain Capital Private Equity (Europe), LLP, and/or its affiliates). Bain Capital indirectly owns 55% of the Ahlstrom-Munksjö Holding 3 Oy, representing the ultimate controlling party.
- Ahlstrom Invest B.V., a company owned by individual members of the Ahlström family and Ahlstrom Capital BV, a wholly owned subsidiary of Ahlström Capital Oy. Ahlstrom Invest B.V. (including through its affiliates) own 36.4% of the Ahlstrom-Munksjö Holding 3 Oy.
- Viknum AB, a wholly-owned subsidiary of Nidoco AB, which is indirectly owned by Alexander and Albert Ehrnrooth. Alexander Ehrnrooth is a member of the company's and Ahlstrom-Munksjö Oyj's Board of Directors. Viknum AB owns 8.6% of the Ahlstrom-Munksjö Holding 3 Oy.

Key Management

Board of Directors - Ahlstrom-Munksjö Holding 3 Oy (the parent company)

Ahlstrom-Munksjö Holding 3 Oy's members of the Board of Directors are Ivano Sessa (chair), Andrej Busch, Alexander Ehrnrooth, Lasse Heinonen, Halvor Meyer Horten, Peter Seligson and Michael Siefke.

Board of Directors - Ahlstrom-Munksjö Oyj

Alexander Ehrnrooth and Lasse Heinonen were re-elected as members of the Board of Directors and Halvor Meyer Horten, Peter Seligson, Ivano Sessa, Michael Siefke and Karl-Henrik Sundström were elected as new members of the Board of Directors. All members of the Board of Directors were elected for a term of office starting at the close of the Extraordinary General Meeting ("EGM") held on February 19, 2021 and ending at the close of the Annual General Meeting ("AGM") 2021 held on May 6, 2021. The AGM resolved that Alexander Ehrnrooth, Lasse Heinonen, Halvor Meyer Horten, Peter Seligson, Ivano Sessa, Michael Siefke and Karl-Henrik Sundström were re-elected as members of the Board of Directors. In November, 2021 the amount of members of the Board of Directors of Ahlstrom-Munksjö Oyj increased to eight when Helen Mets-Morris was elected as a member of the Board of Directors.

Executive Management Team of Ahlstrom-Munksjö Holding

The Group's Executive Management Team consists of the CEO, Deputy CEO, Business Area Executive Vice Presidents (EVPs) and EVPs responsible for Group Functions.

Associated companies

Ahlstrom-Munksjö Holding has, through its subsidiary, a 33% share of the equity and 33% share of the voting rights of an associate investee in Sweden, Sydved AB.

Ahlstrom-Munksjö Holding	Dec 31, 2021	
Related party transactions in balance sheet, EUR million	Trade and other receivables	Trade and other payables
Associated companies	–	3.5
Parent companies	–	0.1
Total	–	3.6

Ahlstrom-Munksjö Holding	Dec 31, 2021		
Related party transactions in income statement, EUR million	Cost of goods sold	Sales, R&D and administrative expense	Interest income
Associated companies	-31.6	–	–
Key management	–	-1.0	–
Parent companies	–	–	0.1
Owners	–	-5.8	–
Total	-31.6	-6.8	0.1

Description of the Group's related party balances

The Group conducts transactions with related parties on an arm's length basis.

Transactions with parent companies

The parent companies provided an equity contribution of EUR 1,120.9 million of which EUR 1,084.6 million during January-December 2021. The equity contribution was provided to obtain capital to execute the tender offer and to settle the tender offer consideration in connection with the acquisition of Ahlstrom-Munksjö.

Transactions with owners

Transactions mainly relate to expenses related to the acquisition of Ahlstrom-Munksjö Oyj shares incurred by the consortium and recharged to Ahlstrom-Munksjö Holding 3 Oy and management fee paid to the consortium pursuant to a management agreement whereby Group has received general business consulting services; financial, managerial and operational advice; advisory and consulting services with respect to selection of advisors; advice in different fields; and financial and strategic planning and analysis. The management fee and costs incurred amounted to EUR 5.8 million during January-December 2021 and EUR 4.6 million during 2020 (fully accrued).

Transactions with the members of the Board of Directors

Ahlstrom-Munksjö Holding 3 Oy issued equity in exchange of services provided by Karl-Henrik Sundström, through Alma Patria AB, an entity controlled by him, in connection with the tender offer process. The costs incurred amounted to EUR 1.0 million of which EUR 0.3 million was paid in cash and EUR 0.8 million was settled against invested equity.

Key management compensation

Key management compensation information provided in note 7.

Associated companies

The Group purchases wood and wood chips from associated company Sydved AB amounting to 677,953 m³. Share of profit of the associated company is EUR -0.1 million.

Equity accounted investments

Ahlstrom-Munksjö Holding holds a 33% share of the equity and 33% share of the voting rights of its associate company in Sweden, Sydved AB ("Sydved"). Ahlstrom-Munksjö Holding purchases wood and woodchips from Sydved amounting to 677,953 m³ of wood and woodchips amounting to EUR 31.6 million.

Book value of associated company, EUR million	2021
Book value at the beginning of the year	—
Business combination	1.6
Dividend	-0.4
Share of earnings for the year	-0.1
Translation differences	0.0
Book value at the year end	1.1

Share of Sydved AB's assets, equity, net sales and profit before tax, EUR million	2021
Assets	25.6
Equity	0.9
Net sales	91.7
Profit before tax	0.0

The carrying value of the associated company Sydved AB has no goodwill included. The Group's liabilities to Sydved amounted to EUR 3.5 million. Share of profit of the associated company is EUR -0.1 million.

Joint operations

Ahlstrom-Munksjö Paper GmbH is buying electricity and gas from Stadtwerke Aalen GmbH who owns 40% of Ahlstrom-Munksjö Paper GmbH's subsidiary Kraftwerksgesellschaft Unterkochen GmbH. The related purchase amounts to EUR 4.9 million.

Group companies

The consolidated accounts include the following entities:

Company name	Registered Office	Share of equity %
Ahlstrom-Munksjö Holding 3 Oy	Finland	Parent
SPA US Holdco Inc	USA	100
Ahlstrom-Munksjö Oyj	Finland	100
Ahlstrom-Munksjö AB	Sweden	100
Ahlstrom-Munksjö Aspa Bruk AB	Sweden	100
Ahlstrom-Munksjö Spain Holding, S.L	Spain	100
Ahlstrom-Munksjö Paper S.A.	Spain	100
Ahlstrom-Munksjo Paper (Taicang) Co. Ltd	China	100
Ahlstrom-Munksjö Germany Holding GmbH	Germany	100
Ahlstrom-Munksjö Paper GmbH	Germany	100
Kraftwerksgesellschaft Unterkochen GmbH	Germany	60
Ahlstrom-Munksjö Dettingen GmbH	Germany	100
Ahlstrom-Munksjo Paper Inc.	USA	100
Ahlstrom-Munksjö Italia S.p.A.	Italy	100
Ahlstrom-Munksjö France Holding S.A.S.	France	100
Ahlstrom-Munksjö Arches S.A.S.	France	100
Ahlstrom-Munksjö Stenay S.A.S.	France	100
Ahlstrom-Munksjö Roftersac S.A.S.	France	100
Ahlstrom-Munksjö La Gère S.A.S.	France	100
Ahlstrom-Munksjo Paper Trading (Shanghai) Co., Ltd	China	100
Ahlstrom-Munksjo Asia Holdings Pte Ltd	Singapore	100
PT Ahlstrom Indonesia	Indonesia	100
Ahlstrom-Munksjö Barcelona, S.A	Spain	100
Ahlstrom-Munksjö Brasil Indústria e Comércio de Papéis Especiais Ltda.	Brazil	100
Caieiras Indústria e Comércio de Papéis Especiais Ltda.	Brazil	100
Ahlstrom-Munksjö Chirside Limited	United Kingdom	100
Ahlstrom-Munksjo Fibercomposites (Binzhou) Limited	China	100
Ahlstrom Munksjo Fiber Composites India Private Ltd	India	100
Ahlstrom-Munksjö Germany GmbH	Germany	100

Company name	Registered Office	Share of equity %
Ahlstrom-Munksjö Glassfibre Oy	Finland	100
Ahlstrom-Munksjö Tver LLC	Russia	100
Ahlstrom-Munksjö Industries S.A.S.	France	100
Ahlstrom-Munksjö Brignoud S.A.S.	France	100
Ahlstrom-Munksjö Tampere Oy	Finland	100
Ahlstrom-Munksjö Specialties S.A.S.	France	100
Ahlstrom-Munksjo Japan Inc.	Japan	100
Ahlstrom-Munksjo Korea Co., Ltd	South Korea	100
Ahlstrom-Munksjö Malmédy SA	Belgium	100
Ahlstrom-Munksjö Monterrey, S. de R.L. de C.V.	Mexico	100
Ahlstrom-Munksjö South Africa (Pty) Ltd	South Africa	100
Ahlstrom-Munksjö Stålldalen AB	Sweden	100
Ahlstrom-Munksjö Falun AB	Sweden	100
Ahlstrom-Munksjo USA Inc.	USA	100
Ahlstrom-Munksjo Filtration LLC	USA	100
Ahlstrom-Munksjo Nonwovens LLC	USA	100
Windsor Locks Canal Company	USA	100
Ahlstrom-Munksjo NA Specialty Solutions Holdings Inc.	USA	100
Ahlstrom-Munksjo NA Specialty Solutions LLC	USA	100
Ahlstrom-Munksjo Brokaw LLC	USA	100
Ahlstrom-Munksjo Nicolet LLC	USA	100
Ahlstrom-Munksjo Mosinee LLC	USA	100
Ahlstrom-Munksjo Rhinelander LLC	USA	100
Ahlstrom-Munksjo Coated Products LLC	USA	100
Ahlstrom-Munksjo Vilnius UAB	Lithuania	100
Ahlstrom-Munksjö Warsaw Sp. Z.o.o	Poland	100
Ahlstrom-Munksjo Yulong (Shanghai) Specialty Paper Trading Co. Ltd	China	60
Ahlstrom-Munksjo Yulong Specialty Paper Company Limited	China	60
Akerlund & Rausing Kuban Holding GmbH	Germany	100

In addition, the Group has branch or representative offices in India, Indonesia, Norway, Sri Lanka, Taiwan and Thailand. Munksjö Paper S.p.A in Italy was liquidated in June 2021.



Accounting policies

Subsidiaries, joint operations and associates

Subsidiaries are entities that are directly or indirectly controlled by Ahlstrom-Munksjö Holding controls, ie. when the Group is exposed to, or has rights to, variable returns from its involvement and has the ability to affect those returns through exercising power. Subsidiaries are consolidated from the date control is achieved to the date when the Group ceases to exercise power.

Associated companies are those in which the Group has a significant influence over operational and financial policies. Significant influence is the power to participate in, but not control or jointly control, the financial and operating decisions of the investee. These investments are accounted for using the equity method.

The Group recognises its direct right to the assets, liabilities, revenues and expenses of joint operations and its share of any jointly held or incurred assets, liabilities, revenues and expenses in accordance with the Ahlstrom-Munksjö Holding's contractual rights and obligations.

Transactions eliminated on consolidation and transactions between the owners of the parent

Transactions between Group companies, including intra-group receivables and liabilities, income or expenses and unrealized gains or losses are eliminated in full. Unrealized gains arising from transactions with associates and joint ventures are eliminated to the extent of the Group's interest, unless otherwise contractually agreed by the parties. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment. Transactions with the owners of the parent are reported within shareholders' equity. Transactions with non-controlling interests are reported as transactions with equity owners of the Group. Divestments to and purchases from non-controlling interests result in gains and losses for the Group, which are reported in equity.

Related parties

The Group's related parties are considered to be related parties if one party has the ability to control the other party or to exercise significant influence or joint control over the other party in making financial and operational decisions. The related party transactions disclosed consist of transactions and balances carried out with related parties that are not eliminated in the consolidated financial statements.

21 AUDITOR REMUNERATION

Ahlstrom-Munksjö Holding's Annual General Meeting ("AGM") makes resolutions each year to elect the Group's auditors. It was resolved at the 2021 AGM that in accordance with the proposal of the Board that KPMG Oy Ab would be appointed as the Group's auditor.

Ahlstrom-
Munksjö
Holding

Auditor remuneration, EUR million	2021
Audit fees	1.7
Audit-related fees	0.5
Tax service fees	0.0
Total	2.2

KPMG Oy Ab has provided non-audit services to the entities of Ahlstrom-Munksjö Holding in total of EUR 0.0 million during the financial year 2021.

22 NEW ACCOUNTING STANDARDS

Amendments to IAS 16 Property, Plant and Equipment

To be applied from 1 January 2022

Under the amendments, proceeds from selling items before the related item of PPE is available for use should be recognized in profit or loss, together with the costs of producing those items.

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets

To be applied from 1 January 2022

When an onerous contract is accounted for based on the costs of fulfilling the contract, the amendments clarify that these costs comprise both the incremental costs and an allocation of other direct costs.

Annual Improvements to IFRS Standards 2018–2020

To be applied from 1 January 2022

The annual improvements process provides a mechanism for minor and non-urgent amendments to IFRSs to be grouped together and issued in one package annually. The amendments clarify the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter later than its parent – a subsidiary may elect to measure cumulative translation differences at amounts included in the consolidated financial statements of the parent.
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities: This amendment clarifies that – for the purpose of performing the '10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
- IFRS 16 Leases – Lease incentives – Example 13. The amendment removes the illustration of payments from the lessor relating to leasehold improvements. The example was not clear as to why such payments are not a lease incentive.
- IAS 41 Agriculture – Taxation in fair value measurements. This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in

IAS 41 with those in IFRS 13 Fair Value Measurement. When a present value technique is used to measure fair value, the assumptions used for the cash flows and discount rates should be internally consistent – i.e. using either after tax or pre-tax for both.

Reference to the Conceptual Framework – Amendments to IFRS 3 Business Combinations

To be applied from 1 January 2022

The amendments update a reference in IFRS 3 and made further reference related amendments.

Amendments to IAS 1 Presentation of Financial Statements

To be applied from 1 January 2023

The amendments are to promote consistency in application and clarify the requirements on determining if a liability is current or non-current.

IFRS 17 Insurance Contracts

To be applied from 1 January 2023

The new standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. This standard replaces IFRS 4 standard.

The Group doesn't expect any material impact on the financial statements regarding the new standards, amendment nor improvements.

23

POST-BALANCE SHEET EVENTS

Acquisition of majority stake in Chinese decor paper producer Minglian

On January 14, 2022, Ahlstrom-Munksjö completed the acquisition of a 60% stake in Chinese decor paper producer Minglian New Materials Technology Co., Ltd. and forms a joint venture which comprises a state-of-the-art plant in the city of Xingtai, Hebei Province, China.

A non-binding letter of intent with the majority shareholders was initially signed in November 2019 but the COVID-19 pandemic delayed the negotiations and signing of the transaction.

By combining Minglian with its existing Decor business, Ahlstrom-Munksjö will create a global leader in decor papers with improved cost competitiveness and strong presence in Europe, Americas and Asia. Annual production capacity is approximately 50,000 tons compared to Ahlstrom-Munksjö's decor paper production capacity of some 210,000 tons.

Ahlstrom-Munksjö Holding 3 Oy return of equity

On January 20, 2022, Ahlstrom-Munksjö Holding 3 Oy decided on a cash distribution in the aggregate amount of EUR 8,315,142.99 (the "Distribution Amount") by way of return of equity from invested unrestricted equity reserve.

Arbitration award in the redemption proceedings concerning the minority shares in Ahlstrom-Munksjö Oyj

On February 25, 2022, the arbitral tribunal appointed by the Redemption Board of the Finland Chamber of Commerce rendered its decision in the redemption proceedings concerning the minority shares in Ahlstrom-Munksjö Oyj. The arbitral tribunal rendered a decision according to which Ahlstrom-Munksjö Holding 3 Oy's right to redeem the minority shares in Ahlstrom-Munksjö is confirmed and the redemption price payable by Ahlstrom-Munksjö Holding 3 Oy for the 10,755,918 Ahlstrom-Munksjö minority shares that are subject to mandatory redemption shall be EUR 21.55 per share.

The redemption price awarded by the arbitral tribunal represents an aggregate payment liability for Ahlstrom-Munksjö Holding 3 Oy of approximately EUR 231.8 million. This is EUR 39.9 million in excess of the EUR 191.9 million redemption liability that has been recognized in Ahlstrom-Munksjö Holding's financial statements. The additional payment liability will be recognized in Q1/2022 interim financial statements. The excess does not have any impact on the income statement as it is limited to a gross presentation in the balance sheet where goodwill, and trade and other payables would increase by EUR 39.9 million.

Ahlstrom-Munksjö Holding 3 Oy will analyse the arbitral award and will make a decision on a potential appeal. The decision by the arbitral tribunal may be appealed within 60 days from the registration of the arbitration award.

Ahlstrom-Munksjö Holding 3 Oy has completed the tender offer that was initially announced in September 2020 and, by a decision of the arbitral tribunal, gained title to all shares in Ahlstrom-Munksjö on 23 June 2021, in accordance with Chapter 18, Section 6 of the Finnish Companies Act.

The shares in Ahlstrom-Munksjö were delisted as of May 31, 2021, from the official list of Nasdaq Stockholm, and as of June 23, 2021, from the official list of Nasdaq Helsinki.

Business related to Russia

On March 1, 2022, Ahlstrom-Munksjö published a statement on its business related to Russia.

Signatures to the Financial Statements and the Board of Directors' Report

Helsinki, March 4, 2022

Ivano Sessa

Andrej Busch

Alexander Ehrnrooth

Lasse Heinonen

Halvor Meyer Horten

Peter Seligson

Michael Siefke

This document is an English translation of the Finnish auditor's report. Only the Finnish version of the report is legally binding.

Independent Auditor's report

To the Board of Directors of Ahlstrom-Munksjö Holding 3 Oy

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the financial statements of Ahlstrom-Munksjö Holding 3 Oy (business identity code 3156762-4,) for the year ended 31 December 2021. The consolidated financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position, financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

The scope of our audit was influenced by our application of materiality. The materiality is determined based on our professional judgement and is used to determine the nature, timing and extent of our audit procedures and to evaluate the effect of identified misstatements on the financial statements as a whole. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate

opinion on these matters.

We have also addressed the risk of management override of internal controls. This includes consideration of whether there was evidence of management bias that represented a risk of material misstatement due to fraud.

THE KEY AUDIT MATTER

HOW THE MATTER WAS ADDRESSED IN THE AUDIT

Valuation of goodwill and acquisition related intangible assets (refer to accounting principles for the consolidated financial statements and note 11)

- At the end of the financial year, the group had EUR 1,169 million of goodwill and EUR 858 million of other intangible assets. The goodwill amounts to 111 % of the group equity and 26 % of the group's total assets at 31 December 2021.
 - Goodwill is tested for impairment when indicators of impairment exist, or at least annually. Goodwill impairment testing is conducted by comparing the carrying value with the recoverable amount using a discounted cash flow model.
 - Determining the key assumptions used in the impairment tests requires management judgement and estimates especially relating to long term growth, profitability and discount rates.
 - Acquisition related intangible assets have a definitive useful life, however, the useful lives and related amortization periods are assessed annually.
 - Valuation of goodwill and acquisition related intangible assets are considered a key audit matter due to the significant carrying values and high level of management judgement involved.
- We assessed the impairment tests prepared by the Company.
 - Our detailed audit work with the involvement of KPMG valuation specialists included testing the integrity of the calculations and the technical model. We challenged the assumptions used by management in respect of forecasted growth rates and profitability as well as the appropriateness of the discount rates used. We also validated the assumptions used in relation to market and industry information.
 - We also evaluated the cash flows used by comparing them to the group's business plans and to the understanding we gained from our audit.
 - Furthermore, we have considered the adequacy of the group's disclosures in respect of the impairment testing.
 - For acquisition related intangible assets, we challenged management's assumptions regarding the remaining useful life of identified intangible assets based on our own expectations and on our knowledge of the client and experience of the industry in which it operates.

Revenue recognition (refer to accounting principles for the consolidated financial statements and notes 4 and 5)

- Revenue is mainly generated through the sale of manufactured goods. The revenue is generated by subsidiaries in different countries. The revenue earned from the sale of goods is recognised when the control associated with ownership is transferred to the buyer in accordance with the terms of delivery
- In general, revenue recognition within the group is not complex but the large volumes of transactions and the fact that the revenue is generated through subsidiaries in different countries makes revenue recognition an area of focus in the audit and is therefore determined as a key audit matter
- During our audit we have focused on identifying unusual sales transactions. Auditors of subsidiaries have performed testing of controls related to revenue recognition and also performed substantive procedures such as testing of sales agreements and year-end transactions.
- We have on group level assessed the revenue recognition principles and based on work performed by the auditors in the subsidiaries tested compliance with group revenue recognition principles.

Valuation of inventories (refer to accounting principles of the consolidated financial statements and note 12)

- The value of inventories amounted to EUR 441 million at the end of the financial year.
- There are several different systems for inventory accounting in the group. It is essential from an accounting perspective that the internal control related to inventory accounting and valuation is appropriately organized.
- The valuation of inventories is based on management estimates in respect of obsolescence assessment.
- Due to the significant carrying amount and management judgement involved, valuation of inventories is determined as a key audit matter that our audit is focused on.
- In our audit the key focus has been on the pricing and valuation of inventories. Our component auditors carried out appropriate controls testing and substantive testing in relation to standard cost setting, accounting for variances and obsolescence provisions including monitoring of inventory levels.
- On group level we have assessed the work performed by the auditors in the subsidiaries and on group level made an overall assessment of the valuation of inventories.

Responsibilities of the Board of Directors for the Consolidated Financial Statements

The Board of Directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The Board of Directors are also responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors are responsible for assessing the group's ability to continue as going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The consolidated financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance on whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Helsinki, 4 March 2022
KPMG OY AB

ANDERS LUNDIN
Authorised Public Accountant, KHT