HALF-YEAR REPORT

JANUARY-JUNE 2018

AHLSTROM MUNKSJÖ

SATISFACTORY PROFITABILITY DUE TO SUCCESSFUL RAW MATERIAL COST COMPENSATION - SIGNIFICANT PROGRESS IN STRATEGIC GROWTH INITIATIVES

Q2/2018 VS Q2/2017

- Net sales EUR 587.8 million (EUR 576.9 million), an increase of 1.9%. In constant currency growth was 6.5%.
- Overall stable demand at a good level across most markets
- Comparable EBITDA EUR 67.1 million (EUR 77.4 million), representing 11.4% (13.4%) of net sales in an environment of significant raw material cost escalation
- Net profit EUR 22.1 million (EUR 27.5 million)
- Earnings per share EUR 0.22 (EUR 0.28)
- Comparable EPS excluding depreciation arising from mergers EUR 0.34 (EUR 0.36)

Specified guidance for comparable EBITDA: Comparable EBITDA in 2018 is expected to be slightly below the previous year's level (pro forma EUR 290.4 million) hence gaining momentum in the second half of the year.

KEY HIGHLIGTHS DURING AND AFTER REPORTING PERIOD

- Agreement to acquire the US based specialty paper producer Expera with net sales of USD 731 million to significantly expand presence in North America, for an enterprise value of USD 615 million
- Fully committed financing for the transaction. Ahlstrom-Munksjö plans to conduct a rights offering of approximately EUR 150 million, which is expected to be launched during the fourth quarter of 2018.
- Investment to reinforce market position in biodegradable and compostable tea bag, coffee and meat casing materials in the Beverage & Casing business
- Investment to further grow Filtration business through capacity expansion in high-end filtration materials
- Agreement to acquire the Caieiras specialty paper mill in Brazil to strengthen presence in the region

Q2/2018

NET SALES GROWTH IN CONSTANT CURRENCY
6.5%

COMPARABLE EBITDA MARGIN
11.4%

GEARING
41.6%

1-6/2018 VS 1-6/2017 PROFORMA

- Net sales EUR 1,160.2 million (EUR 1,143.8 million), an increase of 1.4%. In constant currency growth was 6.0%.
- Comparable EBITDA EUR 133.8 million (EUR 156.8 million), representing 11.5% (13.7%)
- Net profit EUR 43.3 million (EUR 51.7 million)
- Earnings per share EUR 0.44 (EUR 0.54)
- Comparable EPS excluding depreciation arising from mergers EUR 0.65 (EUR 0.69)

AHLSTROM MUNKSJÖ

In this half-year report, January-June 2017 and full-year 2017 figures are presented on a pro forma basis to illustrate the financial impact of the merger between Ahlstrom and Munksjö as if it had been completed at the beginning of 2015.

The appendix including unaudited consolidated financial statements has been prepared according to IFRS standards.

KEY FIGURES

EUR MILLION, OR AS INDICATED	Q2/2018	Q2/2017	Q1/2018	1-6/2018	1-6/2017	2017
Net sales	587.8	576.9	572.4	1,160.2	1,143.8	2,232.6
Comparable EBITDA	67.1	77.4	66.7	133.8	156.8	290.4
Comparable EBITDA margin, %	11.4	13.4	11.7	11.5	13.7	13.0
Items affecting comparability included in EBITDA	-6.8	-2.4	-5.0	-11.8	-6.3	-23.8
EBITDA	60.4	75.0*	61.7	122.0	150.5*	266.6*
Comparable operating result excl. depreciations arising from mergers **	45.2	53.7	44.6	89.7	108.2	195.2
Comparable operating result	37.5	45.7	37.0	74.5	92.5	163.8
Comparable operating result margin, %	6.4	7.9	6.5	6.4	8.1	7.3
Items affecting comparability included in operating result	-6.8	-2.4	-5.0	-11.8	-6.3	-23.8
Operating result	30.7	43.3*	31.9	62.7	86.2*	140.0*
Net profit	22.1	27.5*	21.2	43.3	51.7*	88.5*
Earnings per share (basic), EUR	0.22	0.28*	0.22	0.44	0.54*	0.91*
Comparable EPS excl. depreciations arising from mergers **	0.34	0.36	0.32	0.65	0.69	1.32
Cash generated from operating activities	27.5	41.2	5.2	32.7	84.1	212.9
Depreciation and amortization ***	29.6	31.7	29.7	59.3	64.3	126.5
Capital expenditure	31.4	15.4	25.6	57.1	31.8	89.7
Net debt	422.2	420.3	395.4	422.2	420.3	375.3
Gearing ratio, %	41.6	41.3	39.8	41.6	41.3	36.2

*Fair valuation adjustment EUR -11 million (EUR -7.6 million net of tax) on acquired Ahlstrom inventories is excluded as it is adjusted in the 2016 pro forma income statement.

** Excluding both depreciation and amortizations from mergers.

*** Depreciation and amortization arising from mergers was EUR 7.7 million (EUR 8.0 million) in April-June.

The actual figures for Q1-Q2 2017 and full-year 2017 are presented in the appendix only.

Ahlstrom-Munksjö has adopted the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures (APMs) to reflect the underlying business performance and improve comparability. These measures should, however, not be considered as a substitute for measures of performance in accordance with IFRS. Alternative performance measures are derived from performance measures reported in accordance with IFRS by adding or deducting items affecting comparability (IAC), or purchase price allocation (PPA,) and they are called "comparable". More details on APMs and key figures is available in the appendix.

CEO COMMENTS

"In the second quarter, our performance in most of the businesses remained good. I am especially pleased that we, in the environment of significant raw material cost escalation, succeeded with our commercial strategy and implemented price increases as planned. We have focused on customer relationships that are service- and quality oriented with profitable orders of highly specialized and customized products. Thanks to our successful commercial strategy, we were able to compensate for the impacts of sharply increased raw material costs. Our gross margin for products improved compared to the previous quarter, reaching the same level as in the last year.

The coated one-sided product segment, part of the Foodpack business within the Specialties business area, is clearly underperforming. While we have proceeded with the key elements of our turnaround plan for this segment, the operating environment has further deteriorated. The turnaround plan consists of primarily product and cost optimization.

All in all, profitability stayed at a satisfactory level in the second quarter taking into account the raw material cost increase of about EUR 37 million. However, we are still behind the previous year's level. Nevertheless, I have strong confidence in our ability to improve the company's financial performance by continuing to focus on our commercial strategy and our growth initatives and their implementation.

"Performance in most of our businesses remained good and we are making significant progress towards our strategic targets".

Hans Sohlström, President and CEO

EXECUTING TOWARDS OUR STRATEGIC TARGETS

I'm also pleased that our investment projects targeting at profitable growth are proceeding well, as we have reached capacity limits in many areas. Related to these growth initiatives, we have added shifts and personnel, which has increased our costs. The machine rebuild for abrasive backings and decor papers in Arches, France, and the debottlenecking investment for filtration material capacity in Turin, Italy have been completed. The saturation line investment for filtration materials in Madisonville, the US, and the new parchmentizer line investment in Saint Severin, France are proceeding according to plan. In addition, the acquisition of Caieiras specialty paper mill is expected to be completed in the third quarter and will significantly strengthen our Latin American platform.

In June, we decided to invest to further grow our Filtration business. We have already responded to the growing demand by expanding our manufacturing capabilities globally through several expansionary investments during the past few years. The new investment in Turin, Italy, will enable us to increase our capacity and allow us to strengthen our position in high-end filtration materials.

In July, we decided to further leverage our competence and differentiate our offering of advanced fiber based materials by investing in biodegradable and compostable solutions for coffee, tea and casing fiber materials in the Beverage & Casings business.

AGREEMENT TO ACQUIRE US SPECIALTY PAPER PRODUCER EXPERA FOR USD 615 MILLION

"The acquisition will almost triple Ahlstrom-Munksjö's net sales in the U.S. and provide a platform for growth. We are excited to welcome Expera and their highly talented leadership team led by Russ Wanke to Ahlstrom-Munksjö. Together, our complementary capabilities and expertise will further strengthen our position in fiber-based materials and will enable us to offer even more valuable solutions to our customers."

OUTLOOK FOR 2018

Ahlstrom-Munksjö specifies its guidance for 2018 comparable EBITDA.

Market outlook: Demand for Ahlstrom-Munksjö's fiber-based products is expected to remain stable at the current good level for most of the product segments and to reflect the seasonal pattern.

Specified guidance for comparable EBITDA
EBITDA: Comparable EBITDA in 2018 is expected to be slightly below the previous year's level (pro forma EUR 290.4 million) hence gaining momentum in the second half of the year.

Former guidance for comparable EBITDA
EBITDA: Comparable EBITDA in 2018 is expected to be approximately at the previous year's level (pro forma EUR 290.4 million), or slightly below. In the first-half of 2018, comparable EBITDA is expected to be lower than in the comparison period and to gain momentum in the second half of the year.

FINANCIAL PERFORMANCE

NET SALES DEVELOPMENT

NET SALES BY BUSINESS AREA, EUR MILLION	Q2/2018	Q2/2017	Q1/2018	1-6/2018	1-6/2017	2017
Decor	101.8	98.2	99.8	201.6	193.6	378.4
Filtration and Performance	174.7	174.3	167.0	341.7	343.3	665.3
Industrial Solutions	168.9	162.5	166.7	335.6	326.2	640.8
Specialties	150.9	151.1	145.9	296.8	297.0	574.3
Other and eliminations	-8.5	-9.2	-6.9	-15.4	-16.3	-26.2
Total net sales	587.8	576.9	572.4	1,160.2	1,143.8	2,232.6

PROFIT AND PROFITABILITY DEVELOPMENT

COMPARABLE EBITDA BY BUSINESS AREA, EUR MILLION	Q2/2018	Q2/2017	Q1/2018	1-6/2018	1-6/2017	2017
Decor	8.9	8.1	6.3	15.2	19.4	33.8
Filtration and Performance	30.2	33.1	28.7	59.0	64.9	120.6
Industrial Solutions	23.1	27.9	23.6	46.7	56.3	108.5
Specialties	10.2	14.7	12.0	22.2	32.2	52.9
Other and eliminations	-5.3	-6.4	-3.9	-9.2	-15.9	-25.3
Total comparable EBITDA	67.1	77.4	66.7	133.8	156.8	290.4

COMP. EBITDA MARGIN BY BUSINESS AREA, %	Q2/2018	Q2/2017	Q1/2018	1-6/2018	1-6/2017	2017
Decor	8.7%	8.3%	6.3%	7.5%	10.0%	8.9%
Filtration and Performance	17.3%	19.0%	17.2%	17.3%	18.9%	18.1%
Industrial Solutions	13.7%	17.2%	14.1%	13.9%	17.3%	16.9%
Specialties	6.8%	9.7%	8.2%	7.5%	10.8%	9.2%
Other and eliminations						
Total comparable EBITDA margin, %	11.4%	13.4%	11.7%	11.5%	13.7%	13.0%

APRIL-JUNE 2018

Net sales amounted to EUR 587.8 million, showing an increase of 1.9% from the EUR 576.9 million from last year. At constant currency rates, growth was 6.5%, driven by significantly higher selling prices, particularly in the Decor and Industrial Solutions business areas. Delivery volumes increased in Filtration and Performance business area, while decreased in Decor, Insulation and Specialties business areas.

Comparable EBITDA was EUR 67.1 million (EUR 77.4 million), representing 11.4% of net sales (13.4%). The result was supported by a slightly improved gross margin for products as increased selling prices more than offset significantly higher variable costs. Higher raw materials costs, such as pulp and titanium dioxide, burdened the result by about EUR 37 million. Lower sales volumes and an adverse currency effect had a negative impact on the result. Targeted synergy benefits and cost reduction measures were achieved according to the plan, while on-going growth initiatives also impacted costs.

Sequentially the comparable EBITDA increased to EUR 67.1 million from EUR 66.7 million in the first quarter of 2018 on improved gross margin for products and higher sales volumes.

Items affecting comparability (IAC)

The operating result was EUR 30.7 million (EUR 43.3 million). IACs totaled EUR -6.8 million (EUR -2.4 million) and were mainly related to integration costs of the merger of Ahlstrom and Munksjö and achieving the synergy benefits and cost saving measures.

Net financial items

Net financial items amounted to EUR -2.4 million (EUR -9.1 million). The figure includes net interest rate expenses of EUR 4.7 million, currency exchange rate gains of EUR 3.6 million, and other financial expenses of EUR 1.3 million. The main difference between the reported and comparison figure is related to exchange rate gains and losses.

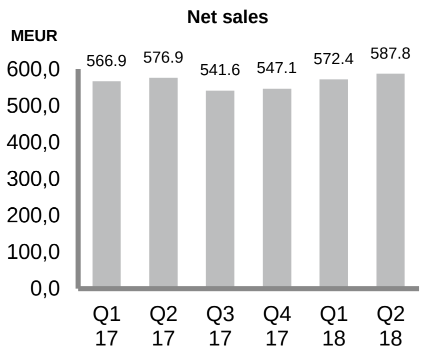
Tax, earnings per share

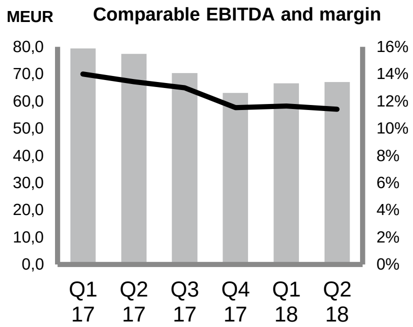
Profit before taxes was EUR 28.4 million (EUR 34.4 million). Taxes amounted to EUR 6.3 million (EUR 6.9 million), representing an effective tax rate of 22% (20%). The tax rate was impacted by recognition of a deferred tax loss in China. The net profit for the period was EUR 22.1 million (EUR 27.5 million), and earnings per share were EUR 0.22 (EUR 0.28). Comparable earnings per share excluding depreciation arising from mergers were EUR 0.34 (EUR 0.36).

JANUARY-JUNE 2018

Net sales amounted to EUR 1,160.2 million, showing an increase of 1.4% from the EUR 1,143.8 million from last year. At constant currency rates, growth was 6.0%, driven by significantly higher selling prices, particularly in the Decor and Industrial Solutions business areas. Delivery volumes increased in the Filtration and Performance business area, while decreased in Decor, Insulation

CHANGE IN NET SALES	
Q2/2017	**EUR 577 M**
Volume	-2%
Selling price and product mix	+9%
Currency	-5%
Q2/2018	**EUR 588 M**





CHANGE IN NET SALES	
1-6/2017	**EUR 1,144 M**
Volume	-1%
Selling price and product mix	+7%
Currency	-5%
1-6/2018	**EUR 1,160 M**

and Specialties business areas.

Comparable EBITDA was EUR 133.8 million (EUR 156.8 million), representing 11.5% of net sales (13.7%). Profitability decreased mainly due to significantly higher variable costs, more than offsetting clearly higher selling prices. Higher raw materials costs, such as pulp and titanium dioxide, burdened the result by about EUR 79 million. Targeted synergy benefits and cost reduction measures were achieved according to the plan, while on-going growth initiatives had an adverse impact on costs.

Items affecting comparability (IAC)

The operating result was EUR 62.7 million (EUR 86.2 million). IACs totaled EUR -11.8 million (EUR -6.3 million) and were mainly related to integration costs of the merger and achieving the synergy benefits.

Net financial items

Net financial items amounted to EUR -5.4 million (EUR -17.2 million). The figure includes net interest rate expenses of EUR 9.4 million, currency exchange rate gains of EUR 6.5 million, and other financial expenses of EUR 2.5 million. The main difference between the reported and comparison figures is related to exchange rate gains and losses.

Tax, earnings per share

Profit before taxes was EUR 57.3 million (EUR 69.3 million). Taxes amounted to EUR 14.0 million (EUR 17.6 million), representing an effective tax rate of 24% (25%). The net profit for the period was EUR 43.3 million (EUR 51.7 million), and earnings per share were EUR 0.44 (EUR 0.54). Comparable earnings per share excluding depreciation arising from mergers were EUR 0.65 (EUR 0.69).

FINANCING AND CASH FLOW

CASH FLOW

In April-June 2018, net cash flow from operating activities amounted to EUR 27.5 million (EUR 41.2 million). The figure was impacted by an increase in net working capital due to higher inventories and receivables. In January-June 2018, net cash flow from operating activities amounted to EUR 32.7 million (EUR 84.1 million[1])

NET DEBT, GEARING AND LIQUIDITY

The company's interest-bearing net debt amounted to EUR 422.2 million at the end of the reporting period (EUR 375.3 million on December 31, 2017, EUR 420.3 million on June 30, 2017). At the end of the reporting period, the weighted average interest rate was 2.3%. Gearing stood at 41.6%.

Ahlstrom-Munksjö's liquidity continues to be good. At the end of the review period, the total cash position was EUR 187.1 million. In addition, the company had undrawn committed credit facilities and committed cash pool overdrafts of EUR 212.5 million available.

EQUITY

On June 30, 2018, equity was EUR 1,041.1 million and total assets were EUR 2,384.0 million. The equity was negatively impacted by a translation effect of EUR 17.4 million due to adverse currency fluctuations in January-June 2018. The equity impact of the declared EUR 50 million, or EUR 0.52 per share, dividend was booked in the first quarter of 2018, while the cash flow effect is booked in the second and third quarters of 2018.

[1] The actual cash flow figure for the corresponding comparison period is presented in the appendix only.

SYNERGY BENEFITS AND COST REDUCTION MEASURES

The merger creating Ahlstrom-Munksjö Oyj was completed on April 1, 2017. The combination created a global leader in innovative and sustainable fiber-based materials. Ahlstrom-Munksjö has completed all of the original integration initiatives. The successful combination of businesses has created a solid basis for improved performance and the company has continued efforts to improve its operational efficiency.

Ahlstrom-Munksjö targets synergies and cost reduction initiatives with a profit improvement impact of EUR 50 million annually in its existing businesses by the end of the first quarter of 2019.

Cost synergies comprise mainly lower fixed costs as well as lower variable costs through coordination of sourcing activities and optimization of production. The plan also includes business synergies from incremental sales and product mix improvement, predominately relating to the integration of the former Graphics and Packaging business area into the new Specialties business area, and developing a combined product and service offering.

Cost reduction measures include adjusting Group structure to Ahlstrom-Munksjö's operating model, where business units have clear responsibility and local accountability. The operating model enables operational flexibility and lean group functions. This also included the concentration and relocation of the company's head office to Helsinki from Stockholm.

At the end of the reporting period, the annual synergy achievement run rate was approximately EUR 32 million. The financial result for the second quarter of 2018 included realized synergies of approximately EUR 6.2 million. Costs related to the achievement of synergies and cost reduction measures are estimated to be EUR 30-35 million by the end of the first quarter of 2019.

Achieved synergy benefits and related costs, EUR million					
	Q2/17	**Q3/17**	**Q4/17**	**Q1/18**	**Q2/18**
Achieved annualized synergy benefits	13	17	19	26	32
Quarterly costs	4	7	8	2	6
Cumulative costs		11	19	21	27

CAPITAL EXPENDITURE

Ahlstrom-Munksjö's capital expenditure excluding acquisitions totaled EUR 57.1 million in January-June 2018 (EUR 31.8 million) and EUR 31.4 million in April-June 2018 (EUR 15.4 million). The investments were related to maintenance, cost and efficiency improvements, as well as growth initiatives.

The cash flow effect of current capital expenditure on fixed assets as well as strategic investments is expected to be approximately EUR 150 million in 2018 (EUR 89.7 million in 2017). The company had previously estimated capital expenditure to be about EUR 120 million in 2018.

INVESTMENT DECISIONS TO IMPROVE FINANCIAL AND ENVIRONMENTAL PERFORMANCE

On April 10, 2018, Ahlstrom-Munksjö announced investments of about EUR 27 million in improved financial and environmental performance. The investments include rebuilding a recovery boiler at the Billingsfors plant and modernizing of a bailing line at the Aspa pulp mill, both located in Sweden and part of the Industrial Solutions business area.

On April 23, 2018, the company announced investments of about EUR 9 million. In the Decor business area, the company will invest to further enhance the quality of pre-impregnated decor papers produced at its Dettingen plant in Germany. In the Specialties business area, the company will rebuild a converting line of sterilization wrap being produced at its Pont Audemer plant in France.

On June 18, 2018, Ahlstrom-Munksjö announced an investment of about EUR 28 million to expand manufacturing capacity as well as product capabilities of industrial filtration applications in Turin, Italy as well as in Ställdalen, Sweden and Malmedy, Belgium. The project will start in 2018 and is expected to be completed during the first half of 2020.

AHLSTROM MUNKSJÖ

On July 18, 2018, the company announced an investment of about EUR 28 million to reinforce its market position in biodegradable and compostable tea bag, coffee and meat casing materials in the Beverage & Casing business. The project includes purchasing a secondhand paper making line to be dismantled and transferred to the Chirnside manufacturing site in the UK. The machine is expected to be fully commissioned in the beginning of the fourth quarter of 2019.

PERSONNEL

Ahlstrom-Munksjö employed an average of 5,897 people in January-June 2018 (5,914) as full-time equivalents. As of June 30, 2018, the highest numbers of employees were in France (28%), Sweden (14%), the United States (12%), Germany (9%), and Italy (9%).

SUSTAINABILITY

Ahlstrom-Munksjö published its first sustainability report as a combined company in February 2018. The report defines our nine material topics and sets targets and metrics for each of them. While we have established quantitative performance baselines from 2017 where possible for our material topic targets, we do not have relevant historical data to compare our current to past sustainability performance due to the merger. We look forward to sharing this information in future reports.

On June 14, 2018, Ahlstrom-Munksjö had its Gold rating level renewed for the company's sustainability management and performance for the second consecutive year from EcoVadis. The Gold rating is a result of performance improvements in all four Corporate Social Responsibility dimensions assessed by EcoVadis; environment, labor practices, fair business practices, and sustainable procurement. It places the company among the top 1% of all suppliers evaluated by the platform, regardless of their industry.

HEALTH AND SAFETY

Health and safety of employees is a top priority at Ahlstrom-Munksjö. The company has chosen three priority metrics to track performance in this field: total recordable incidents (TRI[2]) rate, near miss rate, and hours of tailored safety training per employee per year. Ahlstrom-Munksjö believes that a goal of zero accidents is achievable, and our long-term target for TRI is zero. In 2018, our near miss rate target is 2.9 and we aim to provide 15 hours of tailored safety training per employee.

In January-June 2018, the TRI rate was 1.6, the near miss rate was 3.9 and 15.6 hours of training was provided to employees.

MAJOR EVENTS DURING THE REPORTING PERIOD

HANS SOHLSTRÖM STARTED AS NEW PRESIDENT AND CEO

Hans Sohlström started as President and CEO on April 16, 2018. He replaced Jan Åström, who retired.

AGREEMENT TO ACQUIRE CAIEIRAS SPECIALTY PAPER MILL

On April 24, 2018, Ahlstrom-Munksjö entered into an agreement to acquire MD Papeis' Caieiras specialty paper mill in Brazil of the Formitex Group, an industrial conglomerate active in paper, chemical and panel board industries.

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[2] TRI: sum of all recorded occupational accidents; lost time accidents, occupational diseases, light duty cases, and other recordable incident. Total recordable Incidents Rate (TRIR); (TRI/Total hours worked) x 200,000.

The transaction is expected to be completed during the third quarter of 2018 and is subject to the customary completion terms, including merger clearance from the relevant competition authorities.

The annual net sales of the Caieiras business to be acquired are approximately EUR 80 million and comparable EBITDA approximately EUR 13 million in 2017. The debt free purchase price is approximately EUR 100 million. Annual synergy benefits are estimated to be up to EUR 6 million.

Ahlstrom-Munksjö's presence in Brazil grows further through the acquisition, operating three mills, all near Sao Paolo, and employing over 700 persons and revenues of approximately of EUR 200 million.

CHANGES IN THE EXECUTIVE MANAGEMENT TEAM

Pia Aaltonen-Forsell, Executive Vice President and CFO, a member of Ahlstrom-Munksjö Executive Management Team, assumed the responsibility for Communications and Investor Relations in addition to her CFO role as of April 24, 2018.

Dan Adrianzon, who is currently leading the integration project following the merger between Ahlstrom and Munksjö, has been appointed Executive Vice President, People and Safety and a member of the Executive Management Team as of April 24, 2018. In addition, he continues to lead the integration project. Dan Adrianzon has held several senior management positions in general management and in finance and control in Ahlstrom-Munksjö and prior to that in Munksjö since 1998. Between 1985 and 1997 he held various positions within the French Group Saint Gobain, both in Sweden and in France.

Åsa Jackson, Executive Vice President, Human Resources and Health & Safety and Anna Selberg, Executive Vice President, Communications and Investor Relations agreed to leave the company.

MAJOR EVENTS AFTER THE REPORTING PERIOD

AHLSTROM-MUNKSJÖ TO ACQUIRE US SPECIALTY PAPER PRODUCER EXPERA

On July 23, 2018 Ahlstrom-Munksjö signed an agreement with Specialty Papers Holding, L.P. to acquire Expera Specialty Solutions, a U.S. based specialty paper producer, to expand its presence in North America and further strengthen its offering of advanced custom-made fiber based materials. The acquisition will almost triple Ahlstrom-Munksjö's net sales in the U.S. and provide a platform for growth. Together Ahlstrom-Munksjö and Expera, combined with the Caieiras acquisition announced in April, generated illustrative combined annual net sales of EUR 2,921 million in 2017. Ahlstrom-Munksjö has secured fully committed financing for the transaction.To finance part of the transaction, Ahlstrom-Munksjö plans to conduct a rights offering of approximately EUR 150 million, which is expected to be launched during the fourth quarter of 2018.

The Company will separately convene an extraordinary general meeting of shareholders (EGM) to authorize the Board of Directors to resolve on the share issue. Shareholders holding in aggregate approximately 35.9% (June 30, 2018) of the shares and votes in the Company, AC Invest Five B.V., a company belonging to Ahlström Capital group, Viknum AB, Belgrano Inversiones Oy, Ilmarinen Mutual Pension Insurance Company, Varma Mutual Pension Insurance Company and Baltiska Handels A.B. have irrevocably undertaken to attend the EGM and vote in favor of the share issue authorization. AC Invest Five B.V., a company belonging to Ahlström Capital group, Viknum AB, Belgrano Inversiones Oy and Baltiska Handels A.B. have further expressed their support and intention to subscribe for their respective pro rata allocation in the rights offering. The remainder of the rights offering will be underwritten by Nordea and SEB, subject to customary terms and conditions. The full release is available at www.ahlstrom-munksjo.com

INVESTMENT TO REINFORCE MARKET POSITION IN BEVERAGE & CASING BUSINESS

On July 18, 2018, the company announced an investment of about EUR 28 million to reinforce its market position in biodegradable and compostable tea bag, coffee and meat casing materials in the Beverage & Casing business. The project includes purchasing a secondhand paper making line to be dismantled and transferred to the Chirnside manufacturing site in the UK. The machine is expected to be fully commissioned at the beginning of the fourth quarter of 2019.

AHLSTROM MUNKSJÖ

BUSINESS AREA REVIEWS

DECOR

The Decor business is a manufacturer of paper-based surfacing for wood-based materials such as laminate flooring, furniture and interiors. Decor develops versatile and high-tech solid color, print base and pre-impregnated papers for production of low- and high-pressure laminates and finish foil applications.

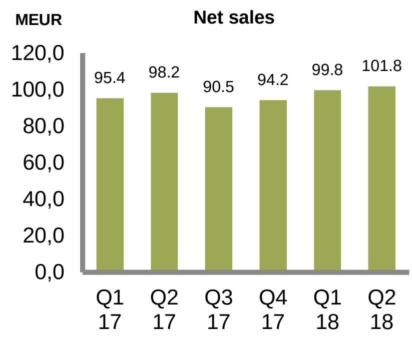
Market review April-June 2018:
Demand for decor products remained at a good level across all segments. Competition has intensified particularly in markets outside of Europe due to new suppliers.

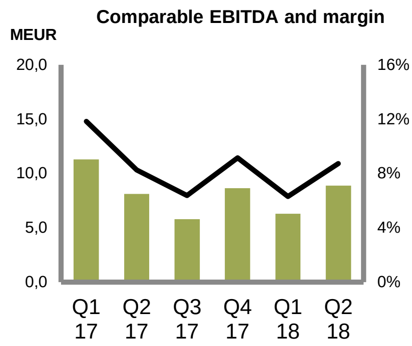
Result development in April-June 2018:
Net sales rose by 3.7% to EUR 101.8 million, compared with EUR 98.2 million in April-June 2017. The increase was driven by higher selling prices as well as an improved product mix. Sales volumes were lower than in the comparison period.

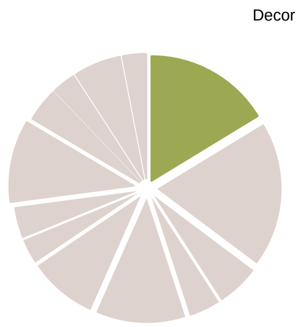
Comparable EBITDA rose to EUR 8.9 million (EUR 8.1 million), representing 8.7% (8.3%) of net sales. The increase was driven by higher gross margin for products as the continued increase in titanium dioxide and pulp costs was offset by higher selling prices, as well as lower fixed costs. Lower sales volumes had a negative impact on the result.

Result development in January-June 2018:
Net sales rose by 4.1% to EUR 201.6 million, compared with EUR 193.6 million in January-June 2017. The increase was driven by higher selling prices as well as an improved product mix. Sales volumes were lower than in the comparison period.

Comparable EBITDA fell to EUR 15.2 million (EUR 19.4 million), representing 7.5% (10.0%) of net sales. Higher selling prices had a positive impact on the result, and almost compensated for the steep increase in titanium dioxide and pulp costs. Lower sales volumes had a negative impact on the result.







EUR MILLION	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	2017
Net sales	101.8	99.8	94.2	90.5	98.2	378.4
Comparable EBITDA	8.9	6.3	8.6	5.8	8.1	33.8
Comparable EBITDA margin, %	8.7%	6.3%	9.2%	6.4%	8.3%	8.9%
Capital expenditure	2.0	3.0	2.5	2.8	1.8	n/a
Depreciation and amortization	1.3	1.3	1.3	1.5	1.5	n/a

FILTRATION AND PERFORMANCE

The Filtration and Performance business area develops and produces filtration materials for engine oils, fuels and air as well as industrial filtration. It also produces glassfiber for flooring products and wind turbine blades and makes nonwoven materials for automotive, construction, textile and hygiene applications and wallcover materials.

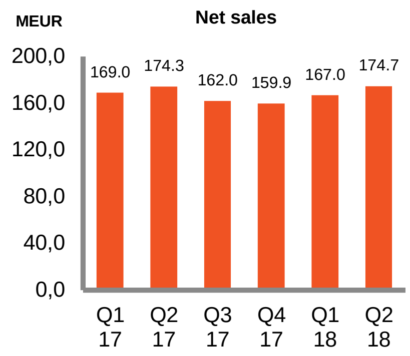
Market review April-June 2018:
Demand for filtration products was solid across many regions and end-use segments, and particularly in heavy-duty vehicles and industrial air. In construction-related markets, demand for flooring and plasterboard materials was good whereas the wallcover market slowed in Europe.

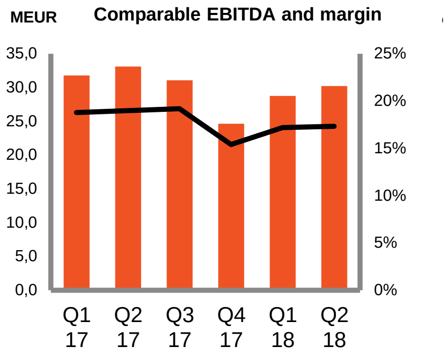
Result development in April-June 2018:
Net sales rose by 0.2% to EUR 174.7 million, compared with EUR 174.3 million in April-June 2017 as higher sales volumes and selling prices in local currency were offset by an adverse currency impact. Sales volumes of filtration and nonwoven products rose slightly whereas growth in glass fiber tissue used in flooring applications was stronger.

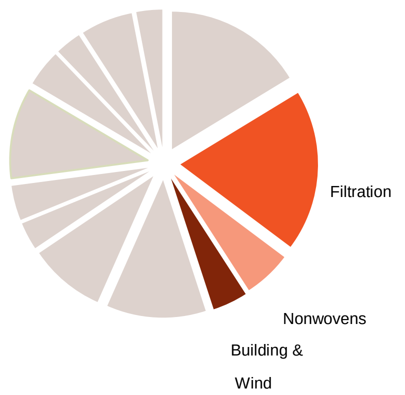
Comparable EBITDA declined to EUR 30.2 million (EUR 33.1 million), representing 17.3% (19.0%) of net sales. The gross margin for products was at the same level as a year ago as higher selling prices and an improved product mix were offset by increased raw material costs. Higher volumes did not fully compensate for the increased fixed costs, partly related to the expansion of the Filtration business.

Result development in January-June 2018:
Net sales fell by 0.5% to EUR 341.7 million, compared with EUR 343.3 million in January-June 2017 as higher sales volumes and selling prices in local currency, particularly in Filtration, were offset by an adverse currency impact.

Comparable EBITDA declined to EUR 59.0 million (EUR 64.9 million), representing 17.3% (18.9%) of net sales. The decline was due to a slight erosion in gross margin for products as higher selling prices were more than offset by increased variable and fixed costs. Higher volumes did not fully compensate for the increased fixed costs, partly related to the expansion of the Filtration business.







EUR MILLION	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	2017
Net sales	174.7	167.0	159.9	162.0	174.3	665.3
Comparable EBITDA	30.2	28.7	24.6	31.1	33.1	120.6
Comparable EBITDA margin, %	17.3%	17.2%	15.4%	19.2%	19.0%	18.1%
Capital expenditure	12.6	6.7	14.6	4.8	4.8	n/a
Depreciation and amortization	10.5	10.5	11.0	10.7	11.0	n/a

INDUSTRIAL SOLUTIONS

The Industrial Solutions business area produces a wide range of products and materials often used in manufacturing or production processes. These include products such as abrasive backings, electrotechnical insulation papers, release liners, thin papers, specialty pulp and balancing foil paper. The business area also houses Arches fine art and printing papers, which carry with them centuries of tradition.

Market review April-June 2018:

Demand was stable in most segments; release liners, electrotechnical insulation papers, abrasive backings, and specialty pulp. The domestic market for coated specialties products in Brazil remained stable as well.

Result development in April-June 2018

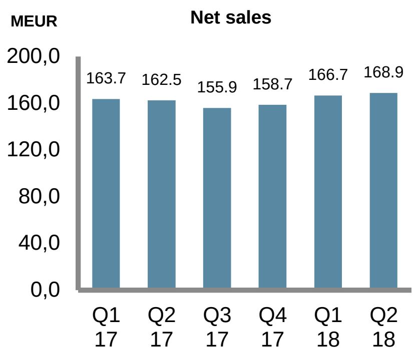
Net sales rose by 3.9% to EUR 168.9 million, compared with EUR 162.5 million in April-June 2017. Growth was driven by higher selling prices and an improved product mix across the business area. This positive development was partially offset by lower sales volumes, particularly in the Insulation business unit where deliveries of specialty pulp declined due to a temporary production issue.

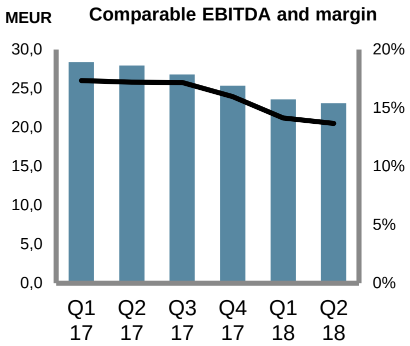
Comparable EBITDA fell to EUR 23.1 million (EUR 27.9 million), representing 13.7% (17.2%) of net sales. Higher selling prices and an improved product mix compensated for the increased variable costs. Lower sales volumes had a negative impact on the result.

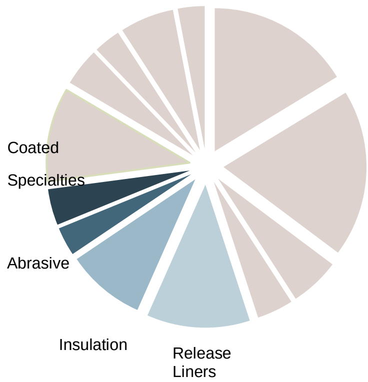
Result development in January-June 2018

Net sales rose by 2.9% to EUR 335.6 million, compared with EUR 326.2 million in January-June 2017. Growth was driven by higher selling prices and an improved product mix across the business area. This positive development was partially offset by lower sales volumes.

Comparable EBITDA fell to EUR 46.7 million (EUR 56.3 million), representing 13.9% (17.3%) of net sales. Higher selling prices and an improved product mix compensated for the increased raw material and energy costs. Lower sales volumes had a negative impact on the result.







EUR MILLION	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	2017
Net sales	168.9	166.7	158.7	155.9	162.5	640.8
Comparable EBITDA	23.1	23.6	25.3	26.8	27.9	108.5
Comparable EBITDA margin, %	13.7%	14.1%	16.0%	17.2%	17.2%	16.9%
Capital expenditure	11.8	10.8	15.6	5.1	6.6	n/a
Depreciation and amortization	8.4	8.4	8.5	9.1	9.4	n/a

SPECIALTIES

The Specialties business area produces materials for food and beverage packaging, laboratory filters and life science diagnostics, water filtration, tape products and medical fabrics. It also supplies hot cooking oiland milk filtration materials, graphics paper for sticky notes and envelopes and metallized labels.

Market review April-June 2018:

Demand for food packaging-related parchment products was strong, while the market for uncoated and coated papers as well as tea bag materials remained highly competitive. Demand for life science and medical products as well as tape materials was good.

Result development in April-June 2018:

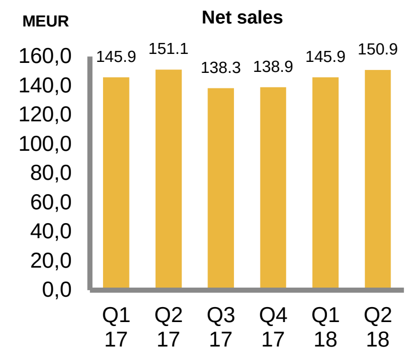
Net sales amounted to EUR 150.9 million and were unchanged from April-June 2017 as higher selling prices were offset by lower sales volumes. Sales of medical, laboratory and life science, as well as tape products rose, whereas food and beverage packaging materials declined. An adverse currency effect had a negative impact on net sales.

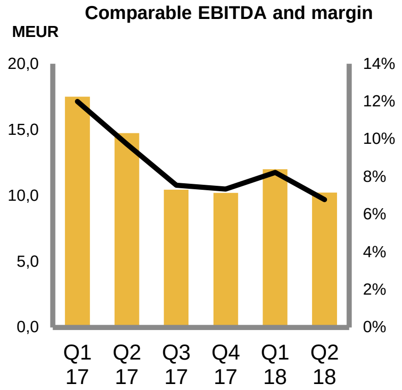
Comparable EBITDA was EUR 10.2 million (EUR 14.7 million), representing 6.8% (9.7%) of net sales. The result was burdened by lower volumes and increased variable costs in the coated-one sided business. Performance in other businesses was stable.

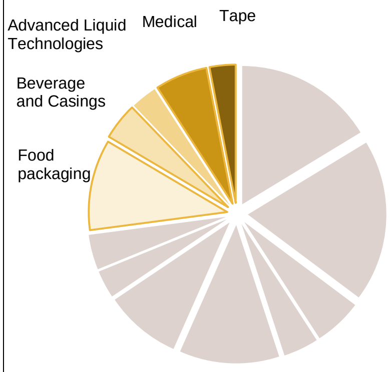
Result development in January-June 2018:

Net sales amounted to EUR 296.8 million and were unchanged from January-June 2017 as higher selling prices were offset by lower sales volumes. An adverse currency effect had a negative impact on net sales.

Comparable EBITDA was EUR 22.2 million (EUR 32.2 million), representing 7.5% (10.8%) of net sales. The result was mainly burdened by lower volumes and increased variable costs in the coated-one sided business. Performance in other businesses was stable.







EUR MILLION	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017	2017
Net sales	150.9	145.9	138.9	138.3	151.1	574.3
Comparable EBITDA	10.2	12.0	10.2	10.4	14.7	52.9
Comparable EBITDA margin, %	6.8%	8.2%	7.3%	7.5%	9.7%	9.2%
Capital expenditure	4.0	3.0	5.9	3.1	2.6	n/a
Depreciation and amortization	7.6	7.7	8.0	8.1	8.2	n/a

SHARES AND SHARE CAPITAL

Ahlstrom-Munksjö's shares are listed on the Nasdaq Helsinki as well as on the Nasdaq Stockholm. All shares carry one vote and have equal voting rights. The trading code is AM1 in Helsinki and AM1S in Stockholm.

On June 30, 2018, Ahlstrom-Munksjö's share capital amounted to EUR 85 million, and the total number of shares since April 1, 2017 has been 96,438,573. The company had 11,787 shareholders at the end of the reporting period (11,526 as of Dec. 31, 2017), according to Euroclear Finland Ltd. Ahlstrom-Munksjö held a total of 364,862 of its own shares, corresponding to approximately 0.4% of the total shares and votes.

SHARE PRICE PERFORMANCE AND TRADING

	Nasdaq Helsinki		Nasdaq Stockholm	
	1-6/2018	**1-6/2017***	**1-6/2018**	**1-6/2017***
Share price at the end of the period, EUR/SEK	15.48	17.80	162.40	170.90
Highest share price, EUR/SEK	20.10	20.49	197.40	199.50
Lowest share price, EUR/SEK	15.00	13.75	154.80	131.50
Market capitalization at the end of the period**, EUR million	1,487.2	1,710.1	N/A	N/A
Trading value, EUR/SEK million	80.8	97.5	103.4	129.4
Trading volume, shares million	4.8	5.9	0.6	0.8
Average daily trading volume, shares	38,356	47,202	4,800	6,693

* January-March 2017 Munksjö Oyj only

**Excluding the shares held by Ahlstrom-Munksjö

Ahlstrom-Munksjö's shares are also traded on alternative exchanges, such as Cboe, Posit and Turquoise. Those exchanges represented about 36% of the total trading value during the reporting period (source: Fidessa Fragmentation Index).

ANNUAL GENERAL MEETING

Ahlstrom-Munksjö Oyj's Annual General Meeting was held on March 21, 2018. The Annual General Meeting adopted the Financial Statements for 2017 and discharged the members of the Board of Directors and the President and CEO from liability for the financial year 2017.

The AGM resolved to distribute a dividend of EUR 0.52 per share for the fiscal year that ended on December 31, 2017 in accordance with the proposal of the Board of Directors. The dividend will be paid in two instalments. The first instalment of EUR 0.26 per share was paid on April 3, 2018. The second instalment of EUR 0.26 per share shall be paid in September 2018 to a shareholder who on the record date of the payment is registered in the shareholders' register of the company maintained by Euroclear Finland Ltd or in the register of shareholders maintained by Euroclear Sweden AB, which, together with the payment date, shall be resolved by the Board of Directors in its meeting scheduled for September 10, 2018. The record date of the payment would be September 12, 2018 and the payment date September 19, 2018, at the latest.

The AGM resolved that the number of Board members to be eight. Peter Seligson, Elisabet Salander Björklund, Alexander Ehrnrooth, Johannes Gullichsen, Hannele Jakosuo-Jansson, Harri-Pekka Kaukonen and Pernilla Walfridsson were re-elected. Valerie A. Mars was elected as new member of the Board. The Board members were elected for the period ending at the close of the next AGM.

The AGM resolved in accordance with the proposal of the Board to re-elect KPMG Oy Ab as the company's auditor. KPMG Oy Ab has designated Authorised Public Accountant Anders Lundin as the Responsible Auditor.

AUTHORIZATION TO REPURHCASE OWN SHARES

The AGM authorized the Board of Directors to resolve to repurchase and to distribute the company's own shares as well as to accept them as pledge in one or more instalments.

The number of shares to be repurchased or accepted as pledge by virtue of the authorization shall not exceed 8,000,000 own shares in the company, subject to the provisions of the Finnish Companies' Act on the maximum amount of shares owned by or pledged to the company or its subsidiaries. The shares may be repurchased or accepted as pledge in one or several instalments and in another proportion than that of the existing shareholdings of the shareholders in the company. The shares shall be repurchased in public trading at the prevailing market price by using unrestricted shareholders' equity.

The authorizations are valid until the close of the next Annual General Meeting, however, no longer than eighteen (18) months from the close of the Annual General Meeting.

DECISIONS TAKEN BY THE BOARD OF DIRECTORS AFTER THE AGM

The organization meeting of the Board of Directors, which was held immediately after the Annual General Meeting, elected Peter Seligson as Chairman and Elisabet Salander Björklund as Vice Chairman of the Board.

The Board of Directors appointed two permanent committees; the Audit Committee and the Human Resources Committee. The members of the Audit Committee are Elisabet Salander Björklund (Chair), Alexander Ehrnrooth, Harri-Pekka Kaukonen, Valerie A. Mars and Pernilla Walfridsson.

The members of Human Resources Committee are Hannele Jakosuo-Jansson (Chair), Johannes Gullichsen and Peter Seligson.

SHAREHOLDERS' NOMINATION BOARD

Ahlstrom-Munksjö's three largest registered shareholders based on holdings on May 31, 2018 nominated the following persons as their representatives in the Shareholders' Nomination Board of Ahlstrom-Munksjö:

- Mikael Lilius (Ahlström Capital Oy)
- Alexander Ehrnrooth (Viknum AB and Belgrano Inversiones Oy)
- Mikko Mursula (Ilmarinen Mutual Pension Insurance Company)

The company's Chairman of the Board, Peter Seligson, and Elisabet Salander Björklund, as nominated by the Board, are also expert members of the Nomination Board. The Nomination Board elected Mikael Lilius from among its members as Chairman.

The Nomination Board prepares proposals to the Annual General Meeting for the election and remuneration of the members of the Board of Directors and the remuneration of the members of the Board committees and the Nomination Board.

SCHEDULED MAINTENANCE SHUTDOWNS IN 2018

The annual maintenance and seasonal shutdowns, mainly in the third and fourth quarters, are expected to be carried out to about the same extent as in 2017. The annual maintenance shut-down at the pulp production facility in Aspa in Sweden is planned to be carried out in the fourth quarter in 2018 and it will have an impact of approximately EUR 4 million on comparable EBITDA.

SHORT-TERM RISKS

Ahlstrom-Munksjö is exposed to changing market conditions and uncertainty caused by both macroeconomic and industry related events and is exposed to risks that may arise from its operations, changes in the business environment, developments in the global economy or potential changes in the legislative framework. The materialization of such risks could have a material adverse effect on the company's operations, earnings and financial position.

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 significant raw materials, financial risks, as well as other business factors including developments in the financial markets. The cost of key raw materials such as pulp and titanium dioxide has continued to increase and the company's financial performance may be impacted by its ability to raise selling prices and the timing of such rises to mitigate cost inflation.

Ahlstrom-Munksjö's key financial risks include interest rate and currency risks, liquidity risk and credit risk. The Group has exposure to tax risks due to potential changes in tax laws or regulations or their application, or as a result of on-going or future tax audits or claims.

The company 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 available information to date, the impact is not expected to have a significant impact on the financial position of the company.

More information about risks and uncertainty factors related to Ahlstrom-Munksjö's business and the company's risk management is available at www.ahlstrom-munksjo.com.

The actual numbers in this report have been prepared in accordance with International Financial Reporting Standards (IFRS). Comparable figures refer to the same period in the previous year, unless otherwise stated. The report contains certain forward-looking statements that reflect the present views of the company's management. The statements contain uncertainties and risks and are thus subject to changes in the general economic situation and in the company's business.

Ahlstrom-Munksjö Oyj
Board of Directors

ADDITIONAL INFORMATION

Hans Sohlström, President and CEO, tel. +358 10 888 2520
Pia Aaltonen-Forsell, CFO, tel. +46 10 250 1029
Johan Lindh, Head of Investor Relations, + 46 (0)70 588 10 38
Juho Erkheikki, Investor Relations Manager, tel. +358 (0)10 888 4731

WEBCAST AND CONFERENCE CALL

A combined news conference, call and live webcast will be arranged on the publishing day, July 26, 2018, at 1:00 p.m. EEST (12:00 noon CEST) at Ahlstrom-Munksjö's head office in Helsinki (Alvar Aallon katu 3 C, meeting room Antti). The report will be presented in English by President and CEO Hans Sohlström and CFO Pia Aaltonen-Forsell.

WEBCAST AND CONFERENCE CALL INFORMATION
The combined webcast and teleconference can be viewed at:
http://qsb.webcast.fi/a/ahlstrommunksjo/ahlstrommunksjo_2018_0726_q2/

Finland: +358 (0)9 7479 0361
Sweden: +46 (0)8 5033 6574
UK: +44 (0) 330 336 9105

Conference ID: 2302806

To join the conference call, participants are requested to dial one of the numbers above 5-10 minutes prior to the start of the event. An on-demand version of the conference call will be available on Ahlstrom-Munksjö's website later the same day. By dialing in to the conference call, the participant agrees that personal information such as name and company name will be collected. The conference call will be recorded.

FINANCIAL REPORTS IN 2018

- Interim report January-September 2018 October 30, 2018

Ahlstrom-Munksjö plans to organize a capital markets day in Helsinki on September 7, 2018.

AHLSTROM-MUNKSJÖ IN BRIEF

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions to customers worldwide. Our offerings include decor paper, filter media, release liners, abrasive backings, nonwovens, electrotechnical paper, glass fiber materials, food packaging and labeling, tape, medical fiber materials and solutions for diagnostics. Combined annual net sales are about EUR 2.2 billion and we employ 6,000 people. The Ahlstrom-Munksjö share is listed on the Nasdaq Helsinki and Stockholm. Read more at www.ahlstrom-munksjo.com.

APPENDIX: CONSOLIDATED FINANCIAL STATEMENTS

Financial statements are unaudited.

INCOME STATEMENT EUR million	Q2/2018	Q2/2017	1-6/2018	1-6/2017	2017
Net sales	587.8	576.9	1,160.2	871.2	1,959.9
Other operating income	1.7	7.7	3.5	9.8	12.7
Total operating income	**589.5**	**584.7**	**1,163.7**	**881.1**	**1,972.6**
Operating costs					
Changes in inventories of finished goods and work in progress	12.4	-5.3	28.1	-5.1	-6.4
Materials and supplies	-296.7	-268.5	-582.1	-406.1	-920.2
Other operating expenses	-137.8	-137.8	-276.6	-213.4	-472.0
Personnel costs	-107.1	-109.1	-211.2	-162.4	-363.7
Depreciation and amortization	-29.6	-31.7	-59.3	-44.4	-106.6
Total operating costs	**-558.8**	**-552.4**	**-1,101.1**	**-831.4**	**-1,868.9**
Share of profit in equity accounted investments	-	0.0	-	0.0	-0.2
Operating result	**30.7**	**32.3**	**62.7**	**49.7**	**103.5**
Net financial items	-2.4	-9.1	-5.4	-12.8	-26.2
Profit before tax	**28.4**	**23.3**	**57.3**	**37.0**	**77.3**
Taxes	-6.3	-6.9	-14.0	-10.7	-10.8
Net profit	**22.1**	**16.4**	**43.3**	**26.3**	**66.5**

pro forma INCOME STATEMENT EUR million	Q2/2017	1-6/2017	2017
Net sales	576.9	1,143.8	2,232.6
Other operating income	7.7	10.9	13.7
Total operating income	**584.7**	**1,154.8**	**2,246.4**
Operating costs			
Changes in inventories of finished goods and work in progress	5.7	8.7	7.5
Materials and supplies	-268.5	-525.9	-1,040.1
Other operating expenses	-137.8	-271.1	-529.8
Personnel costs	-109.1	-216.0	-417.3
Depreciation and amortization	-31.7	-64.3	-126.5
Total operating costs	**-541.4**	**-1,068.6**	**-2,106.2**
Share of profit in equity accounted investments	0.0	0.0	-0.2
Operating result	**43.3***	**86.2***	**140.0***
Net financial items	-9.1	-17.2	-30.4
Profit before tax	**34.4**	**69.3**	**109.6**
Taxes	-6.9	-17.6	-21.1
Net profit	**27.5***	**51.7***	**88.5***

*Fair valuation adjustment EUR 11 million (EUR 7.6 million net of tax) on acquired Ahlstrom inventories is excluded as it is adjusted in the 2016 pro forma income statement.

AHLSTROM MUNKSJÖ

OTHER COMPREHENSIVE INCOME EUR million	Q2/2018	Q2/2017	1-6/2018	1-6/2017	2017
Net profit	**22.1**	**16.4**	**43.3**	**26.3**	**66.5**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Exchange differences on translation of foreign operations for the period	-2,3	-36.7	-17.4	-35.0	-53.6
Hedges of net investments in foreign operations	-0.1	0.1	-0.1	0.1	0.1
Change in cash flow hedge reserve	-2.9	0.0	-4.8	-0.1	0.8
Cash flow hedge transferred to this year's result	2.1	0.6	1.8	1.1	-0.7
Items that will not be reclassified to profit or loss					
Actuarial gains and losses on defined benefit plans	0.8	4.5	4.3	4.5	5.9
Tax attributable to other comprehensive income	0.0	-2.0	-0.4	-2.1	-1.7
Comprehensive income	**19.7**	**-17.2**	**26.7**	**-5.3**	**17.2**
Net profit attributable to					
Parent company's shareholders	21.4	16.1	42.4	26.0	65.9
Non-controlling interests	0.6	0.3	0.9	0.3	0.6
Comprehensive income attributable to					
Parent company's shareholders	19.1	-17.4	25.8	-5.5	16.8
Non-controlling interests	0.6	0.2	0.9	0.2	0.4
Earnings per share					
Weighted average number of outstanding shares	96,073,711	96,536,031	96,073,711	73,775,255	84,941,326
Basic earnings per share, EUR	0.22	0.17	0.44	0.35	0.78
Diluted earnings per share, EUR	0.22	0.17	0.44	0.35	0.78

pro forma EARNINGS PER SHARE	Q2/2017	1-6/2017	2017
Weighted average number of outstanding shares	96,236,031	96,236,031	96,130,173
Basic earnings per share, EUR	0.28	0.54	0.91

AHLSTROM MUNKSJÖ

BALANCE SHEET EUR million	Jun 30, 2018	Jun 30, 2017	Dec 31, 2017
ASSETS			
Non-current assets			
Property, plant and equipment	828.5	848.8	841.7
Goodwill	428.2	436.8	429.4
Other intangible assets	301.2	317.8	309.2
Equity accounted investments	-	2.2	1.2
Other investments	1.6	0.5	0.5
Other receivables	6.9	12.1	7.1
Deferred tax assets	1.7	15.9	15.1
Total non-current assets	**1,568.1**	**1,634.1**	**1,604.2**
Current assets			
Inventories	323.9	273.1	282.3
Trade and other receivables	302.2	291.5	259.3
Income tax receivables	2.7	6.7	5.1
Cash and cash equivalents	187.1	222.9	245.9
Total current assets	**815.9**	**794.2**	**792.6**
TOTAL ASSETS	**2,384.0**	**2,428.3**	**2,396.8**
EQUITY AND LIABILITIES			
Equity	**1,014.1**	**1,018.7**	**1,038.0**
Non-current liabilities			
Non-current borrowings	531.4	566.9	542.3
Other non-current liabilities	0.7	0.8	0.5
Employee benefit obligations	92.8	102.0	98.1
Deferred tax liabilities	92.2	125.4	105.5
Provisions	15.5	16.4	17.7
Total non-current liabilities	**732.7**	**811.6**	**764.1**
Current liabilities			
Current borrowings	77.9	76.3	78.9
Trade and other payables	541.8	508.5	502.9
Income tax liabilities	11.0	11.1	4.1
Provisions	6.5	2.2	8.8
Total current liabilities	**637.2**	**598.0**	**594.6**
Total liabilities	**1,369.9**	**1,409.6**	**1,358.8**
TOTAL EQUITY AND LIABILITIES	**2,384.0**	**2,428.3**	**2,396.8**

STATEMENT OF CHANGES IN EQUITY

1) Share capital
2) Reserve for invested unrestricted equity
3) Other reserves
4) Treasury shares
5) Cumulative translation adjustment
6) Retained earnings
7) Total equity attributable to the parent company's shareholders
8) Non-controlling interests
9) Total equity

EUR million	1)	2)	3)	4)	5)	6)	7)	8)	9)
Balance at January 1, 2017	**15.0**	**254.1**	**384.4**	**-3.1**	**-9.9**	**-206.8**	**433.7**	**4.0**	**437.7**
Net profit	-	-	-	-	-	26.0	26.0	0.3	26.3
Other comprehensive income	-	-	0.5	0.0	-34.8	2.8	-31.5	-0.1	-31.6
Total comprehensive income	**-**	**-**	**0.5**	**0.0**	**-34.8**	**28.8**	**-5.5**	**0.2**	**-5.3**
Merger consideration	70.0	311.8	-	-	-	250.8	632.6	4.6	637.1
Changes in own shares	-	-	-	-5.6	-	-	-5.6	-	-5.6
Return of capital and dividends	-	-44.8	-	-	-	-	-44.8	-0.4	-45.2
Long term incentive plan	-	-	-	2.4	-	-2.3	0.1	-	0.1
Balance at June 30, 2017	**85.0**	**521.1**	**384.9**	**-6.3**	**-44.7**	**70.5**	**1,010.4**	**8.3**	**1,018.7**
Balance at December 31, 2017	**85.0**	**517.6**	**384.5**	**-6.3**	**-63.3**	**111.7**	**1,029.1**	**8.9**	**1,038.0**
Restatement due to IFRS 9	-	-	-	-	-	-1.6	-1.6	-	-1.6
Balance at January 1, 2018	**85.0**	**517.6**	**384.5**	**-6.3**	**-63.3**	**110.1**	**1,027.5**	**8.9**	**1,036.5**
Net profit	-	-	-	-	-	42.4	42.4	0.9	43.3
Other comprehensive income	-	-	-2.3	-	-17.5	3.3	-16.6	0.0	-16.6
Total comprehensive income	**-**	**-**	**-2.3**	**-**	**-17.5**	**45.7**	**25.8**	**0.9**	**26.7**
Dividends and other	-	-	-	-	-	-50.1	-50.1	-0.3	-50.4
Long term incentive plan	-	-	-	-	-	1.2	1.2	-	1.2
Balance at June 30, 2018	**85.0**	**517.6**	**382.1**	**-6.3**	**-80.8**	**107.0**	**1,004.5**	**9.5**	**1,014.1**

AHLSTROM MUNKSJÖ

CASH FLOW STATEMENT EUR million	Q2/2018	Q2/2017	1-6/2018	1-6/2017	2017
Cash flow from operating activities					
Net profit	22.1	16.4	43.3	26.3	66.5
Adjustments, total	37.3	45.6	76.8	65.8	138.3
Changes in net working capital	-24.2	10.2	-68.1	0.5	25.2
Change in provisions	0.9	-2.0	-2.7	-1.2	9.5
Financial items	-8.8	-10.9	-12.7	-13.6	-17.3
Income taxes paid / received	0.2	-17.9	-4.0	-19.9	-35.6
Net cash from operating activities	**27.5**	**41.2**	**32.7**	**57.7**	**186.5**
Cash flow from investing activities					
Purchases of property, plant and equipment and intangible assets	-31,4	-15.4	-57.1	-26.5	-84.6
Other investing activities	0.5	-0.4	0.5	-0.4	4.8
Net cash from investing activities	**-31.0**	**-15.8**	**-56.6**	**-26.9**	**-79.7**
Cash flow from financing activities					
Dividends paid and other	-25.0	-5.6	-25.3	-26.4	-48.5
Interest on hybrid bond	-	-6.9	-	-6.9	-6.9
Repurchase of hybrid bond	-	-100.0	-	-100.0	-100.0
Change in loans and other financing activities	-8.0	131.7	-5.3	123.3	97.5
Sale/repurchase of own shares	-	-5.6	-	-5.6	-5.6
Net cash from financing activities	**-32.9**	**13.4**	**-30.6**	**-15.8**	**-63.6**
Net change in cash and cash equivalents	**-36.4**	**38.9**	**-54.5**	**15.1**	**43.2**
Cash and cash equivalents at the beginning of the period	224.9	121.9	245.9	146.0	146.0
Cash and cash equivalents received in the merger	-	66.6	-	66.6	66.6
Foreign exchange effect on cash and cash equivalents	-1.3	-4.5	-4.3	-4.8	-9.9
Cash and cash equivalents at the end of the period	**187.1**	**222.9**	**187.1**	**222.9**	**245.9**

pro forma CASH FLOW STATEMENT EUR million	Q2/2017	1-6/2017	2017
Net cash from operating activities	41.2	84.1	212.9

Accounting principles

This unaudited consolidated quarterly interim report has been prepared in accordance with "IAS 34 Interim Financial Reporting", as adopted by the EU. All figures in the accounts have been rounded and consequently the sum of individual figures can deviate from the presented sum figure. Furthermore, all percentages are subject to possible rounding differences. The accounting principles applied remain unchanged compared with the Annual Report 2017 of Ahlstrom-Munksjö except for the impact of the new standards adopted January 1, 2018.

IFRS 15 Revenue from contracts with customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers January 1, 2018. IFRS 15 replaces the revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations. IFRS 15 establishes a five-step single comprehensive model for entities to use in accounting for 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 customer 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. The Group does not provide services. Sale of goods is the only revenue stream of the Group and that consists of the following business areas: Decor, Filtration and Performance, Industrial Solutions, and Specialties. A typical contract with customer consists of purchase order and order confirmation, including the general terms and conditions of the arrangement. Compared to the previous accounting standard, the new standard does not entail any change in identification and accounting for the delivery of goods in Ahlstrom-Munksjö. Revenue is recognized at point in time when control of goods has been transferred to the customer.

The Group adopted the new standard using the full retrospective method. The Group has performed an assessment of IFRS 15 impacts and as a result, there were no significant accounting changes compared to the previous practice and thus there was no impact to the financial statements.

IFRS 9 Financial instruments

The Group has adopted IFRS 9 Financial Instruments on January 1, 2017. The new standard replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new expected credit loss model for calculating impairment on financial assets. The impacts of IFRS 9 adoption are described below

Under IFRS 9, the classification and measurement of financial assets are based on the cash flow characteristics of them and the business model they are managed in. The Group has categorized its financial assets to financial assets measured at amortized cost, at fair value through profit or loss and at fair value through other comprehensive income. The reclassification has not had any impact on equity.

The classification of the financial assets under IFRS 9:

	Classification under IAS 39	Classification under IFRS 9
Trade and other receivables	Loans and receivables	Amortized cost
Other investments	Available-for-sale financial assets	Fair value through profit and loss (or other comprehensive income)
Derivatives under hedge accounting	Derivatives used for hedging (at fair value through other comprehensive income)	Fair value through other comprehensive income (FVOCI)
Derivatives, non hedge accounting	Fair value through profit and loss	Fair value through profit or loss (FVPL)

The new rules of IFRS 9 for hedge accounting aligns more closely with common risk management practices and, among others, allows net position hedging. The Group applies the new hedge accounting requirements prospectively. The Group hedges the foreign currency flows on a net exposure basis. The cash flow hedging is applied against the expected net cash flows, consisting of related sales proceeds and purchases in the same currency. The new rules of IFRS 9 for hedge accounting had no impact on the reporting period.

According to IFRS 9 the impairment assessment of financial assets is based on expected credit loss model. The impairment is based on forward-looking information as well as past experience and current expectations. The Group estimates the credit risk for financial assets, mainly trade receivables, measured at amortized cost at the end of each reporting period.

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, which are recognized based on ageing categories of trade receivables. The Group has historically low levels for realized credit losses in trade receivables and the Group also has a credit insurance program in place. Due to the new expected credit loss model the Group has made an adjustment of EUR -1.6 million in retained earnings and trade receivables for the opening balance of January 1, 2018. Comparatives for 2017 are not restated.

IFRS 16 Leases

IFRS 16 Leases is effective on January 1, 2019 and the new standard will affect primarily the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The new lease standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for the majority of Ahlstrom-Munksjö's lease contracts. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest cost and depreciation, so our key metrics like EBITDA will change. An optional exemption exists for short-term and low-value leases.

Ahlstrom-Munksjö has performed a first preliminary impact assessment based on the identified existing contracts at the end of the first quarter in 2018. According to the high level assessment, the implementation of IFRS 16 would have increased the property, plant and equipment in the balance sheet at the end of second quarter by approximately EUR 42 million. In the consolidated income statement, the operating expense will decrease, while depreciation and interest costs will reflect an increase as the lease expense is no longer classified as an operating expense. This will lead to an improvement in EBITDA. The Group will continue the IFRS 16 implementation project including specifying more accurate impact of the change.

Ahlstrom-Munksjö expects to adopt IFRS 16 upon initial application January 1, 2019 using a simplified approach (modified retrospective approach) where comparative figures will not be restated. The Group expects to use the other available reliefs to the widest possible extent, including the exclusion of leases with a term to maturity of less than 12 months and low-value leases.

Derivative financial instruments

The fair value of currency instruments was EUR -3.0 million and the interest rate instruments was EUR -0.1 million at the end of the second quarter. The fair value hierarchy level for derivative instruments is 2.

Segment information

	Q2/2018	Q1/2018	Q4/2017	Q3/2017	Q2/2017
NET SALES, EUR million					
Decor	101.8	99.8	94.2	90.5	98.2
Filtration and Performance	174.7	167.0	159.9	162.0	174.3
Industrial Solutions	168.9	166.7	158.7	155.9	162.5
Specialties	150.9	145.9	138.9	138.3	151.1
Other and eliminations	-8.5	-6.9	-4.7	-5.1	-9.2
Group	**587.8**	**572.4**	**547.1**	**541.6**	**576.9**
COMPARABLE EBITDA, EUR million					
Decor	8.9	6.3	8.6	5.8	8.1
Filtration and Performance	30.2	28.7	24.6	31.1	33.1
Industrial Solutions	23.1	23.6	25.3	26.8	27.9
Specialties	10.2	12.0	10.2	10.4	14.7
Other and eliminations	-5.3	-3.9	-5.7	-3.7	-6.4
Group	**67.1**	**66.7**	**63.1**	**70.4**	**77.4**
COMPARABLE EBITDA margin, %					
Decor	8.7	6.3	9.2	6.4	8.3
Filtration and Performance	17.3	17.2	15.4	19.2	19.0
Industrial Solutions	13.7	14.1	16.0	17.2	17.2
Specialties	6.8	8.2	7.3	7.5	9.7
Other and eliminations					
Group	**11.4**	**11.7**	**11.5**	**13.0**	**13.4**

Net sales by region

EUR million	Q2/2018	Q2/2017	1-6/2018	1-6/2017	2017
Europe	339.3	325.4	684.1	535.3	1 161.3
Americas	142.0	151.2	273.9	193.5	459.3
Asia	97.2	93.0	182.2	128.4	304.5
Rest of the world	9.3	7.4	20.0	14.0	34.8
Total	**587.8**	**576.9**	**1,160.2**	**871.2**	**1,959.9**

Changes in property, plant and equipment

EUR million	1-6/2018	1-6/2017	2017
Book value at January 1	841.7	421.1	421.1
Merger	-	458.5	448.9
Additions	45.8	24.8	88.0
Disposals	-0.1	-0.1	-2.6
Depreciations	-48.5	-37.8	-88.3
Translation differences and other changes	-10.4	-17.7	-25.4
Book value at the end of period	**828.5**	**848.8**	**841.7**

Commitments

OFF-BALANCE SHEET COMMITMENTS EUR million	Jun 30, 2018	Dec 31, 2017
Assets pledged		
Pledges	1.7	1.8
Commitments		
Guarantees and commitments given on behalf of Group companies	62,1	68.6
Capital expenditure commitments	7.9	10.3
Other guarantees and commitments	4.0	5.3

FUTURE OPERATING LEASE COMMITMENTS EUR million	Jun 30, 2018	Dec 31, 2017
Current portion	11.5	11.3
Non-current portion	32.8	28.6
Total	**44.2**	**39.9**

Comparison data is not presented for commitments as the data is not available.

Key figures

The comparison year 2017 was a transformative year for Ahlstrom-Munksjö. Ahlstrom and Munksjö merged on April 1, 2017 creating a global leader in innovative and sustainable fiber-based materials. Considering the magnitude of the merger of Ahlstrom and Munksjö and the impact on the combined company's performance and financial position and as Munksjö is the accounting acquirer, stand-alone Munksjö historical information does not provide our investors a reasonable basis to compare the operating performance and historical financial position.

Accordingly, we present certain historical key figures on our business performance on a pro forma basis to give effect to the merger and the refinancing as if these transactions had taken place at an earlier date. Comparative key figures for capital structure are presented on a pro forma basis as at the merger date as the historical balance sheet data comprise Munksjö information only and does not represent a basis for comparison post-merger. The pro forma key figures have been presented for illustrative purposes only and address a hypothetical situation and therefore do not represent the company's actual historical results of operations as such historical data comprise Munksjö stand-alone information only. For a detailed basis of presentation and notes disclosures for the additional unaudited pro forma information please see our stock exchange release dated 15 May 2017 available on our website at www.ahlstrom-munksjo.com.

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. The company believes that the alternative performance measures provide significant additional information on Ahlstrom-Munksjö's results of operations, financial position and cash flows, and are widely used by our analysts, investors and other parties and provide additional information to analyze our performance and capital structure.

Alternative performance measures should not be viewed in isolation or as a substitute to measures presented in our audited IFRS financial statements. Companies do not calculate alternative performance measures in a uniform way, and therefore Ahlstrom-Munksjö's alternative performance measures may not be comparable with similarly named measures presented by other companies.

Alternative performance measures and pro forma key figures are unaudited.

CONSOLIDATED KEY FIGURES	Q2/2018	Q2/2017	1-6/2018	1-6/2017	2017
EBITDA margin, %	10.3	11.1	10.5	10.8	10.7
Operating margin, %	5.2	5.6	5.4	5.7	5.3
Comparable return on capital employed, rolling 12 months, %			8.9	11.3	9.9
Capital employed average for 12 months, EUR million			1,646.1	979.0	1,436.4
Total equity, EUR million	1,014.1	1,018.7	1,014.1	1,018.7	1,038.0
Interest-bearing net debt, EUR million	422.2	420.3	422.2	420.3	375.3
Gearing ratio, %	41.6	41.3	41.6	41.3	36.2
Equity/assets ratio, %	42.5	42.0	42.5	42.0	43.3
Net debt/EBITDA, comparable, rolling 12 months			1.6	2.3	1.5
Earnings per share, EUR (before and after dilution)	0.22	0.17	0.44	0.35	0.78
Comparable net profit, EUR million	28.8	29.9	55.1	46.9	104.7
Comparable earnings per share, EUR	0.28	0.26	0.53	0.55	1.09
Operating cash flow per share, EUR	0.29	0.43	0.34	0.78	2.20
Equity per share, EUR	10.5	10.5	10.5	10.5	10.7
Number of shares outstanding at the end of the period	96,073,711	96,073,711	96,073,711	96,073,711	96,073,711
Weighted average number of outstanding shares	96,073,711	96,536,031	96,073,711	73,775,255	84,941,326
Capital expenditure, EUR milllion	31.4	15.4	57.1	26.5	84.6
Average number of employees, FTE	5,900	5,903	5,897	4,327	5,109

Reconciliation of certain key performance measures

RECONCILIATION OF COMPARABLE EBITDA TO OPERATING RESULT, EUR million	Q2/2018	pro forma Q2/2017	1-6/2018	pro forma 1-6/2017	pro forma 2017
Comparable EBITDA	**67.1**	**77.4**	**133.8**	**156.8**	**290.4**
Items affecting comparability					
Items affecting comparability reported historically in EBITDA	-	-	-	-5.4	-1.2
Transaction and integration costs incurred	-5.5	-2.9	-8.3	4.2	-11.7
Gain on business disposal	-	0.7	-	-5.0	-5.0
Other	-1.3	-0.2	-3.5	-0.1	-5.9
Total items affecting comparability	**-6.8**	**-2.4**	**-11.8**	**-6.3**	**-23.8**
Depreciation and amortization	-29.6	-31.7	-59.3	-64.4	-126.5
Operating result pro forma	**30.7**	**43.3**	**62.7**	**86.2**	**140.0**
Operating result of the merged company before the merger and merger related items	-	-11.1	-	-36.5	-36.5
Operating result	**30.7**	**32.3**	**62.7**	**49.7**	**103.5**

RECONCILIATION OF COMPARABLE OPERATING RESULT EXCL. DEPRECIATIONS ARISING FROM MERGER TO OPERATING RESULT, EUR million	Q2/2018	pro forma Q2/2017	1-6/2018	pro forma 1-6/2017	pro forma 2017
Comparable operating result excl. depreciations arising from merger	**45.2**	**53.7**	**89.7**	**108.2**	**195.2**
Depreciation and amortization arising from PPA*	-7.7	-8.0	-15.3	-15.7	-31.4
Comparable operating result	**37.5**	**45.7**	**74.5**	**92.5**	**163.8**
Items affecting comparability					
Items affecting comparability reported historically in operating result	-	-	-	-5.4	-1.2
Transaction and integration costs incurred	-5.5	-2.9	-8.3	4.2	-11.7
Gain on business disposal	-	0.7	-	-5.0	-5.0
Other	-1.3	-0.2	-3.5	-0.1	-5.9
Total items affecting comparability	**-6.8**	**-2.4**	**-11.8**	**-6.3**	**-23.8**
Operating result pro forma	**30.7**	**43.3**	**62.7**	**86.2**	**140.0**
Operating result of the merged company before the merger and merger related items	-	-11.1	-	-36.5	-36.5
Operating result	**30.7**	**32.3**	**62.7**	**49.7**	**103.5**

* Depreciation and amortization relating to business combination of Label and Processing business in 2013 and Ahlstrom in April 2017.

CALCULATION OF KEY FIGURES

Key figure	Definitions	Reason for use of the key figure
Operating result	Net profit before taxes and net financial items	Operating result shows result generated by the operating activities
Operating margin, %	Operating result / net sales	
EBITDA	Operating result before depreciation and amortization	EBITDA is the indicator to measure the performance of the group.
EBITDA margin, %	EBITDA / net sales	EBITDA margin is a key measure in our long-term financial targets.
Comparable EBITDA	EBITDA excluding items affecting comparability	Comparable EBITDA, comparable EBITDA margin, comparable operating result excluding depreciations arising from merger and comparable earnings per share excluding depreciations arising from merger are presented in addition to EBITDA and operating result 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 EBITDA margin, %	Comparable EBITDA / net sales	
Comparable operating result	Operating result excluding items affecting comparability	
Comparable operating result margin, %	Comparable operating result / net sales	
Comparable operating result excluding depreciations arising from merger	Operating result excluding items affecting comparability and depreciations arising from merger (PPA) Merger related items (PPA) comprises of depreciation and amortization charges on fair value adjustments relating to the acquisition of Label and Processing business in 2013 and Ahlstrom in April 2017.	
Comparable earnings per share excluding depreciations arising from merger	Net profit attributable to parent company's shareholders excluding items affecting comparability and depreciations arising from merger (PPA) / weighted average number of shares outstanding	
Items affecting comparability	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, 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.	
Earnings per share (EPS), basic, EUR	Net profit attributable to parent company's shareholders / weighted average number of shares outstanding	
Capital employed	Total equity and total debt	
Comparable return on capital employed, rolling 12 months, %	Comparable operating result (for the last 12 months) / capital employed (average of the last 12 months)	
Net debt	Non-current and current borrowings less cash and cash equivalents	Net debt is an indicator to measure the total external debt financing of the Group
Gearing ratio, %	Net debt / total equity	Ahlstrom-Munksjö believes that Gearing ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's indebtedness. Gearing ratio is also one of our long-term financial targets measure.
Equity/assets ratio, %	Total equity / total assets	Ahlstrom-Munksjö believes that Equity/assets ratio helps to show financial risk level and it is a useful measure for management to monitor the level of Group's capital used in the operations.
Net debt/EBITDA, comparable, rolling 12 months	Net debt / comparable EBITDA (for the last 12 months)	
Comparable net profit	Net profit excluding items affecting comparability	

Key figure	Definitions	Reason for use of the key figure
Comparable earnings per share, EUR	Comparable net profit / weighted average number of shares outstanding	
Equity per share, EUR	Equity attributable to parent company's shareholders / number of shares outstanding at the end of the period	
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 cash flow per share, EUR	Operating cash flow / weighted average number of shares outstanding	

AHLSTROM MUNKSJÖ