

Q2

2022

RECORD HIGH COMPARABLE EBITDA

We present in this January-June 2022 interim report certain financial and other 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"). In the comparison periods, 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 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 June 30, 2022.

In this interim report the Decor business is classified as assets held for sale and a discontinued operation. Unless otherwise noted, all figures refer to continuing operations.

HIGHLIGHTS DURING THE REPORTING PERIOD

- Record high net sales and comparable EBITDA supported by strong progress in transformation related initiatives
- Demand remained on a high level, and cost inflation was successfully managed with commercial and operational excellence initiatives
- The reorganization of the Decor business ownership is estimated to generate cash in excess of EUR 200 million, supporting the Group's liquidity and strategy execution
- Announcement of Ahlstrom-Munksjö's purpose, vision and strategic ambition as well as more ambitious sustainability targets

Q2/2022 compared with Q2/2021, continuing operations

- Net sales increased by 32.6% to EUR 866.4 million (653.5) on higher selling prices
- Comparable EBITDA improved to EUR 130.8 million (84.0), representing 15.1 (12.9) of net sales, on higher margin on variable costs
- Operating result EUR 57.4 million (27.1) including items affecting comparability and other items of EUR -29.8 (-16.3)
- Net result EUR 20.7 million (2.1) including net financial items of EUR -23.2 million (-24.4) and taxes of EUR -13.6 million (-0.5)

Q1-Q2/2022 compared with Q1-Q2/2021, continuing operations

- Net sales increased by 29.3% to EUR 1,647.3 million (pro forma 1,273.6) on higher selling prices
- Comparable EBITDA improved to EUR 237.0 million (pro forma 177.9), representing 14.4 (14.0) of net sales, on higher margin on variable costs.
- Operating result was EUR 88.1 million (reported 19.4) and included items affecting comparability and other items of EUR -62.4 million (reported -58.5)
- Net result was EUR 28.2 million (reported -21.3) including net financial items of EUR -38.7 million (reported -44.5) and taxes of EUR -21.2 million (reported 3.8)

Adjusted last twelve months including discontinued operation¹

- Adjusted EBITDA for the last twelve months was EUR 575.2 million (EUR 518.0 million at March 31, 2022)
- Adjusted net indebtedness was EUR 1,924.3 million (EUR 1,879.4 million at March 31, 2022), translating into a net indebtedness to adjusted EBITDA ratio of 3.3 (3.6 at March 31, 2022).

¹ For the key figure calculation, adjusted EBITDA includes Decor business until transaction completion. For more information on adjusted EBITDA see page 6, 7 and 50.

Q2/2022

COMPARABLE
EBITDA,
CONTINUING
OPERATIONS
MEUR 130.8,
15.1% OF NET
SALES

STRONG
PROGRESS IN
TRANSFORMATION
INITIATIVES

STABLE DEMAND

KEY FIGURES

Key figures, continuing operations	Reported	Reported	Reported	Reported	Pro forma	Pro forma
	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2022	2021	2022	2022	2021	2021
Net sales	866.4	653.5	780.8	1,647.3	1,273.6	2,639.0
Comparable EBITDA	130.8	84.0	106.2	237.0	177.9	345.5
Comparable EBITDA margin, %	15.1	12.9	13.6	14.4	14.0	13.1
EBITDA	100.9	67.7	73.7	174.6	137.0	254.1

Key figures, continuing operations	Reported	Reported	Reported	Reported	Reported	Reported
	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2022	2021	2022	2022	2021	2021
MOVC per ton, EUR ¹	898.1	697.1	793.5	845.7	671.8	706.1
MOVC margin, % ¹	39.1	41.0	38.4	38.8	39.6	39.2
Operating working capital	411.0	293.6	349.8	411.0	293.6	312.1

¹ Q1-Q2 2021 impacted by an inventory adjustment arising from purchase price allocation (PPA) accounting of EUR -31.7 million.

Key figures, including discontinued operation	Reported	Reported	Reported	Reported	Reported	Reported
	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2022	2021	2022	2022	2021	2021
Capital expenditure	38.8	31.9	34.3	73.1	47.9	145.5
Net senior secured indebtedness	1,891.9	1,430.7	1,751.4	1,891.9	1,430.7	1,760.2
Adjusted Net senior secured indebtedness	1,649.7	1,430.7	1,509.2	1,649.7	1,430.7	1,479.2
Net indebtedness	2,166.6	1,731.1	2,121.6	2,166.6	1,731.1	2,084.2
Adjusted Net indebtedness	1,924.3	1,731.1	1,879.4	1,924.3	1,731.1	1,803.1
Ratio of net senior secured indebtedness to adjusted EBITDA ¹	2.9	3.1	2.9	2.9	3.1	3.0
Ratio of net indebtedness to adjusted EBITDA ¹	3.3	3.8	3.6	3.3	3.8	3.6

¹ Historical data for the LTM before the acquisition is from Ahlstrom-Munksjö historical numbers

Key figures, including discontinued operation	Adjusted LTM	Adjusted LTM	Adjusted LTM	Adjusted LTM
	Q2	Q2	Q1	Q4
EUR million, or as indicated	2022	2021	2022	2021
Adjusted EBITDA (LTM) ¹	575.2	454.3	518.0	494.9
Adjusted EBITDA margin (LTM), % ¹	16.4	16.1	15.8	16.1
Interest expenses (LTM) ²	-107.1	-88.0	-98.3	-91.6

¹ Historical data for the LTM before the acquisition is from Ahlstrom-Munksjö historical numbers

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

Ahlstrom-Munksjö Holding 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) and they are called "comparable" or adding adjustments and they are called "adjusted". More details on APMs and key figures are available in the appendix 2. Reported, IFRS based numbers are available in appendix 1. Pro forma is available in appendix 3.

FINANCIAL PERFORMANCE

Net sales by business area, continuing operations	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2022	2021	2022	2022	2021	2021
Filtration & Performance Solutions	247.0	192.5	216.7	463.7	373.0	770.0
Advanced Solutions	155.7	123.4	148.5	304.2	249.3	493.5
Industrial Solutions	270.6	195.9	240.3	510.9	376.2	779.4
Food Packaging & Technical Solutions	204.0	152.8	184.9	388.8	293.2	628.9
Other and eliminations and pro forma foreign exchange impact	-10.8	-11.1	-9.6	-20.3	-18.1	-32.9
Pro forma continuing operations, total	866.4	653.5	780.8	1,647.3	1,273.6	2,639.0
Pro forma impact	—	—	—	—	-226.4	-226.4
Continuing operations, total	866.4	653.5	780.8	1,647.3	1,047.2	2,412.6

Comparable EBITDA by business area, continuing operations	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2022	2021	2022	2022	2021	2021
Filtration & Performance Solutions	48.9	40.1	40.8	89.8	80.5	155.7
Advanced Solutions	21.7	18.7	17.0	38.7	37.5	65.9
Industrial Solutions	43.8	20.0	32.5	76.3	41.1	94.4
Food Packaging & Technical Solutions	24.7	10.3	21.7	46.4	26.6	47.7
Other and eliminations and pro forma foreign exchange impact	-8.3	-5.1	-5.8	-14.2	-7.8	-18.2
Pro forma continuing operations, total	130.8	84.0	106.2	237.0	177.9	345.5
Pro forma impact	—	—	—	—	-30.9	-30.9
Continuing operations, total	130.8	84.0	106.2	237.0	147.0	314.6

Comparable EBITDA margin by business area, continuing operations	Q2	Q2	Q1	Q1-Q2	Q1-Q2	Q1-Q4
%	2022	2021	2022	2022	2021	2021
Filtration & Performance Solutions	19.8	20.8	18.8	19.4	21.6	20.2
Advanced Solutions	14.0	15.1	11.4	12.7	15.0	13.3
Industrial Solutions	16.2	10.2	13.5	14.9	10.9	12.1
Food Packaging & Technical Solutions	12.1	6.7	11.8	11.9	9.1	7.6
Pro forma continuing operations, total	15.1	12.9	13.6	14.4	14.0	13.1
Continuing operations, total	15.1	12.9	13.6	14.4	14.0	13.0

FINANCIAL RESULT APRIL-JUNE 2022

Compared with April-June 2021, continuing operations

Net sales increased by 32.6% to EUR 866.4 million (653.5). At constant currency rates the increase was 25.2%, driven by higher selling prices.

Comparable EBITDA increased to EUR 130.8 million (84.0), representing 15.1% of net sales (12.9). Margin on variable costs improved as higher selling prices and measures that have improved variable cost efficiency more than offset the negative impact of higher input costs. Fixed costs increased.

EBITDA was EUR 100.9 million (67.7). Items affecting comparability (IACs) and owners' management fee in EBITDA totaled EUR -29.8 million (-16.3), and included mainly transformation costs related to initiatives driven by the owners.

The operating result was EUR 57.4 million (27.1). Depreciation, amortization and impairment amounted to EUR -43.5 million (-40.6), including depreciation and amortization arising from PPA of EUR -16.2 million (-15.4).

Net financial items were EUR -23.2 million (-24.4). This figure includes net interest expenses of EUR -30.0 million (-21.8), a currency exchange gain of EUR 1.7 million (0.4) and other financial items of EUR 5.2 million (-3.0).

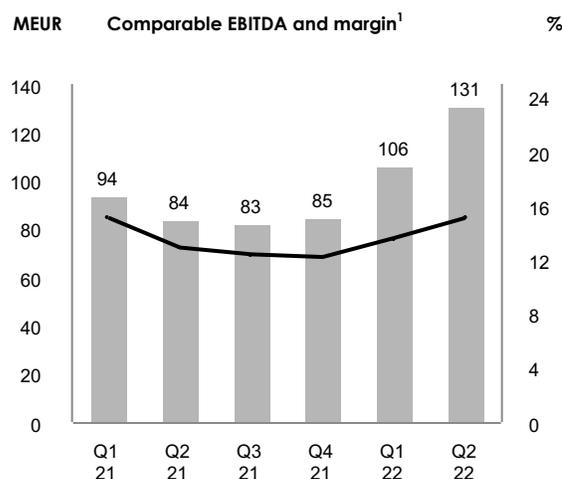
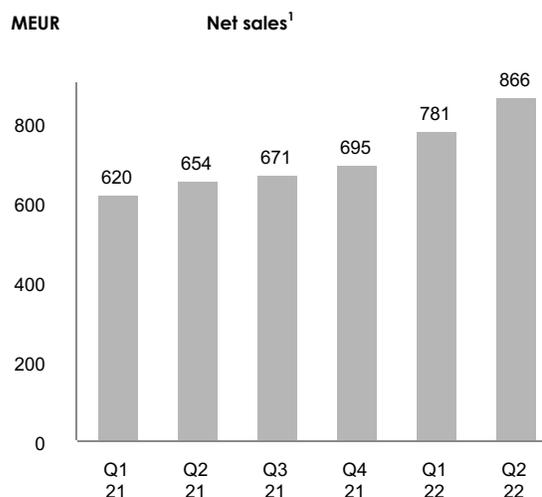
The result before taxes was EUR 34.3 million (2.7). Taxes amounted to EUR -13.6 million (-0.5). The net result was EUR 20.7 million (2.1).

Continuing operations and discontinued operation

Adjusted EBITDA including discontinued operation amounted to EUR 575.2 million for the last twelve months (LTM) ending June 30, 2022 (EUR 518.0 million LTM ending March 31, 2022). The increase is mainly explained by higher comparable EBITDA (LTM).

Comparison with January-March 2022, continuing operations

Comparable EBITDA increased. Margin on variable costs improved as higher selling prices more than offset the negative impact of increased input costs.



¹ Q1 2021 Ahlstrom-Munksjö Holding pro forma, all the figures are for continuing operations.

Reconciliation of EBITDA to comparable EBITDA	Reported Q2 2022	Reported Q2 2021	Reported Q1 2022	Reported Q1-Q2 2022	Pro forma ¹ Q1-Q2 2021	Pro forma ¹ Q1-Q4 2021
EUR million						
Continuing operations						
Net result	20.7	2.1	7.5	28.2	1.5	-49.4
Taxes	-13.6	-0.5	-7.6	-21.2	0.5	-20.7
Net financial items	-23.2	-24.4	-15.6	-38.7	-52.7	-112.8
Operating result	57.4	27.1	30.7	88.1	53.7	84.1
Depreciation, amortization and impairment	-43.5	-40.6	-43.0	-86.5	-83.3	-169.8
EBITDA	100.9	67.7	73.7	174.6	137.0	254.1
Transaction costs	-0.2	-1.6	-3.1	-3.3	-26.0	-30.2
Transformation costs	-27.3	-12.0	-26.7	-54.0	-11.9	-50.0
Restructuring costs	-0.9	-0.3	-1.1	-1.9	-0.3	-6.5
Net gain/loss on business disposal and other related items	—	—	—	—	—	0.9
Other	0.0	0.3	-0.2	-0.3	—	-0.3
Total items affecting comparability (IAC) in EBITDA	-28.4	-13.6	-31.1	-59.4	-38.2	-86.1
Management fee to owners ²	-1.5	-2.8	-1.5	-3.0	-2.8	-5.2
Total IAC in EBITDA and management fee	-29.8	-16.3	-32.5	-62.4	-40.9	-91.3
Comparable EBITDA, continuing operations	130.8	84.0	106.2	237.0	177.9	345.5
Comparable EBITDA, discontinued operation	15.6	11.8	16.1	31.8	25.6	52.8
Comparable EBITDA, continuing and discontinued operation	146.4	95.8	122.3	268.7	203.5	398.3

¹ Full reconciliation is available in appendix 3.

² 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.

Reconciliation of Comparable EBITDA (LTM) to adjusted EBITDA (LTM), continuing and discontinued operations	Adjusted LTM Q2 2022	Adjusted LTM Q2 2021	Adjusted LTM Q1 2022	Adjusted LTM Q1-Q4 2021
EUR million				
Comparable EBITDA (LTM) Pro forma	463.3	372.0	413.1	398.3
Pro forma foreign exchange impact	—	-0.1	-0.1	-0.3
Comparable EBITDA (LTM)	463.3	371.9	413.0	398.0
One off and other adjustments ¹	-1.5	2.1	-1.5	-3.7
Covid-19 normalization	—	2.4	—	—
FY20 initiatives	—	5.0	—	—
FY21 initiatives ²	3.5	54.1	8.9	21.9
FY22 initiatives ³	76.3	18.8	77.1	78.8
FY23 initiatives ⁴	33.6	—	20.5	—
Adjusted EBITDA (LTM)	575.2	454.3	518.0	494.9

Adjusted EBITDA is not identified as an accounting measurement in 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 Sponsor 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 the other individually not material one-off and other adjustments.

² Comprises of a number of initiatives focusing on better managing of indirect spends and improving efficiencies. 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. Indirect savings (EUR 1.7 million) represent the biggest part (48.0%) of the run rate savings started in 2021 and not yet included in EBITDA, 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. Continuous improvement, mainly related to reducing waste and improving operational efficiencies at the plants (EUR 1.1 million) are the second biggest contributor (31.2%) of the projects started in 2021.

³ Most of the savings for FY22 initiatives are from post transformation review focused on materials (Fibers & Chemicals), indirect spend, and continuous improvement. These savings will be implemented over the course of FY22 and the full run rate benefit will be achieved 12 months from the date of implementation. Fibers projects (EUR 18.5 million, 24.2%) 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 8.3 million, 10.8%), savings mainly come from latex mix optimization, extender usage increases in Decor business, better negotiated price on resale of chemical wastes, and reducing the import taxes in South America (sourcing from different countries). Indirect savings (EUR 18.3 million, 23.9%) includes optimization of annual shutdowns, global consolidation and spend transparency initiatives specifically in IT and Travel, and waste to landfill reductions. Continuous Improvement savings (EUR 16.6 million, 21.8%) include various waste reduction, recycling/resale, and material optimization initiatives.

⁴ Consists of initiatives to be implemented with EBITDA benefits not planned until FY23, driven mainly by Continuous Improvement, Fibers, and Energy. Continuous improvement projects (EUR 11.3 million, 33.5%) are expected to deliver the most savings, focused on investments at the Wisconsin plants specific to ESG, pulp mill upgrades, and general equipment and facilities improvements. Fiber savings (EUR 8.0 million, 23.9%) include dual sourcing for competitive pricing (EUR 2.6 million) and recipe mix optimization (EUR 0.7 million). Calculated as if the transaction of acquiring Ahlstrom-Munksjö Oyj had been completed in the beginning of 2020. Energy is expected to be the third biggest contributor (EUR 6.1 million, 18.1%) focused on energy optimization, a good portion requiring investment.

FINANCIAL RESULT JANUARY-JUNE 2022

Compared with pro forma January–June 2021, continuing operations

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

Net sales increased by 29.3% to EUR 1,647.3 million (1,273.6)). At constant currency rates the increase was 23.2%, driven mainly by higher selling prices.

Comparable EBITDA increased to EUR 237.0 million (177.9), representing 14.4% of net sales (14.0). Margin on variable costs improved as higher selling prices and measures that have improved variable cost efficiency more than offset the negative impact of higher input costs. Fixed costs increased.

Compared with reported January–June 2021, continuing operations

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

The margin on variable costs (MOVC) was EUR 845.7 (671.8) per ton and was impacted by both an increase in variable costs and higher selling prices.

EBITDA was EUR 174.6 million (88.5). Items affecting comparability (IACs) and owners' management fee in EBITDA totaled EUR -62.4 million (-58.5), and included mainly transformation costs related to initiatives driven by the owners.

The operating result was EUR 88.1 million (19.4). Depreciation, amortization and impairment losses amounted to EUR -86.5 million (-69.1), including depreciation and amortization arising from PPA of EUR -32.0 million (-25.7).

Net financial items were EUR -38.7 million (-44.5). This figure includes net interest expenses of EUR -58.7 million (-36.4), a currency exchange gain of EUR 4.6 million (-3.1) and other financial items of EUR 15.4 million (-5.0).

The result before taxes was EUR 49.4 million (-25.1). Taxes amounted to EUR -21.2 million (3.8). The net result was EUR 28.2 million (-21.3).

CASH FLOW AND FINANCING

Cash flow and capital expenditure, continuing operations and discontinued operation, April–June 2022

Net cash from operating activities amounted to EUR 48.7 million (33.0). Cash flow was negatively impacted by an increase in working capital, which was affected by inflation and longer lead times as well as certain timing issues, and items affecting comparability relating to the transformation initiatives.

Capital expenditure excluding acquisitions totaled EUR -38.8 million (-31.9) and were related to growth initiatives, efficiency improvements and maintenance.

Free cash flow was EUR 131.2 million (83.4), calculated as comparable EBITDA minus maintenance capital expenditure, and cash conversion was 89.7% (87.0%), calculated as free cash flow divided by comparable EBITDA.

Cash flow and capital expenditure, continuing operations and discontinued operation, January–June 2022

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

Net cash from operating activities amounted to EUR 82.2 million (-8.1), and was negatively impacted by items affecting comparability, relating to the transformation initiatives, and an increase in working capital, which was affected by inflation and longer lead times as well as certain timing issues. Capital expenditure excluding acquisitions totaled EUR -73.1 million (-47.9) and were related to growth initiatives, efficiency improvements and maintenance.

Free cash flow was EUR 241.1 million (146.7), calculated as comparable EBITDA minus maintenance capital expenditure, and cash conversion was 89.7% (88.0%), calculated as free cash flow divided by comparable EBITDA.

Financing and indebtedness, including discontinued operation, January–June 2022

Cash flow from financing activities for Ahlstrom-Munksjö Holding was EUR 20.5 million (1,783.5) for January–June 2022. During the period, the Group raised EUR 60 million as an add-on to its existing senior term loan facility (TLB1) maturing in February 2028, and repaid maturing notes under the Finnish Commercial Paper Program with available cash.

On June 30, 2022, total equity was EUR 1,058.7 million (1,049.9, on December 31, 2021). The total equity was positively impacted by the net result and consolidation of Minglian New Materials Technology non-controlling interest, while reduced by cash distributions by way of return of equity.

Ahlstrom-Munksjö's liquidity continues to be good. At the end of the review period, the total cash position was EUR 164.1 million (162.6 on December 31, 2021). The principal sources of liquidity were cash flow from operating activities, committed and uncommitted lines, as well as a Finnish Commercial Paper Program and a factoring arrangement.

At the end of the reporting period, Ahlstrom-Munksjö Holding's adjusted net indebtedness was EUR 1,924.3 million (1,731.1 on June 30, 2021 and 1,803.1 on December 31, 2021), translating into a net indebtedness to adjusted EBITDA ratio of 3.3 (3.8).

ACQUISITION OF AHLSTROM-MUNKSJÖ

ACQUISITION OF AHLSTROM-MUNKSJÖ

On September 24, 2020, Spa Holdings 3 Oy (renamed Ahlstrom-Munksjö Holding 3 Oy in August 2021), 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. Spa Holdings 3 Oy received an ownership of more than 90% on February 4, 2021 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 June 23, 2021 it was announced that Spa 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 June 23 from the official list of Nasdaq Helsinki.

On February 25, 2022, the arbitral tribunal appointed by the Redemption Board of the Finland Chamber of Commerce rendered its decision according to which 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. This was EUR 39.9 million in excess of the EUR 191.9 million

redemption liability that had been recognized in Ahlstrom-Munksjö Holding's financial statements. The additional payment liability was recognized in Q1/2022 interim financial statements. The excess did 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 increased by EUR 39.9 million.

On April 29, 2022, Ahlstrom-Munksjö Holding 3 Oy filed an appeal with the District Court of Helsinki, requesting the District Court to confirm the redemption price of the minority shares in Ahlstrom-Munksjö to be EUR 17.84 per share. The requested redemption price of EUR 17.84 corresponds with the price offered in the public tender offer.

Amongst others, the trustee who represents the minority shareholders, has also filed their appeal with the District Court. The current estimate is that the District Court will issue its judgement by the end of June 2023. The judgement may, however, still be appealed to the Supreme Court, if the latter grants leave to appeal, in which case the appeal proceedings could last until the end of 2024 or the beginning of 2025. According to the Companies Act, the redemption price falls due after a month has passed from the judgement on redemption becoming *res judicata*, i.e. non-appealable. The unpaid redemption price is subject to interest corresponding to the applicable reference rate, which is currently 0% and is adjusted bi-annually. However, the redemption price may be paid up to the undisputed price of EUR 17.84 per share already during the course of the appeal proceedings.

PERSONNEL

At the end of the reporting period, Ahlstrom-Munksjö including discontinued operation employed 8,073 (7,974) people. The highest numbers of employees were in the United States (30%), France (19%), Sweden (10%), Brazil (8%) and Germany (7%).

EVENTS DURING THE REPORTING PERIOD

AGREEMENT TO ACQUIRE 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.

By combining Minglian with its existing Decor business, Ahlstrom-Munksjö creates a global leader in decor papers with improved cost competitiveness and strong presence in Europe, Americas and Asia.

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.

ISSUE OF ADD-ON TO EXISTING SENIOR TERM LOAN FACILITY

On February 16, 2022, Ahlstrom-Munksjö Holding 3 Oy announced it had entered into an agreement with certain investors pursuant to which it will raise EUR 60 million as an add-on to its existing senior term loan facility (TLB1) maturing in February 2028. The loan was drawn in March, and the amount drawn was EUR 60 million. The proceeds are planned to be used for the general corporate purposes of the group, including a targeted strategic acquisition.

ANNUAL GENERAL MEETING

On April 6, 2022, it was resolved in a sole shareholder meeting to adopt the Financial Statements for the year 2021 and to grant the members of the Board of Directors discharge from the financial year 2021. It was resolved also to authorize the Board of Directors to decide on the distribution of funds in one or several tranches from the company's invested unrestricted equity fund up to an aggregate maximum of EUR 34.2 million. The authorization is in force until the beginning of the company's Annual General Meeting 2023.

RETURN OF EQUITY

On April 27, 2022, Ahlstrom-Munksjö Holding 3 Oy decided on a cash distribution in the aggregate amount of EUR 8,251,378.61 by way of return of equity from invested unrestricted equity reserve. Payment was made on April 29, 2022.

ARBITRATION AWARD IN THE REDEMPTION PROCEEDINGS CONCERNING THE MINORITY SHARES IN AHLSTROM-MUNKSJÖ OYJ

On April 29, 2022, Ahlstrom-Munksjö Holding 3 Oy filed an appeal with the District Court of Helsinki, requesting the District Court to confirm the redemption price of the minority shares in Ahlstrom-Munksjö to be EUR 17.84 per share, which corresponds with the price offered in the public tender offer. For more information, see section Acquisition of Ahlstrom-Munksjö.

REORGANIZATION OF DECOR BUSINESS OWNERSHIP AND CHANGE OF BUSINESS NAME

On May 23, 2022, Ahlstrom-Munksjö Holding 3 Oy's Board of Directors agreed an ownership reorganization plan under which the former Decor business will be divested from Ahlstrom-Munksjö Holding to a newly formed company that will be named Munksjö. The new Munksjö company will be owned by Ahlstrom-Munksjö Holding with a 25% share, and Ahlstrom Capital BV (wholly owned subsidiary of Ahlström Capital Oy) and Nidoco AB, both of which are affiliates of the current minority owners of Ahlstrom-Munksjö Holding, with a combined share of 75%. The transaction is expected to be completed during the second half of 2022, following which Ahlstrom-Munksjö Holding will start preparing plans for changing its business name to Ahlstrom.

The reorganization of the ownership of the Decor business is estimated to generate cash in excess of EUR 200 million, supporting the Group's liquidity and strategy execution.

Based on the strategic review of the Decor business the board has concluded that a standalone company would provide the best framework for the future development of this business. As separate companies, the increased management and board focus will support the newly named Ahlstrom and Munksjö in achieving further sustainable growth and profitability through a more focused and ambitious agenda on a global basis. Once the reorganization has been completed, both companies will offer distinctive characteristics that are expected to attract investors, provide access to new capital and drive increased value. Ahlstrom-Munksjö has actively developed its Decor business over the years, by establishing a strong growth platform in South America through the acquisition of Caieiras's specialty paper mill in Brazil, and more recently by entering the world's largest and fastest growing decor paper market in China through the acquisition of the decor paper manufacturer Minglian New Materials Technology in Xingtai, Hebei Province. Through these strategic acquisitions, the Decor business has become a leading international player, well positioned to serve its customers in all essential decor paper markets globally. As a standalone company the Decor business will accelerate its growth, strengthen its competitiveness and global leadership in innovation. The Decor business has operated under the Munksjö brand for more than 25 years, and although lately under the Ahlstrom-Munksjö brand, the business is most commonly known as simply "Munksjö", a brand recognized for outstanding quality and service across the decor industry.

As of the second quarter report, Decor business is classified as assets held for sale and a discontinued operation. Based on current estimate of the transaction price and net assets to be sold, Ahlstrom-Munksjö Holding has booked an impairment loss on goodwill in the second quarter results. The loss is reported as part of the discontinued operation and does not impact comparable EBITDA. The transaction is estimated to have only a limited impact on net indebtedness to adjusted EBITDA ratio. Financials of the discontinued operation are presented in appendix 1, note 5.

AHLSTROM-MUNKSJÖ'S PURPOSE AND STRATEGY

On June 15, Ahlstrom-Munksjö announced its newly defined purpose and vision, as well as strategic ambition for 2025 and new sustainability targets. Through a clearly defined purpose and a sharper strategic focus the company is accelerating its strategy execution with the vision to become the Preferred Sustainable Specialty Materials Company. Its strategic ambition for 2025 is to become the leader in combining fibers into performance materials that serve its newly defined purpose to Purify and Protect, with Every Fiber, for a Sustainable World.

On May 10, 2022, Ahlstrom-Munksjö announced it will implement a new operating model and reporting structure, effective as of July 2022, to effectively carry out the work and build a stronger company for a sustainable future and capture the significant opportunities both to grow and improve profitability. Based on end-market focus, Ahlstrom-Munksjö will operate under five divisions; Filtration, Food & Consumer Packaging, Healthcare, Building Materials and Technical Materials. A new Chief Operating Officer function has been established to provide businesses with enhanced support and services and capture synergies across the Group.

EVENTS AFTER THE REPORTING PERIOD

RETURN OF EQUITY

On July 28, 2022, Ahlstrom-Munksjö Holding 3 Oy decided on two cash distributions of EUR 8,447,267.78 and EUR 7,682,447.23, respectively, by way of return of equity from invested unrestricted equity reserve. Payments were made on August 1, 2022. The former was pursuant to the authorization to the Board of April 6, 2022 to decide on the distribution up to an aggregate maximum of EUR 34.2 million until the beginning of the company's Annual General Meeting 2023. The latter amount was an additional distribution decided separately by the shareholder of Ahlstrom-Munksjö Holding 3 Oy on July 28, 2022.

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.

Over the past two years, the coronavirus pandemic has been a 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 an important determinant for if and the way consumers life will permanently change, as well as affect future business opportunities. In 2022, the economic repercussions of the war in Ukraine has become the main source of increased uncertainty as the geopolitical situation has significantly changed.

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, financial risks, as well as other business factors including developments in global politics, regulations and the financial markets. As a result of the rebound in economic activity, demand for resources, labor, and transportation has increased, while the worldwide supply chain continues to be affected by challenges related to the COVID-19 pandemic, which has led to price increases, disruptions, and tight supply chains. Russia's war in Ukraine could further aggravate the situation if the repercussions cause unmanageable cost inflation or, by extension, a weakening in global demand. Energy markets have already been affected, noticeably in Europe where gas availability has decreased. The company has initiated capital investments into alternative energy technology to reduce its exposure to curtailments of Russian gas supply and risk of production interruptions.

The Group's direct exposure to Russia, Ukraine and Belarus is small and relates predominately to one plant in the city of Tver in Russia. The plant produces glass fiber tissue primarily for flooring applications and serves Western European and American building materials companies locally. Fixed assets make up 0.5% of the Group's total assets. Russia and Belarus together accounted for 1.4% and Ukraine 0.1% of the group's pro forma net sales in 2021, including discontinued operations. Ahlstrom-Munksjö does no longer accept new orders from Russia and Belarus.

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 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.

ADDITIONAL INFORMATION AT AHLSTROM-MUNKSJÖ

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COMBINED AUDIOCAST AND TELECONFERENCE

A combined audiocast and teleconference will be held on August 26, 12:00 EEST (11:00 CEST).

<https://ahlstrom-munksjo.videosync.fi/2022-q2>

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Participant PIN: 587635

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

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.

APPENDIX 1: CONSOLIDATED FINANCIAL STATEMENTS

This interim report presents the condensed consolidated interim results, financial position and cash flows of Ahlstrom-Munksjö Holding for January-June 2022 ('interim report'). In the comparison periods, Ahlstrom-Munksjö is consolidated from the date of acquisition on February 4, 2021. This interim report also applies IFRS 5 Non-current assets held for sale and discontinued operations separating continuing and discontinued operations per standard requirements for the applicable periods as Decor business is classified as assets held for sale and a discontinued operation. All figures in this interim report are concerning continuing operations unless otherwise stated.

These interim financial statements are unaudited.

INCOME STATEMENT		Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	Note	2022	2021	2022	2021	2021
Continuing operations						
Net sales	6, 7	866.4	653.5	1,647.3	1,047.2	2,412.6
Cost of goods sold		-711.9	-549.5	-1,362.9	-895.1	-2,064.5
Gross profit		154.6	104.1	284.3	152.1	348.1
Sales, R&D and administrative expenses		-84.8	-65.3	-170.9	-112.0	-255.2
Other operating income	8	4.7	4.4	7.8	6.2	18.4
Other operating expense	9	-17.1	-16.1	-33.2	-26.9	-61.5
Share of profit in equity accounted investments		—	—	—	—	-0.1
Operating result		57.4	27.1	88.1	19.4	49.8
Net financial items		-23.2	-24.4	-38.7	-44.5	-105.1
Result before taxes		34.3	2.7	49.4	-25.1	-55.3
Income taxes		-13.6	-0.5	-21.2	3.8	-17.2
Net result from continuing operations		20.7	2.1	28.2	-21.3	-72.4
Discontinued operation						
Net result from discontinued operation	5	-104.3	3.6	-97.8	3.0	15.0
Net result		-83.7	5.7	-69.6	-18.3	-57.4

The notes are an integral part of the financial statements.

STATEMENT OF COMPREHENSIVE INCOME					
EUR million	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Net result	-83.7	5.7	-69.6	-18.3	-57.4
Other comprehensive income, continuing operations					
Items that may be reclassified to income statement					
Exchange differences on translation of foreign operations	85.1	6.9	112.4	20.9	51.2
Hedges of net investments in foreign operations	-35.6	6.6	-45.9	-6.1	-30.0
Change in cash flow hedge reserve	-6.7	1.0	-8.0	0.1	-2.5
Cash flow hedge transferred to this year's result	1.8	-1.1	3.5	-2.0	-1.5
Income taxes to items that may be reclassified	8.1	-1.3	10.1	1.6	6.7
Items that will not be reclassified to income statement					
Actuarial gains and losses on defined benefit plans	0.5	0.5	-2.1	6.0	13.3
Income taxes to items that will not be reclassified	-0.2	-0.1	0.5	-1.4	-3.1
Other comprehensive income, continuing operations	53.0	12.5	70.6	19.1	34.1
Other comprehensive income, discontinued operation	6.5	-2.1	8.3	-0.5	2.2
Other comprehensive income	59.5	10.3	78.9	18.6	36.3
Comprehensive income	-24.2	16.0	9.3	0.4	-21.1
Net result attributable to					
Parent company's shareholders	-83.4	5.5	-69.3	-18.6	-57.8
Non-controlling interests	-0.2	0.2	-0.3	0.4	0.4
Comprehensive income attributable to					
Parent company's shareholders	-24.2	15.8	8.7	0.0	-22.1
Non-controlling interests	0.1	0.2	0.6	0.4	1.0

The notes are an integral part of the financial statements.

BALANCE SHEET		Jun 30,	Jun 30,	Dec 31,
EUR million	Note	2022	2021	2021
ASSETS				
Non-current assets				
Property, plant and equipment	10	1,097.0	1,187.4	1,214.5
Right-of-use assets	11	40.2	46.0	44.9
Goodwill	12	1,144.7	1,180.1	1,169.3
Other intangible assets	13	832.5	853.1	857.5
Equity accounted investments		1.1	1.2	1.1
Other non-current assets		81.6	36.1	57.6
Deferred tax assets		2.4	16.1	2.4
Total non-current assets		3,199.5	3,319.9	3,347.1
Current assets				
Inventories		421.0	404.1	440.7
Trade and other receivables		581.8	336.9	599.9
Income tax receivables		12.4	15.1	17.4
Cash and cash equivalents	14	157.2	182.2	162.6
Total current assets		1,172.4	938.3	1,220.6
Assets classified as held for sale	5	459.9	—	—
TOTAL ASSETS		4,831.7	4,258.2	4,567.7
EQUITY AND LIABILITIES				
Equity				
Equity attributable to parent company's shareholders		1,029.4	1,085.2	1,037.2
Non-controlling interests		29.3	12.1	12.7
Total equity		1,058.7	1,097.3	1,049.9
Non-current liabilities				
Non-current borrowings	14	2,067.3	1,664.9	1,954.7
Non-current lease liabilities	14	28.6	34.2	32.6
Other non-current liabilities		2.0	6.7	1.7
Employee benefit obligations		68.2	96.8	83.3
Deferred tax liabilities		229.0	243.5	250.0
Non-current provisions		21.4	26.5	20.4
Total non-current liabilities		2,416.6	2,072.6	2,342.6
Current liabilities				
Current borrowings	14	188.9	200.9	246.3
Current lease liabilities	14	12.8	13.3	13.3
Trade and other payables		953.9	847.5	886.4
Income tax liabilities		13.2	9.8	12.7
Current provisions		15.8	16.8	16.6
Total current liabilities		1,184.6	1,088.3	1,175.2
Liabilities directly associated with assets held for sale	5	171.9	—	—
Total liabilities		3,773.0	3,160.9	3,517.8
TOTAL EQUITY AND LIABILITIES		4,831.7	4,258.2	4,567.7

The notes are an integral part of the financial statements.

STATEMENT OF CHANGES IN EQUITY

EUR million	Reserve for invested unrestricted equity	Other reserves	Cumulative translation adjustment	Retained earnings	Total equity attributable to parent company's shareholders	Non-controlling interest	Total equity
Equity at January 1, 2021	36.3	—	—	-35.7	0.7	—	0.7
Net result	—	—	—	-18.6	-18.6	0.4	-18.3
Other comprehensive income, net of tax	—	-6.4	20.4	4.6	18.6	0.1	18.6
Total comprehensive income	—	-6.4	20.4	-14.0	-0.0	0.4	0.4
Business combination	—	—	—	—	—	12.0	12.0
Equity contribution	1,084.6	—	—	—	1,084.6	—	1,084.6
Dividends and other	—	—	—	—	—	-0.3	-0.3
Equity at June 30, 2021	1,120.9	-6.4	20.4	-49.7	1,085.2	12.1	1,097.3
Equity at January 1, 2022	1,095.3	-27.2	52.4	-83.2	1,037.2	12.7	1,049.9
Net result	—	—	—	-69.3	-69.3	-0.3	-69.6
Other comprehensive income, net of tax	—	-40.3	119.9	-1.6	78.0	0.9	78.9
Total comprehensive income	—	-40.3	119.9	-70.9	8.7	0.6	9.3
Business combination	—	—	—	—	—	16.4	16.4
Return of equity, dividend and other	-16.6	—	—	—	-16.6	-0.3	-16.9
Equity at June 30, 2022	1,078.7	-67.5	172.3	-154.2	1,029.4	29.3	1,058.7

The notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2022	2021	2022	2021	2021
Cash flow from operating activities					
Net result	-83.7	5.7	-69.6	-18.3	-57.4
Adjustments, total	198.0	70.9	272.4	117.8	297.0
Changes in net working capital	-16.6	11.2	-36.7	-37.4	-30.2
Change in provisions	-0.9	-4.6	-2.0	-5.4	-5.5
Interest paid	-32.0	-32.2	-53.8	-42.8	-75.3
Other financial items	-6.6	-2.3	-15.0	-4.1	-16.3
Income taxes paid	-9.5	-15.6	-13.0	-18.0	-29.1
Net cash from operating activities	48.7	33.0	82.2	-8.1	83.3
Cash flow from investing activities					
Acquisition of Ahlstrom-Munksjö, net of cash acquired	—	—	—	-1,577.4	-1,577.4
Payment for acquisition of businesses and subsidiaries, net of cash acquired	—	—	-34.5	—	-8.4
Purchases of property, plant and equipment and intangible assets	-38.8	-31.9	-73.1	-47.9	-145.5
Proceeds from disposal of shares in Group companies and businesses and associated	—	—	—	—	1.8
Other investing activities	0.0	0.3	0.0	0.4	1.8
Net cash from investing activities	-38.8	-31.6	-107.6	-1,624.9	-1,727.7
Cash flow from financing activities					
Equity contribution	—	—	—	1,084.6	1,084.6
Return of equity	-8.3	—	-16.6	—	-25.7
Dividends paid and other	—	-0.1	-0.3	-2.5	-2.6
Hybrid bond interests	—	—	—	-4.5	-4.5
Changes in borrowings and other financial activities	-87.7	-260.4	37.4	706.0	723.3
Net cash from financing activities	-95.9	-260.6	20.5	1,783.5	1,775.1
Net change in cash and cash equivalents	-86.0	-259.1	-4.9	150.5	130.6
Cash and cash equivalents at the beginning of the period	245.8	440.9	162.6	30.7	30.7
Foreign exchange effect on cash and cash equivalents	4.3	0.4	6.4	1.0	1.3
Cash and cash equivalents at the end of the period¹	164.1	182.2	164.1	182.2	162.6

¹ Periods of Q1 2022 and Q1-Q2 2022 including cash and cash equivalents of discontinued operation amounting to EUR 6.9 million.

1. General information

Ahlstrom-Munksjö Holding 3 Oy (previously named Spa Holdings 3 Oy) is the parent company (the "Issuer", "parent company") of the Ahlstrom-Munksjö 3 Group ("Ahlstrom-Munksjö Holding", "Group", "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 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 Group ("Ahlstrom-Munksjö") and financing for the acquisition.

Ahlstrom-Munksjö is a global leader in fiber-based materials, supplying innovative and sustainable solutions worldwide. Ahlstrom-Munksjö's offerings include filter materials, release liners, food and beverage processing materials, decor papers, 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.

2. Form and content of interim financial statements (Basis of presentation)

The condensed interim consolidated financial statements ("interim report") January-June 2022, approved by the Board of Directors of Ahlstrom-Munksjö Holding 3 Oy have been prepared solely for the purpose of reporting to the parent company's bondholders. The condensed consolidated interim results, financial position and cash flows of Ahlstrom-Munksjö Holding for January-June 2022, January-June 2021 and for the year 2021 presented herein have been prepared in accordance with IFRS, as adopted by the EU. The condensed interim consolidated financial statements have been prepared in accordance with "IAS 34 Interim Financial Reporting", as adopted by the EU.

The condensed interim consolidated financial statements are presented in millions of euros and consist of the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of cash flows, the consolidated statement of changes in equity, and the explanatory notes. All figures in the interim report have been rounded and consequently the total of individual figures can deviate from the presented totals. Furthermore, all percentages are subject to possible rounding differences.

When comparing the results of Ahlstrom-Munksjö Holding in January-June 2022 and January-June 2021, Ahlstrom-Munksjö's income and expenses have been included in the consolidated financials of Ahlstrom-Munksjö Holding on and forwards of February 4, 2021 which is the date of Ahlstrom-Munksjö Holding acquiring control over Ahlstrom-Munksjö.

Discontinued operations - Decor business

Ahlstrom-Munksjö Holding reports the Decor business as a discontinued operation according to IFRS 5 Non-current assets held for sale and discontinued operations. All figures in this interim report are concerning continuing operations unless otherwise stated. See more details in note 3 and note 5.

3. Accounting principles

The accounting principles applied are consistent with those followed in the preparation of the Ahlstrom-Munksjö Holding audited consolidated financial statements for the year 2021 except for the following addition:

Discontinued operation

Non-current assets or a disposal group are classified as held for sale if their carrying amount will be recovered principally through the disposal of the assets and the sale is highly probable. If their carrying amount will be recovered principally through their disposal rather than through their continuing use, they are measured at the lower of carrying amount and fair value less cost to sell. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

The comparative information in the income statement is re-presented for operations classified as discontinued during the latest financial period being reported. Consequently, the result of discontinued operations is presented as a separate line item also for the comparatives. In the previous quarters the

Group didn't have discontinued operations. Although intra-group transactions have been fully eliminated in the consolidated financial results, the Group has elected to attribute the elimination of transactions between the continuing operations and the discontinued operation before the disposal in a way that reflects the continuance of these transactions subsequent to the disposal.

Following the ownership reorganization of the Decor business, announced on May 23, 2022, Ahlstrom-Munksjö Holding has classified the operations as assets held for sale and reports them as a discontinued operation. Result from the discontinued operation is reported separately from income and expenses from continuing operations in the consolidated income statement and prior periods are re-presented accordingly. The balance sheet has not been re-presented for prior periods. Assets and liabilities related to the discontinued operation are presented as separate line items in the balance sheet. The statement of cash flow consists of total group figures including the discontinued operation. The three main categories of cash flow for the discontinued operation have been presented separately in note 5. See more details in note 5.

4. Business acquisitions and disposals

2022

Minglian New Materials Technology Co., Ltd.

Ahlstrom-Munksjö Holding has acquired on January 14, 2022 a 60% stake in Chinese decor paper producer Minglian New Materials Technology Co., Ltd. which comprises a state-of-the-art plant in the city of Xingtai, Hebei Province, China.

By combining Minglian with its existing Decor business, Ahlstrom-Munksjö creates a global leader in decor papers with improved cost competitiveness and strong presence in Europe, Americas and Asia. Ahlstrom-Munksjö reports Minglian in Decor business segment. The annual production capacity of approximately 50,000 tons is currently fully utilized. The current number of employees is 140.

The purchase consideration amounted to EUR 43.1 million, adjusted by EUR 0.2 million during the second quarter of 2022. The provisional purchase price was paid in cash in two installments in December 2021 amounting to EUR 8.4 million and in January 2022 amounting to EUR 34.5 million.

The residual preliminary goodwill amounts to EUR 18.5 million arising from the acquisition and is attributable to workforce and to the acquirer's expected synergies.

The non-controlling interest in Minglian amounted to EUR 16.4 million and it was measured based on proportionate share of the entity's net assets.

As acquisition date was January 14, 2022, there is no material pro forma impact for the year 2022.

EUR million	
Non-current assets	
Property, plant and equipment	28.6
Other intangible assets	1.8
Current assets	
Inventories	11.0
Trade and other receivables	14.6
Cash and cash equivalents	0.4
Current liabilities	
Current borrowings	11.1
Trade and other payables	4.2
Total net assets acquired¹⁾	41.0
Goodwill	18.5
Non-controlling interest¹⁾	16.4
Provisional purchase consideration	43.1

1) Total net assets acquired reflect 100% acquisition of Minglian and non-controlling interest represents 40% minority in the company. Provisional purchase consideration and goodwill as residual reflect Ahlstrom-Munksjö Holding's 60% stake of the company.

Belonging to the Decor business, Minglian has been classified in the discontinued operation and assets held for sale in this interim report.

2021

Ahlstrom-Munksjö Holding

The acquisition of Ahlstrom-Munksjö through the public tender offer was 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 was 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.

After the decision on February 25, 2022 by the arbitral tribunal on the redemption price payable by Ahlstrom-Munksjö Holding 3 Oy, the provisional purchase consideration amounts to EUR 2,091.3 million, including the redemption liability of EUR 231.8 million for the remaining shares in Ahlstrom-Munksjö Oyj. The previously paid purchase consideration amounted to EUR 1,859.6 million. Both the redeemer, the trustee and certain minority shareholders have appealed to the District Court, which means that the redemption will not become final and the redemption price will not be due until the appeal proceedings in the District Court, or possibly the Supreme Court, have been concluded. However, the redemption price may be paid up to the undisputed price of EUR 17.84 per share already during the course of the appeal proceedings. See section Acquisition of Ahlstrom-Munksjö for further information.

The following table is updated based on the decision by the arbitral tribunal made in February 2022.

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
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Goodwill	1,185.7
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Non-controlling interest	12.0
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Purchase consideration	2,091.3
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¹ For further details please see note 15 of Ahlstrom-Munksjö's audited consolidated financial statements for the year 2020.

The residual goodwill of EUR 1,185.7 million arising from the acquisition was attributable to workforce and to the acquirer's expected synergies through various cost initiatives to be implemented throughout the following years. The goodwill has slightly changed after the acquisition date as certain new information was taken into account concerning facts and circumstances existing on acquisition date as per IFRS 3 Business Combinations standard. Ahlstrom-Munksjö Holding expects that EUR 32.4 million of the goodwill will be deductible for tax purposes.

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 acquired the electrotechnical paper business related assets from German-based KÄMMERER. Through the transaction, Ahlstrom-Munksjö expanded its electrotechnical paper offering in area of semiconductor papers used in special applications such as high-performing power cables and transformers. The transaction was 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.

5. Discontinued operation - The Decor business

On May 23, 2022, Ahlstrom-Munksjö Holding 3 Oy's Board of Directors agreed an ownership reorganization plan under which the former Decor business will be divested from Ahlstrom-Munksjö Holding to a newly formed company that will be named Munksjö. The new Munksjö company will be owned by Ahlstrom-Munksjö Holding with a 25% share, and Ahlstrom Capital BV (wholly owned subsidiary of Ahlström Capital Oy) and Nidoco AB, both of which are affiliates of the current minority owners of Ahlstrom-Munksjö Holding, with a combined share of 75%. The reorganization of the ownership of the Decor business is estimated to generate cash in excess of EUR 200 million, supporting the Group's liquidity and strategy execution. The transaction is expected to be completed during the second half of 2022.

As a result, Ahlstrom-Munksjö classified 100 % of its Decor business as a discontinued operation in the second quarter of 2022 reporting and recognized an impairment loss on goodwill amounting to EUR 110.0 million. The acquisition of the non-controlling interest in the new Munksjö company will be recognized at the time of the completion of the transaction. In addition, the accumulated translation differences will be reclassified into profit and loss. See section Events during the reporting period for more information.

The following tables show the re-presented income statement for the discontinued operation, balance sheet at the time of the classification for assets held for sale and main cash flows for the discontinued operation.

INCOME STATEMENT, DISCONTINUED OPERATION						
EUR million	Note	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Net sales		138.5	108.7	282.9	178.6	420.5
Cost of goods sold		-120.0	-96.0	-246.4	-160.9	-371.4
Gross profit		18.4	12.7	36.5	17.7	49.1
Sales, R&D and administrative expenses		-7.6	-6.5	-14.4	-10.7	-23.0
Other operating income		0.8	0.8	1.3	0.9	2.8
Other operating expense		-112.7	-1.5	-114.5	-2.7	-6.4
Operating result		-101.1	5.5	-91.1	5.2	22.5
Net financial items		-0.8	-0.3	-1.2	-0.4	-1.1
Result before taxes		-101.9	5.2	-92.3	4.7	21.4
Income taxes		-2.4	-1.6	-5.4	-1.7	-6.3
Net result from discontinued operation		-104.3	3.6	-97.8	3.0	15.0
Other comprehensive income		6.5	-2.1	8.3	-0.5	2.2
Comprehensive income		-97.9	1.4	-89.5	2.6	17.2

BALANCE SHEET, DISCONTINUED OPERATION		Jun 30, 2022
EUR million		
Assets held for sale		
Property, plant and equipment		173.7
Right-of-use assets		3.8
Goodwill		38.3
Other intangible assets		51.5
Other non-current assets		1.3
Deferred tax assets		0.2
Inventories		110.5
Trade and other receivables		71.3
Income tax receivables		2.4
Cash and cash equivalents		6.9
Assets held for sale, total		459.9
Liabilities directly associated with assets held for sale		
Non-current lease liabilities		3.0
Employee benefit obligations		13.6
Deferred tax liabilities		20.2
Non-current provisions		0.0
Current borrowings		29.3
Current lease liabilities		0.8
Trade and other payables		98.2
Income tax liabilities		6.7
Current provisions		0.0
Liabilities directly associated with assets held for sale, total		171.9
Total net assets held for sale¹		288.0

¹ Total net assets held for sale reflect 100% of net assets held for sale and include minority related net assets amounting to approximately EUR 20 million.

STATEMENT OF CASH FLOWS, DISCONTINUED OPERATION					
EUR million	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Cash flows from operating activities	0.5	13.2	-11.6	14.1	30.2
Cash flows from investing activities	-2.9	-2.9	-41.2	-8.5	-25.8
Cash flows from financing activities	1.9	-10.1	51.8	-9.0	-7.4
Net change in cash flows	-0.5	0.2	-1.0	-3.5	-2.9

6. Segment information

Segment reporting for continuing operations includes four business areas comprising of Filtration & Performance Solutions, Advanced Solutions, Industrial Solutions and Food Packaging & Technical Solutions consistent with how the CODM manages the business. The CODM has been determined to be the Group's CEO together with the Board or Directors. The business areas are described below. For internal management reporting purposes, the Group reports the 2021 figures on a pro forma basis allowing for full continuum for reporting of revenue and operating results on a business area level despite change in control and reporting entity as a result of the completion of the tender offer during the year 2021. Accordingly, the change in reporting entity and the resulting impact on the cost structure are reflected in Other and eliminations.

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.

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.

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.

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.

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.

Financial performance by business area, EUR million Q1-Q2/2022	Continuing operations					Group
	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Other and eliminations	
Net sales, external	456.4	302.7	504.2	371.2	12.6	1,647.3
Net sales, internal	7.3	1.4	6.7	17.6	-33.0	—
Net sales	463.7	304.2	510.9	388.8	-20.3	1,647.3
Comparable EBITDA	89.8	38.7	76.3	46.4	-14.2	237.0
IAC in EBITDA and management fee						-62.4
Depreciation, amortization and impairment						-86.5
Operating result						88.1
Operating working capital	132.9	142.8	94.8	78.5	-38.1	411.0

Financial performance by business area, EUR million Q1-Q2/2021	Continuing operations					Pro forma/ reported Group total
	Filtration & Performance Solutions	Advanced Solutions	Industrial Solutions	Food Packaging & Technical Solutions	Other and eliminations and pro forma foreign exchange impact	
Net sales, external	368.2	248.3	369.5	282.2	5.4	1,273.6
Net sales, internal	4.7	1.0	6.7	10.9	-23.3	—
Net sales	373.0	249.3	376.2	293.2	-18.1	1,273.6
Pro forma impact	-60.1	-48.7	-65.1	-53.9	1.4	-226.4
Net sales Ahlstrom-Munksjö Holding (reported)	312.8	200.6	311.1	239.3	-16.6	1,047.2
Comparable EBITDA	80.5	37.5	41.1	26.6	-7.8	177.9
Pro forma impact						-30.9
Comparable EBITDA (reported)						147.0
IAC in EBITDA and management fee (reported)						-58.5
Depreciation, amortization and impairment (reported)						-69.1
Operating result (reported)						19.4
Operating working capital	95.5	99.7	53.5	79.8	-34.9	293.6

Segment information by quarter, continuing operations	2022	2022	2021	2021	2021
EUR million, or as indicated	Q2	Q1	Q4	Q3	Q2
Net sales, total					
Filtration & Performance Solutions	247.0	216.7	203.1	194.0	192.5
Advanced Solutions	155.7	148.5	120.2	123.9	123.4
Industrial Solutions	270.6	240.3	202.5	200.7	195.9
Food Packaging & Technical Solutions	204.0	184.9	175.9	159.8	152.8
Other and eliminations and pro forma foreign exchange impact	-10.9	-9.6	-6.9	-7.8	-11.1
Continuing operations, total	866.4	780.8	694.8	670.6	653.5
Comparable EBITDA					
Filtration & Performance Solutions	48.9	40.8	41.1	34.1	40.1
Advanced Solutions	21.7	17.0	12.7	15.6	18.7
Industrial Solutions	43.8	32.5	24.8	28.5	20.0
Food Packaging & Technical Solutions	24.7	21.7	14.1	7.0	10.3
Other and eliminations and pro forma foreign exchange impact	-8.3	-5.8	-7.8	-2.5	-5.1
Continuing operations, total	130.8	106.2	84.9	82.7	84.0
Comparable EBITDA margin, %					
Filtration & Performance Solutions	19.8	18.8	20.2	17.6	20.8
Advanced Solutions	14.0	11.4	10.6	12.6	15.1
Industrial Solutions	16.2	13.5	12.3	14.2	10.2
Food Packaging & Technical Solutions	12.1	11.8	8.0	4.4	6.7
Continuing operations, total	15.1	13.6	12.2	12.3	12.9
Operating working capital					
Filtration & Performance Solutions	132.9	100.5	86.3	91.4	95.5
Advanced Solutions	142.8	123.0	108.4	110.3	99.7
Industrial Solutions	94.8	59.5	62.0	48.2	53.5
Food Packaging & Technical Solutions	78.5	85.2	77.5	79.0	79.8
Other and eliminations	-38.1	-18.4	-22.1	-29.1	-34.8
Continuing operations, total	411.0	349.8	312.1	299.7	293.6

7. Net sales by region, continuing operations

	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million	2022	2021	2022	2021	2021
Europe	334.1	256.7	650.6	416.4	959.6
North America	351.8	249.4	649.3	395.7	933.3
South America	48.9	38.0	104.3	61.3	140.9
Asia-Pacific	119.4	97.7	221.2	156.7	342.0
Rest of the world	12.2	11.6	21.8	17.1	36.9
Total	866.4	653.5	1,647.3	1,047.2	2,412.6

8. Other operating income, continuing operations

EUR million	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Gain on sale of fixed assets	0.0	0.0	0.0	0.0	1.0
Sale of scrap and side products	1.6	1.5	3.3	2.3	5.7
Government grants	0.5	1.1	1.0	1.6	5.9
R&D and other tax credits	0.5	0.7	0.7	0.8	1.6
Other	2.1	1.1	2.7	1.4	4.2
Total	4.7	4.4	7.8	6.2	18.4

9. Other operating expense, continuing operations

EUR million	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Depreciation and amortization arising from PPA ¹	-16.2	-15.4	-32.0	-25.7	-57.0
Impairment loss	—	—	—	—	-1.1
Other	-0.8	-0.7	-1.1	-1.2	-3.3
Total	-17.1	-16.1	-33.2	-26.9	-61.5

¹ Depreciation and amortization arising from PPA comprise depreciation and amortization charges from fair value adjustments relating to the business combinations.

10. Changes in property, plant and equipment

EUR million	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Net book value at the beginning of period	1,214.5	—	—
Business combination	29.1	1,187.1	1,187.1
Additions	57.8	41.6	122.2
Disposals	-0.1	-0.0	-0.6
Depreciations and impairment	-65.7	-52.2	-117.6
Translation differences and other changes	35.1	10.9	23.2
Transfer to discontinued operation	-173.7	—	—
Net book value at the end of period	1,097.0	1,187.4	1,214.5

Net book value of property, plant and equipment amounted to EUR 1,097.0 million, comprising of land and land improvements of EUR 77.0 million, buildings of EUR 184.2 million, machinery and equipment of EUR 677.0 million, other tangible assets of EUR 8.2 million and construction in progress of EUR 150.6 million.

11. Changes in right-of-use assets

EUR million	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Net book value at the beginning of period	44.9	—	—
Business combination	—	49.2	49.2
Additions	5.0	2.9	8.6
Depreciations and impairment	-7.6	-6.1	-13.7
Translation differences and other changes	1.7	-0.1	0.6
Transfer to discontinued operation	-3.8	—	—
Net book value at the end of period	40.2	46.0	44.9

12. Goodwill

The acquisition of Ahlstrom-Munksjö through the public tender offer in 2021 was accounted for as a business combination in which assets acquired and liabilities assumed were valued at fair value together with the redemption liability recognized on the balance sheet. The excess of the consideration transferred over the Ahlstrom-Munksjö Holding's interest in the fair value of the identifiable net assets acquired at the acquisition date was recognized as goodwill and amounted to EUR 1,185.7 million on February 4, 2021.

Change in goodwill until June 30, 2022 comprise of translation differences and new information taken into account concerning facts and circumstances existing on acquisition date as per IFRS 3 Business Combinations standard. In addition, acquisition of Minglian increased goodwill by EUR 18.5 million during the first half of 2022. In the second quarter, Decor business related goodwill has been transferred to assets held for sale after which an impairment loss of EUR 110.0 million was recognized.

EUR million	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Net book value at the beginning of period	1,169.3	—	—
Business combination	58.7	1,169.4	1,145.8
Translation differences and other changes	65.1	10.7	23.5
Transfer to discontinued operation ¹	-148.3	—	—
Net book value at the end of period	1,144.7	1,180.1	1,169.3

¹ Before impairment loss of EUR 110 million.

13. Changes in other intangible assets

EUR million	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Net book value at the beginning of period	857.5	—	—
Business combination	1.8	857.3	857.6
Additions	12.3	10.3	30.1
Disposals	-9.1	—	0.0
Amortizations and impairment	-23.1	-18.3	-41.1
Translation differences and other changes	44.5	3.8	10.8
Transfer to discontinued operation	-51.5	—	—
Net book value at the end of period	832.5	853.1	857.5

Net book value of intangible assets amounted to EUR 832.5 million, comprising of customer relationships of EUR 392.4 million, trademarks of EUR 123.5 million, technology of EUR 228.9 million and other intangible assets of EUR 87.7 million.

14. Net indebtedness

Net indebtedness is Ahlstrom-Munksjö Holding 3 Oy's key measure to manage external debt funding for the Group. Net indebtedness is defined as borrowings less cash and cash equivalents. The Group's sources for funding and liquidity purposes are primarily term loans, bonds, bank loans, and commercial paper. The Group has also entered into lease agreements resulting in lease liabilities to secure the availability of key assets used in the production process.

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 18 March 2021) with several financial institutions. The senior secured credit facilities agreement provides for (i) senior term loan facilities in principal amounts of: (A) EUR 350 million, which was increased by EUR 250 million to a total amount of EUR 600 million on March 18, 2021 ("TLB1"), (B) USD 363.7 million (EUR 300 million equivalent), which was increased by USD 183.3 million (EUR 150 million equivalent) to a total amount of USD 547 million (EUR 450 million equivalent) on March 18, 2021 ("TLB2"); EUR 282 million, which was entered into on June 21, 2021 in relation to the financing of the squeeze-out of minority shareholders (and related steps) ("TLB3"); and (D) EUR 60 million, which was entered into on March 11, 2022 in relation to the financing of general corporate purposes (including acquisitions) ("TLB4" and together with TLB1, TLB2 and TLB3, "Senior Term Facilities") and (ii) a revolving credit facility in a principal amount of EUR 325 million (the "Revolving Credit Facility").

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 Revolving Credit Facility may be utilized until (and including) the date falling 1 month prior to the maturity date of the Revolving Credit Facility.

The TLB1, TLB 3 and TLB4 term loans carry interest of EURIBOR (with zero floor) plus 3.50% 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 3.75% p.a. and will be repaid in installments 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 3.50% p.a. for drawn commitment. For the undrawn commitment, 30% of margin (i.e. 1.05%) is charged as commitment fee. The Group triggered the margin ratchet for the Senior Term Facilities when compliance letter was submitted on March 8, 2022, as a result the margins on Senior Term Facilities were reduced by 0.25%, the currently applicable margins are defined above. The compliance letter is submitted once a quarter.

As at June 30, 2022, all of the Senior Term Facilities have been drawn in full and no amounts were outstanding under the Revolving Credit Facility. The principal amount of outstanding guarantees from ancillary facilities under the Revolving Credit Facility were EUR 65.9 million.

Senior secured notes

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 (i) refinance certain bridge facilities that were used to pay a portion of the tender offer consideration, refinance certain existing debt and to pay certain fees and expenses in connection therewith and (ii) 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 the 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 is 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.

Accordingly, as at June 30, 2022, gross borrowings, including discontinued operations amounts to EUR 2,330.7 million (1,913.3).

Net indebtedness EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Cash and cash equivalents	157.2	182.2	162.6
Senior secured credit facilities	1,429.1	1,031.3	1,327.9
Senior secured notes	620.0	581.6	594.9
Senior secured net indebtedness	1,891.9	1,430.7	1,760.2
Bank loans	119.2	119.4	124.2
Hybrid bond	—	100.0	—
Pension loan	10.0	20.0	15.0
Commercial papers	43.9	—	119.9
Other financial liabilities	34.1	13.4	19.0
Lease liabilities	41.3	47.5	45.9
Net indebtedness continuing operations	2,140.4	—	—
Net indebtedness discontinued operation	26.2	—	—
Net indebtedness including discontinued operation	2,166.6	1,731.1	2,084.2

Notes				June 30, 2022	June 30, 2021	Dec 31, 2021
Notional currency	Initial notional amount, EUR million	Maturity	Coupon %	Carrying value, EUR million		
EUR	350.0	February 4, 2028	3.6	337.6	336.0	336.6
USD	293.6	February 4, 2028	4.9	282.4	245.6	258.3

Bank loans Notional currency	June 30, 2022		June 30, 2021		December 31, 2021	
	Weighted average interest rate, %	Carrying value, EUR million	Weighted average interest rate, %	Carrying value, EUR million	Weighted average interest rate, %	Carrying value, EUR million
Committed loans from banks grouped by currency						
EUR	3.37	966.1	3.74	588.1	3.74	863.6
USD	6.00	508.0	4.75	445.6	4.75	466.4
CNY	5.46	65.0	5.74	54.9	5.53	60.1
BRL	17.55	47.1	8.20	48.6	7.29	45.5
Uncommitted loans from banks grouped by currency						
BRL	17.00	5.5	8.18	13.5	8.35	16.6

15. Financial risk management

Group's financial risks consist of credit risk, funding risk, liquidity risk, counterparty risk and market risks. Market risks are further divided to currency risk, interest rate risk and commodity price risk.

The treasury policy defines the guidelines set by the Board of Directors 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.

Currency transaction exposures for Ahlstrom-Munksjö which arise from commercial and finance-related transactions and payments in a currency other than an operation's functional currency i.e. from internal purchases, sales between manufacturing units and market companies, external sales and purchases as well as from financing transactions in foreign currencies 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 Ahlstrom-Munksjö.

Group'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 of subsidiaries so that the foreign exchange risk is minimized 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.

In accordance with the current treasury policy, in order to mitigate funding risk, the Group aims to spread its debt across different lenders and different forms of financing. The Group aims to ensure that the average maturity of the long-term finance should be at least 2 years.

Ahlstrom-Munksjö Holding 3 Oy's Senior Secured Notes and Term Facilities contain certain customary covenants related to indebtedness and other limitations.

Liquidity risk is the risk that Group 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.

Liquidity position			
EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Available committed bank overdrafts	32.7	34.4	34.7
Cash and cash equivalents	157.2	182.2	162.6
Committed revolving credit facilities	259.1	255.1	260.1
Finnish Commercial Paper program	256.0	—	180.0
Available uncommitted bank overdrafts	18.5	37.8	36.8
Liquidity position	723.4	509.4	674.2

Fair values of financial assets and liabilities EUR million	Jun 30, 2022		Jun 30, 2021		Dec 31, 2021	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Non-current financial instruments measured at amortized cost						
Notes	620.0	537.4	581.6	613.5	594.9	622.5
Term loans	1,423.3	1,342.8	1,026.7	1,054.6	1,323.2	1,366.5
Bank loans	24.0	24.0	44.9	44.9	31.3	31.3
Pension loan	—	—	10.0	10.0	5.0	5.0
Other financial liabilities	—	—	1.6	1.6	0.2	0.2
Lease liabilities	28.6	28.6	34.2	34.2	32.6	32.6
Financial instruments measured at fair value						
Forward contracts - cash flow hedge accounting	-6.4	-6.4	0.1	0.1	-2.0	-2.0
Forward contracts - fair value through income statement	0.7	0.7	0.3	0.3	0.0	0.0
Interest rate swap contracts - cash flow hedge accounting	35.6	37.1	—	—	4.3	4.5

Carrying value for bank loans are considered to approximate fair value. The fair values of the term loans and notes have been estimated based on quoted market prices, including any accrued interest.

Nominal values of derivatives EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Forward contracts - cash flow hedge accounting	153.3	132.8	132.2
Forward contracts - fair value through income statement	85.6	77.8	176.7
Interest rate derivatives - fair value through income statement	956.2	—	326.7

The gross nominal amount of interest rate derivatives at the end of the reporting period was USD 370.0 million and EUR 600.0 million. This includes a new EUR 200.0 million interest rate cap transaction entered into in June 2022.

16. Off-balance sheet commitments

Including discontinued operations EUR million	Jun 30, 2022	Jun 30, 2021	Dec 31, 2021
Assets pledged			
Pledges	243.1	0.9	282.0
Commitments			
Guarantees and commitments given on behalf of Group companies	67.7	63.2	45.4
Capital expenditure commitments	71.6	38.0	48.0
Other guarantees and commitments	103.7	46.9	84.9

Off-balance sheet commitments of discontinued operation on June 30, 2022 were EUR 1.9 million.

See note 4 for information on the redemption proceedings.

17. Related party transactions and associates

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 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

Ahlstrom-Munksjö Oyj's members of the Board of Directors are Alexander Ehrnrooth, Lasse Heinonen, Halvor Meyer Horten, Peter Seligson, Ivano Sessa, Michael Siefke, Karl-Henrik Sundström and Helen Mets-Morris.

Executive Management Team of Ahlstrom-Munksjö

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

Related party transactions	Jun 30, 2022		Jun 30, 2021		Dec 31, 2021
	Trade and other payables	Trade and other receivables	Trade and other payables	Trade and other payables	
EUR million					
Associated companies	7.7	—	5.2	3.5	
Parent companies	—	7.5	—	0.1	
Owners	0.1	—	6.8	—	
Total	7.8	7.5	11.9	3.6	

Related party transactions	Jun 30, 2022		Jun 30, 2021			Dec 31, 2021		
	Cost of goods sold	Sales, R&D and administrative expense	Cost of goods sold	Sales, R&D and administrative expense	Interest income	Cost of goods sold	Sales, R&D and administrative expense	Interest income
EUR million								
Associated companies	-19.2	—	-14.3	—	—	-31.6	—	—
Key management	—	—	—	-1.0	—	—	-1.0	—
Parent companies	—	—	—	—	0.1	—	—	0.1
Owners	—	-3.0	—	-3.5	—	—	-5.8	—
Total	-19.2	-3.0	-14.3	-4.5	0.1	-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

During the comparison period 2021, the parent companies provided an equity contribution of EUR 1,120.9 million of which EUR 1,084.6 million during January-June 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 3.0 million during January-June 2022.

Transactions with the members of the Board of Directors

During the comparison period 2021, 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

Members of Board of Directors of Ahlstrom-Munksjö Holding 3 Oy were not paid any remuneration in January-June 2022 for their Board work as it is handled by Ahlstrom-Munksjö Oyj. Ahlstrom Munksjö Holding 3 Oy has paid Audit Committee remuneration.

The AGM held on April 6, 2022 resolved that the annual remuneration of the Board of Directors and the Board Committees (at their request) is as follows:

- The Chairman of the Board shall receive EUR 130,000 a year, the Vice Chairman EUR 90,000 and the ordinary members EUR 65,000 each.
- The Chairman of the Audit Committee shall receive EUR 15,000 and the ordinary members of the committee EUR 7,500 each on an annual basis.
- The Chairman of the Human Resources Committee shall receive EUR 10,000 a year and the ordinary members EUR 5,000 each

Ahlstrom-Munksjö Holding has currently one share-based incentive scheme for the key management and personnel described in more detail in the consolidated financial statements 2021. The costs recognized for the synthetic options program were EUR 0.6 million during January-June 2022.

Associated companies

The Group purchases wood and wood chips from associated company Sydved AB amounting to 396,040 m³. Share of profit of the associated company is EUR 0.0 million.

EVENTS AFTER THE REPORTING PERIOD

RETURN OF EQUITY

On July 28, 2022, Ahlstrom-Munksjö Holding 3 Oy decided on two cash distributions of EUR 8,447,267.78 and EUR 7,682,447.23, respectively, by way of return of equity from invested unrestricted equity reserve.

Payments were made on August 1, 2022. The former was pursuant to the authorization to the Board of April 6, 2022 to decide on the distribution up to an aggregate maximum of EUR 34.2 million until the beginning of the company's Annual General Meeting 2023. The latter amount was an additional distribution decided separately by the shareholder of Ahlstrom-Munksjö Holding 3 Oy on July 28, 2022.

APPENDIX 2: 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 e.g. 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".

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.
- Net indebtedness as presented in this report is not necessarily calculated in the same manner in which net indebtedness is calculated for the purposes of determining the "Fixed Charge Coverage Ratio," the "Senior Secured Net Leverage Ratio," the "Total Net Leverage Ratio" or any other metric in accordance with the finance documents governing the Group's indebtedness.

Alternative performance measures are unaudited.

KEY FIGURES	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million, or as indicated	2022	2021	2022	2021	2021
Continuing operations					
Employee benefit expenses	-145.9	-131.6	-283.8	-209.6	-471.3
Depreciation and amortization	-43.5	-40.6	-86.5	-69.1	-154.7
Impairment loss	—	—	—	—	-1.1
Net sales	866.4	653.5	1,647.3	1,047.2	2,412.6
Operating result	57.4	27.1	88.1	19.4	49.8
Operating result margin, %	6.6	4.1	5.4	1.9	2.1
Net result	20.7	2.1	28.2	-21.3	-72.4
EBITDA	100.9	67.7	174.6	88.5	205.6
EBITDA margin, %	11.6	10.4	10.6	8.5	8.5
Comparable EBITDA	130.8	84.0	237.0	147.0	314.6
Comparable EBITDA margin, %	15.1	12.9	14.4	14.0	13.0
Items affecting comparability in EBITDA and management fee	-29.8	-16.3	-62.4	-58.5	-108.9
Comparable operating result	87.3	43.4	150.5	77.9	159.9
Comparable operating result margin, %	10.1	6.6	9.1	7.4	6.6
Items affecting comparability in operating result and management fee	-29.8	-16.3	-62.4	-58.5	-110.1
MOVC/ton, EUR ¹	898.1	697.1	845.7	671.8	706.1
MOVC margin, % ¹	39.1	41.0	38.8	39.6	39.2
Including discontinued operations					
Comparable EBITDA	146.4	95.8	268.7	166.8	361.6
Items affecting comparability in EBITDA and management fee	-31.7	-18.2	-65.4	-65.6	-117.0
Adjusted EBITDA (LTM)	575.2	454.3	575.2	454.3	494.9
Adjusted EBITDA margin (LTM), %	16.4	16.1	16.4	16.1	16.1
Net senior secured indebtedness	1,891.9	1,430.7	1,891.9	1,430.7	1,760.2
Adjusted Net senior secured indebtedness	1,649.7	1,430.7	1,649.7	1,430.7	1,479.2
Net indebtedness	2,166.6	1,731.1	2,166.6	1,731.1	2,084.2
Adjusted Net indebtedness	1,924.3	1,731.1	1,924.3	1,731.1	1,803.1
Interest expense (LTM)	-107.1	-88.0	-107.1	-88.0	-91.6
Ratio of net senior secured indebtedness to adjusted EBITDA (LTM)	2.9	3.1	2.9	3.1	3.0
Ratio of net indebtedness to adjusted EBITDA (LTM) ²	3.3	3.8	3.3	3.8	3.6
Ratio of adjusted EBITDA to interest expense ²	5.4	5.2	5.4	5.2	5.4
Capital expenditure	38.8	31.9	73.1	47.9	145.5
Operating working capital	504.5	330.1	504.5	330.1	357.8
Free cash flow	131.2	83.4	241.1	146.7	290.6
Cash conversion, %	89.7	87.0	89.7	88.0	80.4

¹ Q1 2021 and Q1-Q2 2021 Impacted by an inventory adjustment arising from purchase price allocation (PPA) accounting of EUR 31.7 million

² Historical data for the LTM before the acquisition is from Ahlstrom-Munksjö historical numbers

Reconciliation of certain key performance measures					
Continuing operations	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million or as indicated	2022	2021	2022	2021	2021
Items affecting comparability					
Transaction costs	-0.2	-1.6	-3.3	-16.6	-20.8
Inventory fair value	—	—	—	-27.1	-27.1
Transformation costs	-27.3	-12.0	-54.0	-11.9	-50.0
Restructuring costs	-0.9	-0.3	-1.9	-0.2	-6.0
Gain/Loss on business disposal and other related items	—	—	—	—	0.9
Other	0.0	0.3	-0.3	0.0	-0.7
Total items affecting comparability (IAC) in EBITDA	-28.4	-13.6	-59.4	-55.7	-103.7
Management fee to owners	-1.5	-2.8	-3.0	-2.8	-5.2
Total IAC in EBITDA and management fee	-29.8	-16.3	-62.4	-58.5	-108.9
Impairment loss	—	—	—	—	-1.1
Total IAC in operating result and management fee	-29.8	-16.3	-62.4	-58.5	-110.1
Net result					
Net result	20.7	2.1	28.2	-21.3	-72.4
Taxes	-13.6	-0.5	-21.2	3.8	-17.2
Net financial items	-23.2	-24.4	-38.7	-44.5	-105.1
Operating result	57.4	27.1	88.1	19.4	49.8
Depreciation, amortization and impairment	-43.5	-40.6	-86.5	-69.1	-155.8
EBITDA	100.9	67.7	174.6	88.5	205.6
Total IAC in EBITDA and management fee	-29.8	-16.3	-62.4	-58.5	-108.9
Comparable EBITDA	130.8	84.0	237.0	147.0	314.6
Comparable operating result					
Operating result	57.4	27.1	88.1	19.4	49.8
Total IAC in operating result and management fee	29.8	16.3	62.4	58.5	110.1
Comparable operating result	87.3	43.4	150.5	77.9	159.9

Reconciliation of certain key performance measures Including discontinued operations					
	Q2	Q2	Q1-Q2	Q1-Q2	Q1-Q4
EUR million or as indicated	2022	2021	2022	2021	2021
Items affecting comparability					
Transaction costs	-1.5	-3.4	-5.4	-18.9	-25.9
Inventory fair value	—	—	—	-31.7	-31.7
Transformation costs	-27.3	-12.0	-54.0	-11.9	-50.0
Restructuring costs	-1.3	-0.3	-2.4	-0.2	-6.5
Gain/Loss on business disposal and other related items	—	—	—	—	0.9
Other	-0.2	0.3	-0.6	0.0	1.5
Total items affecting comparability (IAC) in EBITDA	-30.2	-15.4	-62.4	-62.8	-111.7
Management fee to owners	-1.5	-2.8	-3.0	-2.8	-5.2
Total IAC in EBITDA and management fee	-31.7	-18.2	-65.4	-65.6	-117.0
Impairment loss	-111.4	—	-111.4	—	-1.1
Total IAC in operating result and management fee	-143.1	-18.2	-176.7	-65.6	-118.1
Net result					
Taxes	-83.7	5.7	-69.6	-18.3	-57.4
Net financial items	-16.0	-2.1	-26.7	2.1	-23.5
Operating result	-23.9	-24.8	-40.0	-45.0	-106.2
Depreciation, amortization and impairment	-43.7	32.6	-3.0	24.6	72.3
EBITDA	114.7	77.6	203.4	101.2	244.6
Total IAC in EBITDA and management fee	-31.7	-18.2	-65.4	-65.6	-117.0
Comparable EBITDA	146.4	95.8	268.7	166.8	361.6
Adjusted Senior secured net indebtedness					
Senior secured net indebtedness	1,891.9	1,430.7	1,891.9	1,430.7	1,760.2
Escrow account related to minority squeeze-out liability	242.2	—	242.2	—	281.1
Adjusted Senior secured net indebtedness	1,649.7	1,430.7	1,649.7	1,430.7	1,479.2
Adjusted Net indebtedness					
Net indebtedness	2,166.6	1,731.1	2,166.6	1,731.1	2,084.2
Escrow account related to minority squeeze-out liability	242.2	—	242.2	—	281.1
Adjusted Net indebtedness	1,924.3	1,731.1	1,924.3	1,731.1	1,803.1
Adjusted EBITDA (LTM)					
Comparable EBITDA (LTM) Pro forma	463.3	372.0	463.3	372.0	398.3
Pro forma foreign exchange impact	—	-0.1	—	-0.1	-0.3
Comparable EBITDA, (LTM)	463.3	371.9	463.3	371.9	398.0
One off and other adjustments	-1.5	2.1	-1.5	2.1	-3.7
Covid-19 normalization	—	2.4	—	2.4	—
Full year estimate of FY 20 initiatives	—	5.0	—	5.0	—
FY21 initiatives	3.5	54.1	3.5	54.1	21.9
FY22 initiatives	76.3	18.8	76.3	18.8	78.8
FY23 initiatives	33.6	—	33.6	—	—
Adjusted EBITDA (LTM)	575.2	454.3	575.2	454.3	494.9

Reconciliation of certain key performance measures Including discontinued operations					
EUR million or as indicated	Q2 2022	Q2 2021	Q1-Q2 2022	Q1-Q2 2021	Q1-Q4 2021
Comparable operating result					
Operating result	-43.7	32.6	-3.0	24.6	72.3
Total IAC in operating result and management fee	143.1	18.2	176.7	65.6	118.1
Comparable operating result	99.4	50.7	173.7	90.2	190.4
Free cash flow					
Comparable EBITDA	146.4	95.8	268.7	166.8	361.6
Maintenance capital expenditure	15.1	12.4	27.6	20.1	71.0
Free cash flow	131.2	83.4	241.1	146.7	290.6

APPENDIX 3: 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 ("Ahlstrom-Munksjö") by Ahlstrom-Munksjö Holding 3 Oyj (the "Issuer", "parent company") on the business performance of Ahlstrom-Munksjö Holding 3 Group ("Ahlstrom-Munksjö Holding", the "Group") and the financing for the acquisition to 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 January-June 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 presented in Q1/2021 report. As described under note 5. Discontinued operations - Decor business to the Q2/2022 interim report, Ahlstrom-Munksjö Holding is planning to dispose of its Decor Solutions business and reports net results of Decor Solutions business as discontinued operations separately from continuing operations for all periods presented. Accordingly, the previously presented pro forma information for the year 2021 on a quarterly basis has been restated to reflect this change. 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 expected 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 interim report.

The acquisition of Ahlstrom-Munksjö has been accounted for as a 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.

For more information regarding the acquisition of Ahlstrom-Munksjö from the Q1/2021 interim report.

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 from the restated accounting records of Ahlstrom-Munksjö for period ended February 4, 2021 (the "acquisition date");
- Ahlstrom-Munksjö Holding's unaudited restated financial statements information for the year 2021 and for the periods January-March 2021, April-June 2021, July-September 2021 and October-December 2021.

This pro forma information should be read in conjunction with note 4 in the appendix 1 of the interim report.

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 for separate quarters in 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 the year 2021

	Ahlstrom- Munksjö Holding historical	Ahlstrom- Munksjö historical	Pro forma adjustments	Pro forma total Q1-Q4 2021
Continuing operations				
Net sales	2,412.6	226.4	—	2,639.0
Cost of goods sold	-2,064.5	-187.1	27.1	-2,224.6
Gross profit	348.1	39.3	27.1	414.5
Sales, R&D and administrative expenses	-255.2	-42.8	14.9	-283.1
Other operating income	18.4	1.3	—	19.8
Other operating expense	-61.5	-4.1	-1.4	-67.0
Share of profit in equity accounted investments	-0.1	—	—	-0.1
Operating result	49.8	-6.3	40.6	84.1
Net financial items	-105.1	-3.5	-4.3	-112.8
Result before taxes	-55.3	-9.8	36.4	-28.7
Income taxes	-17.2	2.6	-6.2	-20.7
Net result from continuing operations	-72.4	-7.2	30.2	-49.4
Net result from discontinued operation	15.0	3.5	3.1	21.7
Net result	-57.4	-3.7	33.3	-27.7

	Pro forma Q1 2021	Pro forma Q2 2021	Pro forma Q3 2021	Pro forma Q4 2021	Pro forma total Q1-Q4 2021
Continuing operations					
Net sales	620.1	653.5	670.6	694.8	2,639.0
Cost of goods sold	-505.6	-549.5	-573.8	-595.6	-2,224.6
Gross profit	114.4	104.1	96.8	99.1	414.4
Sales, R&D and administrative expenses	-74.7	-65.3	-67.9	-75.2	-283.1
Other operating income	3.2	4.4	6.3	5.9	19.8
Other operating expense	-16.3	-16.1	-16.7	-17.9	-67.0
Share of profit in equity accounted investments	—	—	—	-0.1	-0.1
Operating result	26.6	27.1	18.5	11.9	84.1
Net financial items	-28.1	-24.6	-31.1	-29.1	-112.8
Result before taxes	-1.4	2.5	-12.6	-17.2	-28.7
Income taxes	1.0	-0.5	0.8	-21.9	-20.7
Net result from continuing operations	-0.5	2.0	-11.8	-39.2	-49.4
Net result from discontinued operation	6.1	3.6	2.9	9.1	21.7
Net result	5.6	5.6	-8.9	-30.1	-27.7

Notes to the Pro Forma information

Note 1 – Pro Forma adjustments

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

	Q1-Q4 2021			Total pro forma adjustments
	Fair value adjustments (Note 1a)	Transaction costs (Note 1b)	Financing arrangements (Note 1c)	
Continuing operations				
Net sales	—	—	—	—
Cost of goods sold	27.1	—	—	27.1
Gross profit	27.1	—	—	27.1
Sales, R&D and administrative expenses	0.5	14.5	—	14.9
Other operating expense	-1.4	—	—	-1.4
Operating result	26.2	14.5	—	40.6
Net financial items	—	—	-4.3	-4.3
Result before taxes	26.2	14.5	-4.3	36.4
Income taxes	-7.0	—	0.8	-6.2
Net result from continuing operations	19.2	14.5	-3.5	30.2
Net result from discontinued operation	3.1	—	—	3.1
Net result	22.3	14.5	-3.5	33.3

For further details on each pro forma adjustments, see appendix 3 in Ahlstrom-Munksjö Holding Q1/2021 interim report.

Note 2 – Additional Pro Forma Information

Pro Forma Financial Key Figures

EUR million	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1-Q4 2021
Continuing operations					
EBITDA	69.3	67.7	61.4	55.7	254.1
Comparable EBITDA	93.9	84.0	82.7	84.9	345.5
Comparable EBITDA margin, %	15.1	12.9	12.4	12.2	13.1

Reconciliation of Pro Forma Comparable EBITDA and Pro Forma EBITDA to Pro Forma Operating Result

EUR million	Q1-Q4 2021			
	Ahlstrom- Munksjö Holding historical	Ahlstrom- Munksjö historical January- February 4, 2021	Pro forma adjustments	Pro forma total
Continuing operations				
Net Result	-72.4	-7.2	30.2	-49.4
Taxes	-17.2	2.6	-6.2	-20.7
Net financial items	-105.1	-3.5	-4.3	-112.8
Operating result	49.8	-6.3	40.6	84.1
Depreciation, amortization and impairment	-155.8	-13.1	-0.9	-169.8
EBITDA	205.6	6.8	41.6	254.1
Transaction costs	-20.8	-23.9	14.5	-30.2
Transformation costs	-50.0	—	—	-50.0
Inventory fair value	-27.1	—	27.1	—
Restructuring costs	-6.5	—	—	-6.5
Net (gain)/loss on business disposal	0.9	—	—	0.9
Other	-0.3	—	—	-0.3
Total items affecting comparability (IAC) in EBITDA	-103.7	-23.9	41.6	-86.1
Management fee to owners	-5.2	—	—	-5.2
Total IAC and management fee	-108.9	-23.9	41.6	-91.3
Comparable EBITDA	314.6	30.9	—	345.5

EUR million	Pro forma Q1 2021	Pro forma Q2 2021	Pro forma Q3 2021	Pro forma Q4 2021	Pro forma total Q1-Q4 2021
Continuing operations					
Net Result	-0.5	2.0	-11.8	-39.2	-49.4
Taxes	1.0	-0.5	0.8	-21.9	-20.7
Net financial items	-28.1	-24.6	-31.1	-29.1	-112.8
Operating result	26.6	27.1	18.5	11.9	84.1
Depreciation, amortization and impairment	-42.7	-40.6	-42.9	-43.9	-169.8
EBITDA	69.3	67.7	61.4	55.7	254.1
Transaction costs	-24.4	-1.6	-2.2	-2.1	-30.2
Transformation costs	0.1	-12.0	-15.1	-23.0	-50.0
Restructuring costs	—	-0.3	-3.2	-3.1	-6.5
Net (gain)/loss on business disposal	—	—	0.4	0.5	0.9
Other	-0.3	0.3	-0.5	0.1	-0.3
Total items affecting comparability (IAC) in EBITDA	-24.6	-13.6	-20.6	-27.6	-86.1
Management fee to owners	—	-2.8	-0.9	-1.5	-5.2
Total IAC and management fee	-24.6	-16.3	-21.5	-29.0	-91.3
Comparable EBITDA	93.9	84.0	82.7	84.9	345.5

APPENDIX 4: RESTATED FINANCIAL INFORMATION ON CONTINUING OPERATIONS

Ahlstrom-Munksjö restates consolidated income statement and other comprehensive income reflecting the sale of Decor business.

The following tables present the restated consolidated income statement on an unaudited basis for all quarters of 2021 and the first quarter of 2022.

INCOME STATEMENT, CONTINUING OPERATIONS	Q1	Q2	Q3	Q4	Q1
EUR million	2021	2021	2021	2021	2022
Net sales	393.7	653.5	670.6	694.8	780.8
Cost of goods sold	-345.6	-549.5	-573.8	-595.6	-651.1
Gross profit	48.1	104.1	96.8	99.1	129.7
Sales, R&D and administrative expenses	-46.8	-65.3	-67.9	-75.2	-86.1
Other operating income	1.8	4.4	6.3	5.9	3.1
Other operating expense	-10.8	-16.1	-16.7	-17.9	-16.1
Share of profit in equity accounted investments	—	—	—	-0.1	—
Operating result	-7.7	27.1	18.5	11.9	30.7
Net financial items	-20.1	-24.4	-31.5	-29.0	-15.6
Result before taxes	-27.8	2.7	-13.0	-17.1	15.1
Income taxes	4.4	-0.5	0.9	-21.9	-7.6
Net result from continuing operations	-23.4	2.1	-12.1	-39.1	7.5
Net result from discontinued operation	-0.5	3.6	2.9	9.1	6.6
Net result	-23.9	5.7	-9.2	-29.9	14.0

CALCULATION OF KEY FIGURES

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 Holding.
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 and management fee to owners	Comparable EBITDA, comparable EBITDA margin, comparable operating result, comparable operating result margin, comparable operating result excluding depreciation and amortization arising from PPA,
Comparable EBITDA margin, %	Comparable EBITDA / net sales	comparable net result, comparable earnings per share, comparable net result excluding depreciation and amortization arising from PPA and comparable earnings per share
Comparable operating result	Operating result excluding items affecting comparability in operating result and management fee to owners	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 Holding 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 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, certain post-acquisition savings programs	Adjusted EBITDA is a parameter used for calculating the indebtedness ratios.
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	

Key figure	Definitions	Reason for use of the key figure
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	Notes offered and borrowings under the Senior Term Facilities excluding 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.	Indebtedness related key figures 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	
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 capital	Inventories plus operative receivables before factoring less operating payables	
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.