First-half 2008 results

July 25, 2008

SEQUANA

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1. Introduction

Pascal Lebard - Chief Executive Officer

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H1 2008 highlights

Good results in distribution, the core of our strategy

- *Strong recurring oerating income growth*
- *Faster-than-expected synergies with Map*

A tough period for production, justifying the immediate launch of new measures

- *Sharp deterioration in the market environment (external costs, currencies, etc.)*
- *Decline in operating income but positive cash flow generation*
- *Decision to extensively transform the business model*
- *Launch of an aggressive cost-cutting plan*

A mixed performance for Sequana in H1 2008, demonstrating the pertinence of our strategy

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H1 2008 highlights

Antalis

- *The operating margin improves to 3.0% despite a slight decline in volumes*
- *Synergies will be delivered, an inflationary environment could benefit*
- *We continue to focus on integrating Map, reducing costs and boosting efficiency*

Arjowiggins

- *Sales growth at constant exchange rates*
- *Substantial drop in the operating margin to 1.5%*
- *Development of green strategy (successful acquisition of Greenfield)*
- *Price increases offset the negative currency effect,*
  but cost-cutting plans fail to fully absorb cost inflation
- *Far-reaching transformation of the business model announced*

Sequana: Recurring operating income was down **€10m** (-15%)

In a tough market environment,
the group demonstrated its responsiveness and resilience

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Antalis: Solid performance in a sluggish market

Synergies with Map are **ahead of schedule**

- *In terms of purchasing, Antalis already benefits fully from its position as the European leader*
- *Plans to **streamline logistics** have now been adopted for all regions*
- *The strategy of developing in **fast-growing markets** continues to pay off (Asia, Latin America, Russia, etc.)*

Identified **sources of growth** and **profitability** (Industrial packaging, Viscom) are delivering the expected results

We continue to pay special attention to cost controls and productivity gains *in the midst of a deteriorating economic environment*

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Arjowiggins: Extensive restructuring launched to counter the erosion of earnings

Immediate action on **structural costs**

- *Cutbacks in head office expenses in the 2008 budget*

A **more effective organisation** focused on business units

- *Head office limited to pure holding company functions*
- *Greater autonomy for business units so that they can focus better on their specific targets and markets*

A **€35m cost-cutting plan** that aims to streamline support functions

- *By generating synergies with Antalis*
- *By setting up lighter management structures at the division level*

An **industrial optimisation project** designed to generate savings of **at least €20m**

- *Turnaround loss-making activities – carbonless and thin papers*

Plans to **dispose the Security activity**

Reducing gearing is a top priority

Group financing is secured in the medium term

- *Antalis: €650m credit line with a 5-year maturity (October 2012)*
- *Arjowiggins: €400m credit line with a 5-year maturity (July 2012)*

Assets disposals are under review that would help reduce debt

Gearing is still in line with our June 30 forecast and all bank covenants are met

- *Antalis: Net debt/EBITDA = 3.9 (criteria < 4.5)*
- *Arjowiggins: Net debt/EBITDA = 3.1 (criteria < 3.5)*

DLMD's debt has been **secured** at least through July 2010

- *No backflow of shares nor margin calls*
- *DLMD/IFIL shareholder pact; full agreement on implementing new strategy*

We have adequate financing
and will gradually reduce gearing as of year-end 2008

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2. H1 2008 financial statements

Pascal Lebard - Chief Executive Officer

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Consolidated Income Statement

In million Euros	H1 2008	H1 2007 pro-forma*	H1 2007 reported
Sales	**2,628**	**2,734**	**2,068**
% change with pro-forma results	***-3.9%***		
EBITDA	**98**	**114**	**92**
EBITDA margin	***3.7%***	***4.2%***	***4.4%***
Recurring operating income	**58**	**68**	**51**
Recurring operating margin	***2.2%***	***2.5%***	***2.5%***
Interim financial results	(21)	(20)	(10)
Tax on continuing business	2	(18)	(16)
Associates and minority interests	1	-	-
Recurring net income	**40**	**30**	**25**
EPS (€)	***€0.82***	***€0.61***	***€0.51***
Non-recurring items	(19)	71	71
Net income - group share	**21**	**101**	**96**

Down 0.3%
at constant exchange rates:
- Antalis, down 2.2%
- Arjowiggins, up 4.6%

Including €52m
for DG IV

(*) These results include the activities of Dalum Papir A/S and the Map Merchant Group since 1 January 2007. Greenfield, acquired in 2008, is not included in the 2007 pro-forma results.

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Breakdown of non-recurring items

In million Euros	H1 2008	H1 2007
European Commission fine (DG IV)	-	52
Restructuring	(17)	(9)
Legg Mason shares	(7)	-
Taxes	13	-
Capital gains	-	17
Others	(8)	11
Total non-recurring items	**(19)**	**71**

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Consolidated Balance Sheet

In million Euros	June 30, 2008	Dec. 31, 2007
Goodwill	811	857
Equity investments	700	729
Investments	102	110
Inventories	674	646
Trade receivables	999	1 025
Trade payables	(809)	(785)
Other receivables (payables) on operating activities	(127)	(162)
Tax assets (liabilities)	3	(13)
Deferred taxes	(29)	(38)
Other assets	53	4
Total Assets	**2,378**	**2,372**
Shareholder's equity	1,254	1,287
Provisions	255	314
Net debt	869	771
Total Liabilities	**2,378**	**2,372**

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Breakdown of provisions

Decrease mostly due to the €/$ variation

In million Euros	June 30, 2008	Dec. 31, 2007
Fox River provision	93	101
Pension fund provision	94	114
Restructuring provision	31	48
Other provisions for risks and contingencies	38	50
Total	**255**	**314**

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Change in net debt

in million Euros	H1 2008
Net cash position at Dec. 31, 2007	**(771)**
EBITDA	98
Change in WCR	28
Capex	(40)
Net financing costs	(26)
Taxes	(16)
Acquisitions and disposals	(42)
Restructuring, non recurring expenses & pensions	(55)
Forex and others	(10)
Dividends paid	(35)
Net cash position at June 30, 2008	**(869)**

Out of which € 35 M restructuring

At Dec. 31, 2008, net debt should be lower than at Dec. 31, 2007

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3. Results by subsidiary

Pascal Lebard - Chairman & CEO of Arjowiggins

Pierre Darrot - Chairman of Antalis

Results by subsidiary

ARJOWIGGINS

A tough market environment in H1 2008

ARJOWIGGINS

Sharp **deterioration** of macroeconomic data

- *The euro strengthened against the dollar and Sterling, reaching all-time highs*
  €/US$ (+16 % over a year), €/£ (+16 % over a year)
- *Soaring energy prices have an immediate impact on raw materials and transportation prices*
  Oil prices (+68 % in $ over a year); UK natural gas (+ 111 % over a year)
- *Inflation and the banking crisis had a negative impact on demand, which is sluggish or flat in certain regions*

The paper sector is in the midst of **consolidation,** but is handicapped by:

- *Surplus production capacity, which limits price increases in commodity papers and makes it hard to pass on higher costs to sales prices*

The industry needs to face costs inflation *and* sluggish demand

Key figures from the financial statements

ARJOWIGGINS

4.6% at constant exchange rates

Down 2.8% at comparable perimeter (incl. Greenfield); up 1.7% at constant exchange rates

In million Euros	H1 2008	H1 2007 pro-forma	H1 2007 reported
Sales	**1,043**	**1,046**	**993**
% change	***-0.3 %***		
EBITDA	46	74	70
EBITDA margin	*4.4%*	*7.1%*	*7.0%*
Recurring operating income	**16**	**37**	**35**
Recurring operating margin	***1.5%***	***3.5%***	***3.5%***
Capital employed	752	879	802
ROCE	4.3%	8.4%	8.1%

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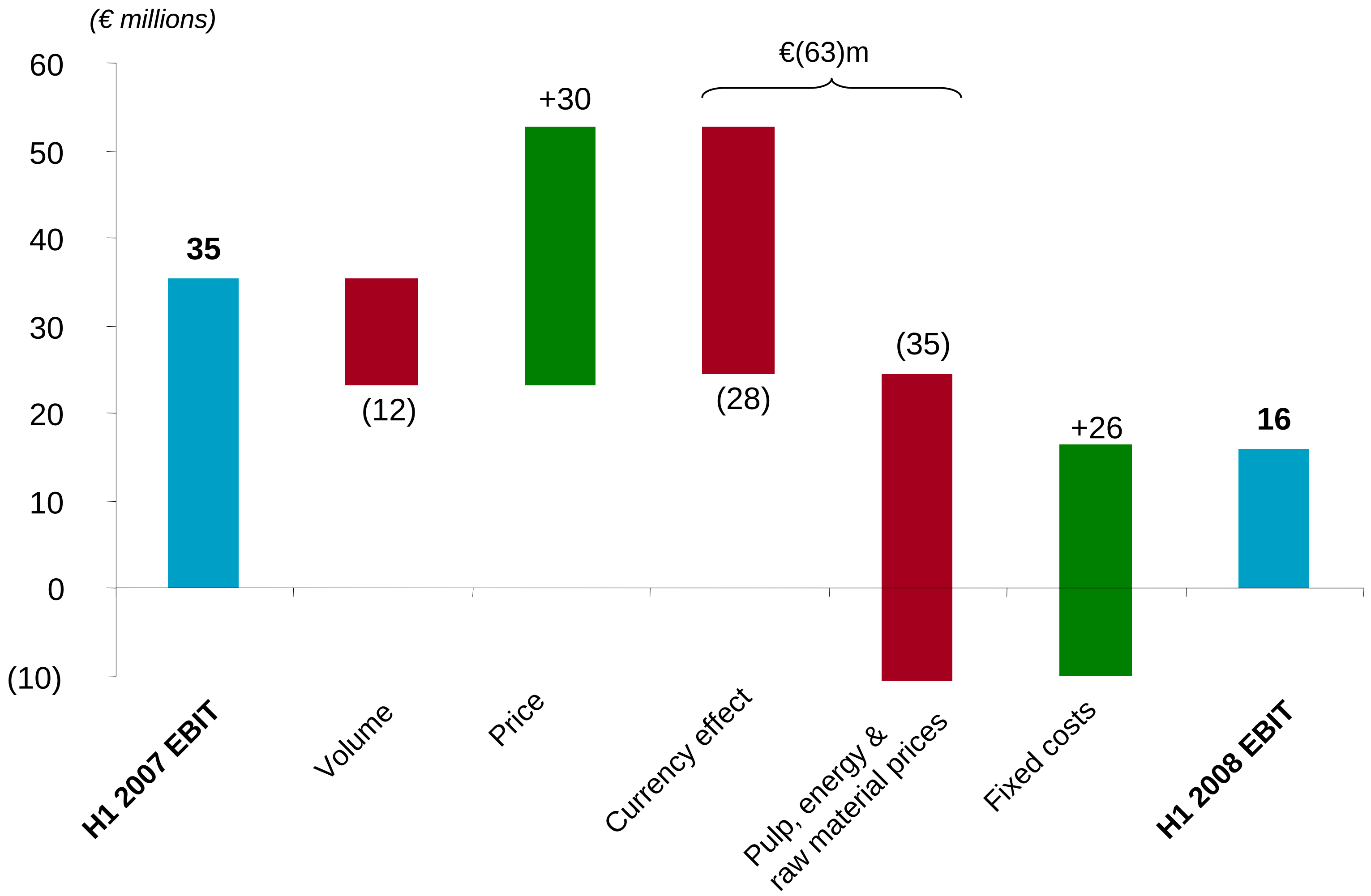
Recurring EBIT - H1 '07 / H1 '08 bridge

ARJOWIGGINS



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Key figures from the cash flow statement

ARJOWIGGINS

(€ millions, at June 30)	H1 2008	H1 2007 reported
EBITDA	**46**	**70**
Change in WCR	26	(9)
Capex	(29)	(37)
Cash flow from operations	**43**	**24**
Net debt	326	199

~2/3 of the yoy change comes from the acquisitions (Dalum, Greenfield, etc.)

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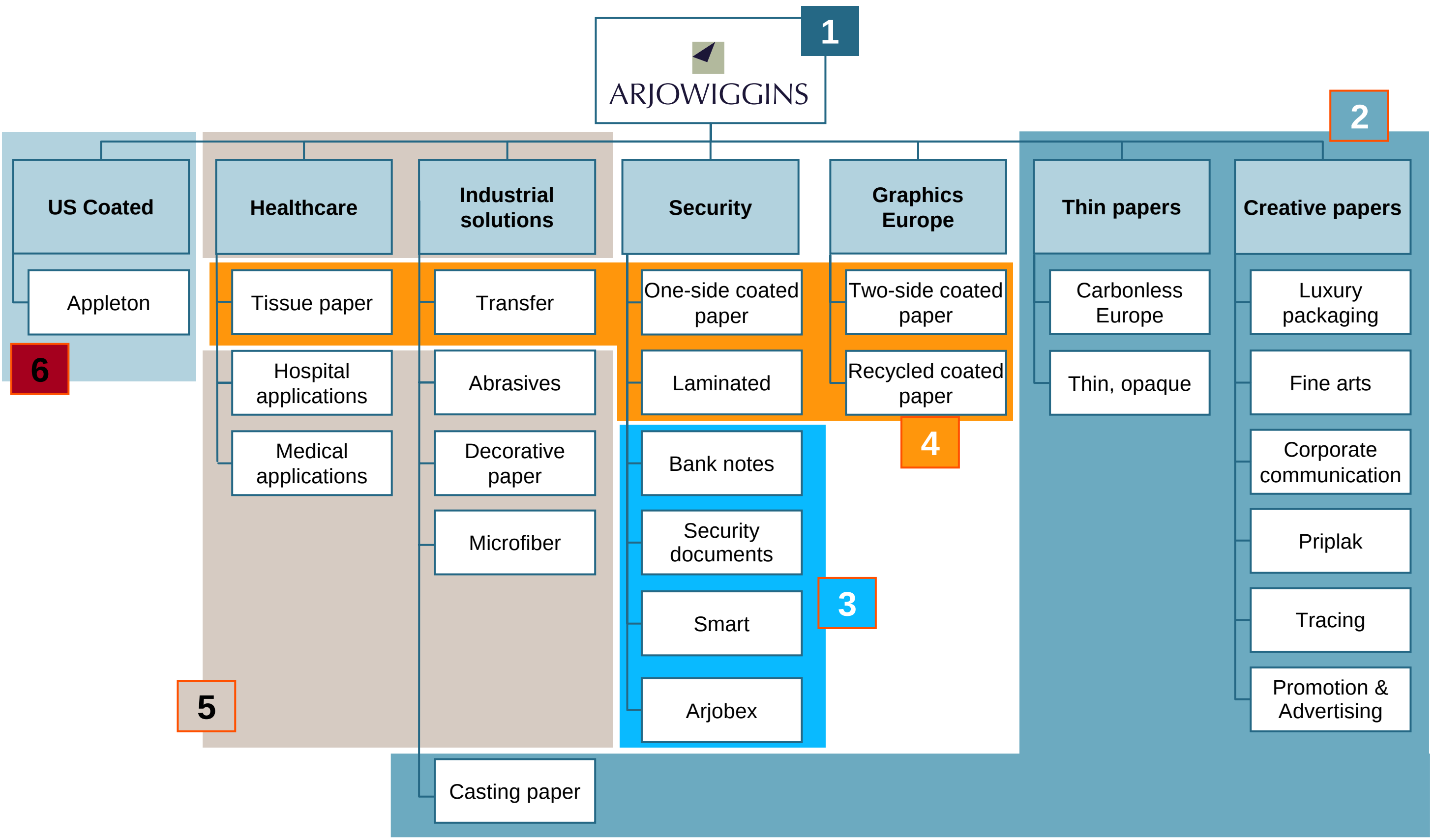
The new organization

Current organisation > Target organisation



1 Streamlining of central functions, greater autonomy for divisions

2 Ultimately to be integrated within Antalis

3 Creation of a Security division

4 Activities pooled into a single division, commercial agreement with Antalis

5 Elimination of the healthcare division

6 US Coated papers

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Closer relations between Arjowiggins & Antalis

ARJOWIGGINS

Two **challenges**

- *Take advantage of existing synergies between Arjowiggins and Antalis to reduce costs*
- *Encourage each subsidiary to benefit more directly from the other’s strengths: Arjowiggins from Antalis' commercial strengths and Antalis from the quality of Arjowiggins' product lines*

Two **lines of action**

- *Integrate Arjowiggins' creation and thin papers within Antalis in 2009*
- *Conclusion of a tighter commercial agreement between Antalis and Graphics Europe division enabling Arjowiggins to benefit from Antalis' marketing and sales expertise*

The creative and thin paper divisions offer the highest potential for synergies *with Antalis*

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Integration of creation papers

ARJOWIGGINS

Develop leadership of Arjowiggins & Antalis in Creation Papers with recognised strong **brands**

- *Leverage good existing relationships between the teams*
- *Adaptation of products to market : rationalise paper grades and implement a more innovative R&D policy*

Leverage Antalis's worldwide presence and **expertise**

- *Combine sales, backselling & marketing forces*
- *Optimise Supply Chain footprint and inventories turn*
- *Expand in new markets*

Increase overall **margin**

- Optimised *channel management*
- *Better utilise industrial capacity with additive products in paper and envelopes*

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Integration of thin papers

ARJOWIGGINS

Foster implementation of a **defensive strategy** in a declining market

- *Improve sales profitability thanks to better revenue mix (customers, countries, products)*
- *Reduce costs through industrial restructuring, supply chain improvement and sales & marketing optimisation*

Benefit from the integration **levers**

- *Better Customer intimacy especially with key accounts*
- *Better reactivity to market evolution*
- *Increased market coverage for “Idem” brand*
- *Better balance of sales mix between reels and sheets*
- *Pricing tuning*
- *Supply Chain integration*
- *Industrial capacity optimisation*

Greater autonomy for branches

ARJOWIGGINS

Improve the **operational performance and efficiency** of the divisions:

- *Through greater responsiveness to a tough market environment*

Reduce **costs**

- *Savings on transversal support functions,*
  which are vital for maintaining the group's competitiveness

- *Greater autonomy requires a new organisation of divisions and business units that optimises a <u>market approach</u> (identical clients for coated and recycled paper, for example) and an <u>industrial approach</u>, ensuring that branches attain better efficiency*

Restore power to the business units

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Cost-cutting plans

ARJOWIGGINS

Consolidation of Arjowiggins' **transversal support functions**

- *Mainly head office functions (purchasing, R&D, finance, supply chain, commercial, etc.)*
- *Reduce the work force by 250 to 300 positions*
  (mainly in France and the UK)
- *Pre-tax cost savings and synergies around €35m (~20% of SG&A costs)*
- *Restructuring provisions estimated at ~€40m*
  (with cash outlays mainly in 2009)
- *Full impact as of full-year 2009*

An **additional target** of at least €20m savings under review

- *Productivity measures are necessary in ailing businesses*
- *Carbonless & thin opaque papers activities are under detailed review*

Improve productivity in a tough market

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Priorities in 2008

Provide greater **autonomy** to the branches

Launch the **cost savings plan** on transversal support functions

Plan the **industrial optimisation** plan

Maintain the **price increase** policy

Evaluate the **disposal** of Security

Results by subsidiary

H1 2008 highlights

antalis

A **mixed market environment** in the first half

- *The European market was flat in volume terms, but contrasting trends by country (growth in Germany and Switzerland; declines in the UK, Spain and France)*
- *Dynamic markets in Asia, Latin America, Russia and Eastern Europe*
- *Increasingly fierce competition from office supply dealers*
- *Price increases in most markets*

Antalis is the **leader in sector consolidation**

- *Integration of Map strengthens critical mass in Europe*
- *A strategic opportunity to integrate Arjowiggins' creation and thin papers production*

Significant improvement in operating margins

- *3.0% in H1 2008, up 0.7 point*

Thanks to its leading positions,
Antalis places priority on profitability *over growth*

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Key figures from the financial statements

antalis

Down 2.2% at constant exchange rates

(€ millions, at 30 June)	H1 2008	H1 2007 pro-forma	H1 2007 reported
Sales	**1,713**	**1,808**	**1,179**
% change	***(5.3%)***		
EBITDA	63	55	38
EBITDA margin	*3.7%*	*3.0%*	*3.2%*
Recurring operating income	**52**	**41**	**26**
Recurring operating margin	***3.0%***	***2.3%***	***2.2%***
Capital employed	895	887	547
ROCE	11.6%	9.2%	9.8%

An 0.7 point improvement

Operating margin: 3%

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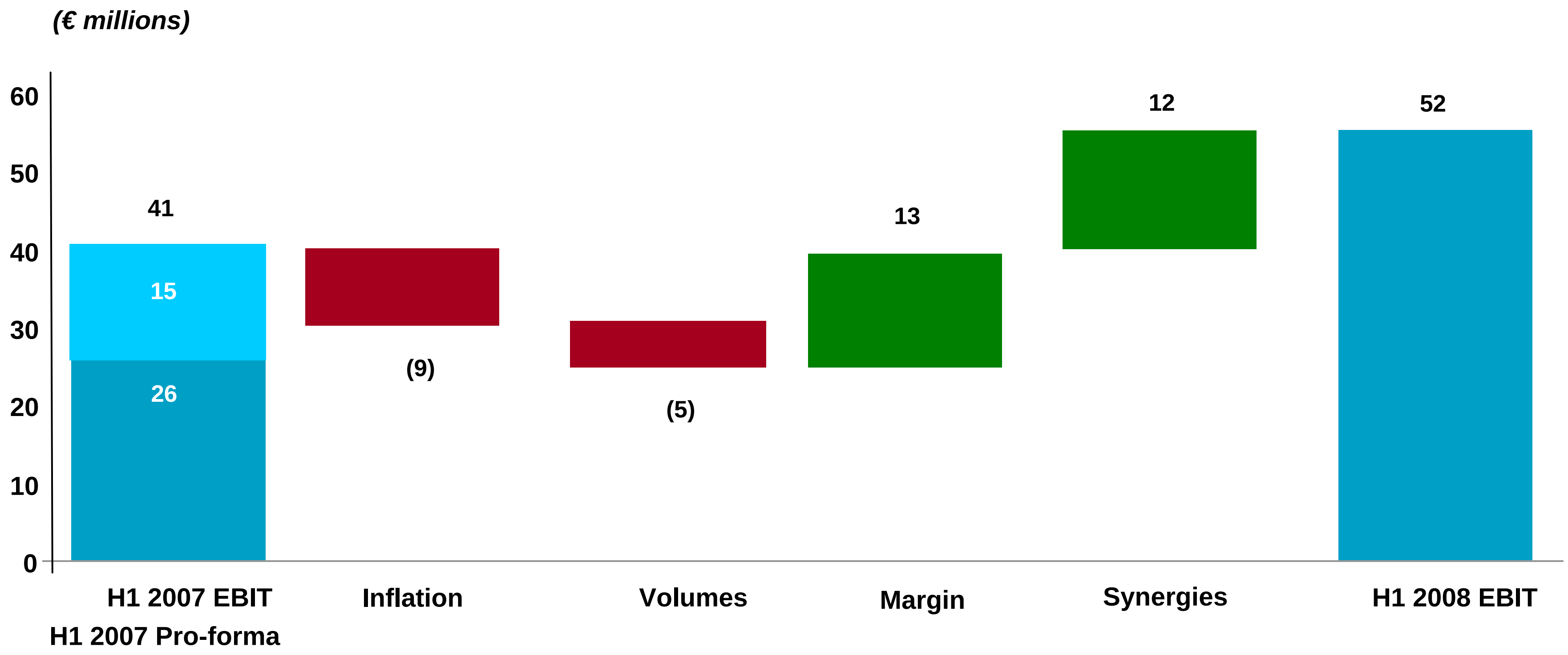
Recurring EBIT - H1 '07 / H1 '08 bridge



Key figures from the cash flow statement

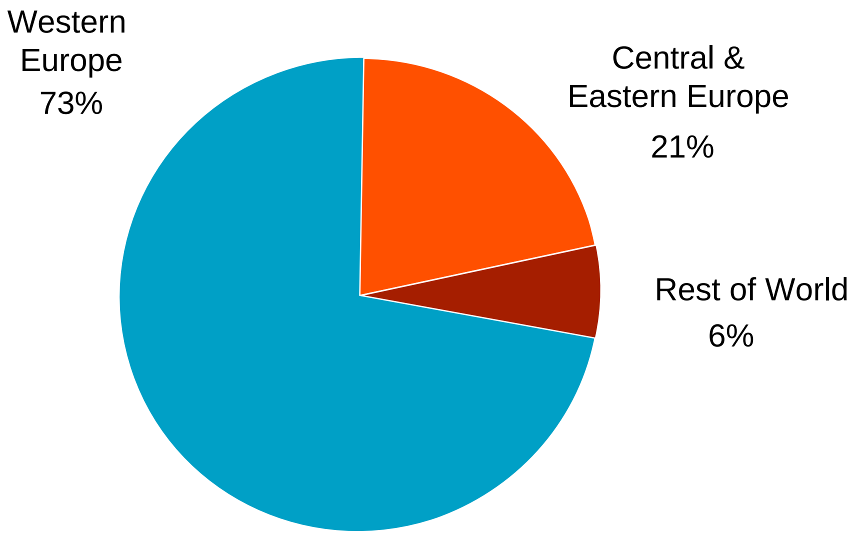
The plan to increase cash payments to providers has ended

(€ millions, at 30 June)	**H1 2008**	**H1 2007 reported**
EBITDA	**63**	**38**
Change in WCR	2	(46)
Capex	(11)	(12)
Cash flow from operations	**54**	**(20)**
Net debt	482	289

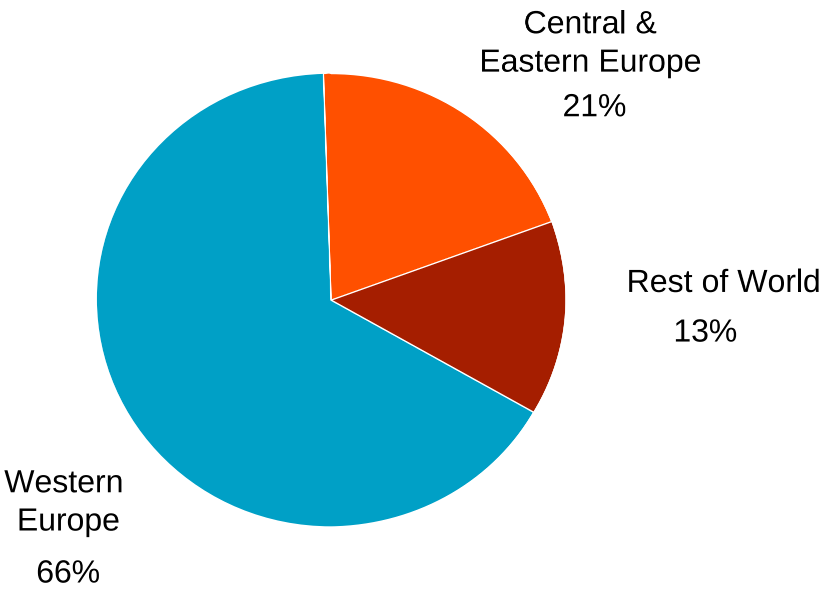
Mainly due to the impact of debt financing for the Map acquisition

Breakdown of sales and recurring EBIT

H1 2008 sales by region



H1 2008 recurring EBIT by region



Integration of Map

Integration plans are being **implemented**

- *Ahead of schedule in 5 out of 13 countries involved, on target in the 8 remaining countries*
- *The market warmly welcomed the new entity*
- *Revenue melt lower than expected*

Synergies have been confirmed and are **ahead of initial targets**

- *Better purchasing terms - full impact in 2008*
- *Optimisation of costs for sales, logistics and IT networks - full impact in H2 2009*

Disposal of Premier Paper Group Ltd to Beswick Paper in March 2008

The integration process is ahead of schedule
Optimisation *of plans to integrate the creation and thin papers activities*

Integration of creation and thin papers

A **unique opportunity** to stand out from the competition

- *Creation of a new positioning (a distributor selectively integrated in production)*
- *A more effective sales approach*
- *Better services (storage, transport, etc.)*
- *Better customer mix and expansion of regional coverage*

Identification of **cross synergies** between Antalis and Arjowiggins

- *Commercial, operational and cost synergies (marketing, storage, transport, WCR, etc.)*

Identified, manageable **risks**

- *Relations management with strategic players*
- *Implementation of integration plans*
- *Turn around the carbonless & thin opaque papers activities*

Unparalleled *access to the world's best portfolio of premium fine papers*

Priorities in 2008

Continue to generate **synergies** with Map

Prepare the integration of Arjowiggins' creation and thin papers activities

Maintain **productivity** efforts

Complete the disposal of Promotional Products (APP)

4. Outlook

Pascal Lebard - Chief Executive Officer

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Market environment in H2 2008

Costs inflation remains a concern for Arjowiggins

- *Impact of high energy prices on raw materials and transport costs*

The **weak dollar** distorts international equilibriums

- *New competitors*
- *Relocation of production facilities to low-cost countries*

Uncertainty over **lending conditions**

- *A strain on the economy and the investment decisions of our clients* *(advertising spending, for example)*
- *Yet it could help accelerate sector concentration and the reduction of production capacity, which would have a favourable impact on prices*

Inflation should remain high *in H2 2008,*
and industry consolidation should accelerate

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Sequana's strategy to best withstand the current market environment

Operational priorities have been clearly defined

- *Integrate Map activities*
- *Turnaround loss-making activities at Arjowiggins*
- *Execute the transformation plan*
  - *Integration of creation and thin papers*
  - *Greater autonomy of Arjowiggins businesses*
  - *Costs reduction of transversal support functions*

Sequana **assets trade off** is being evaluated

- *The disposal of the Security activity is under consideration*
- *Complete the disposal of Antalis Promotional Products business*

Outlook for 2008

Antalis

- *<u>2008 recurring operating income to significantly improve</u>* *taking into account the implementation of synergies related to the acquisition of Map activities (purchasing and the first impact of cost synergies*

Arjowiggins

- *<u>H2 2008 recurring operating income to be at around the same level as of H1 2008</u> given the continuing degradation of the market environment*

We are fully convinced by the pertinence of our strategic shift into specialised distribution and in our ability to improve our margins as of 2009

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5. Questions & Answers

Pascal Lebard - Chief Executive Officer

Pierre Darrot - Chairman of Antalis

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Appendix - Financial highlights by subsidiary

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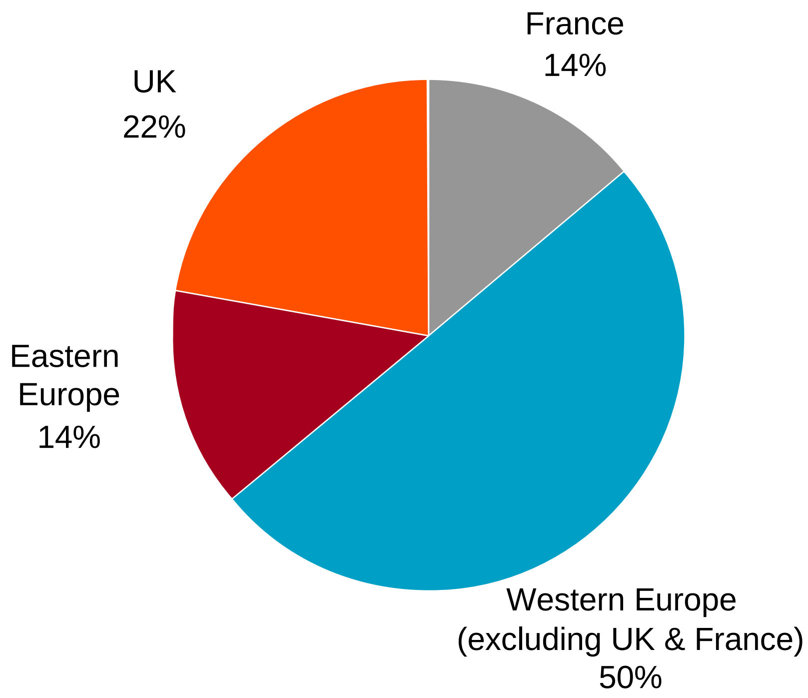
Antalis: Europe

H1 2008 sales by market



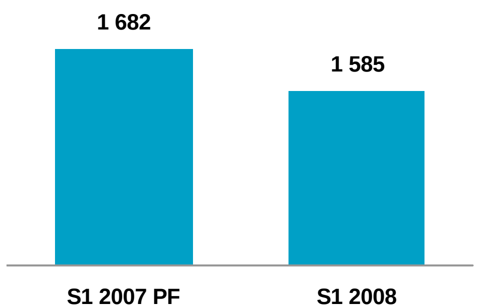
Comments

- *A stable but mixed European market fuelled by Germany and the Eastern European countries*
- *Price increases in the Print segment*
- *Strong results in France, Switzerland, Spain and Portugal, but a tough UK market*
- *Investment in CRM and e-commerce*

Antalis: Europe

(€ millions, except ROCE)

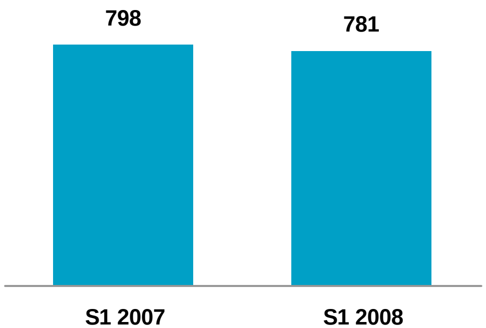
Sales



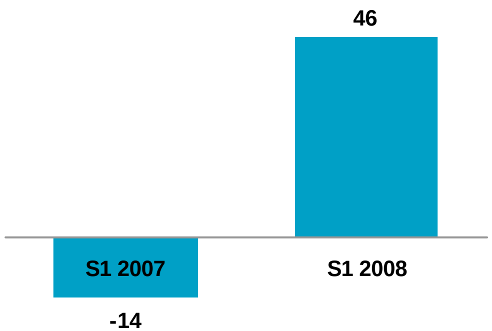
EBITDA

Recurring operating income

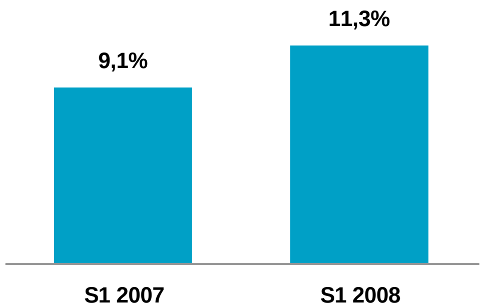
Capital employed



Cash flow from operating activities[1]



ROCE[2]



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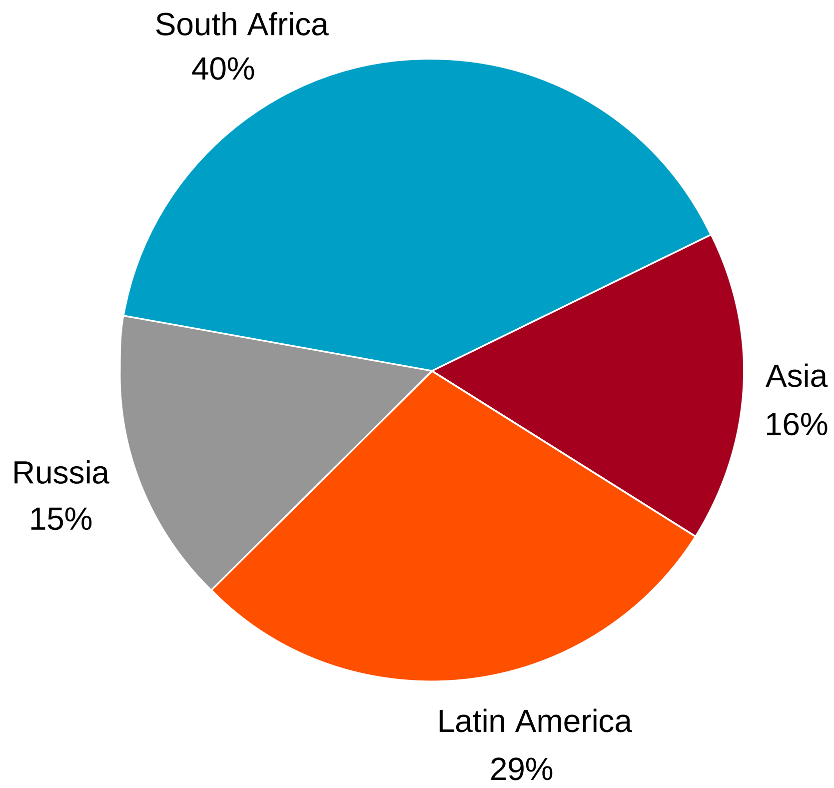
1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

Antalis: Rest of World

H1 2008 sales by market



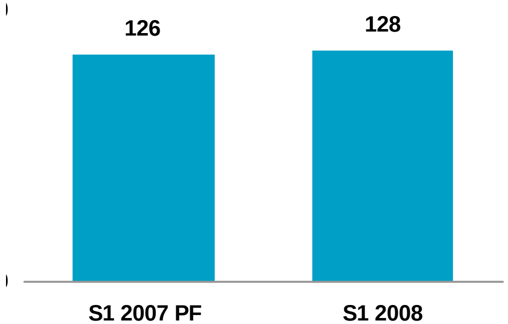
Comments

- *Strong growth in Image Paper Asia*
- *Growth in sales volumes in Brazil*
- *Strong performance outside of Europe*

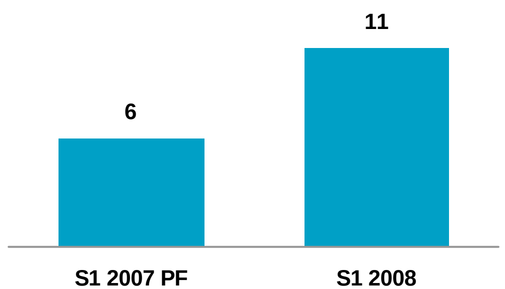
Antalis: Rest of World

(€ millions, except ROCE)

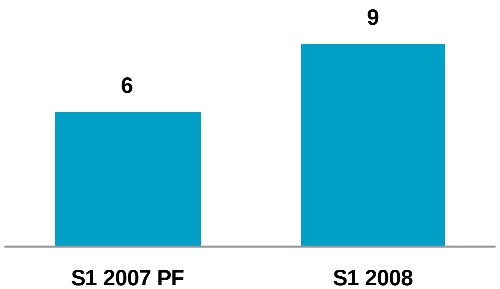
Sales



EBITDA

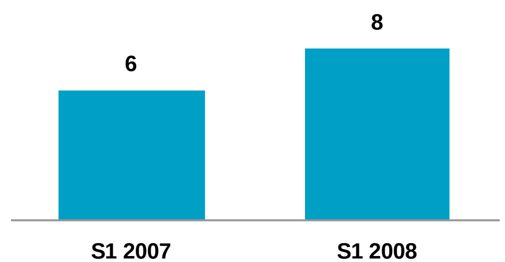


Recurring operating income



Capital employed

Cash flow from operating activities(1)



ROCE(2)

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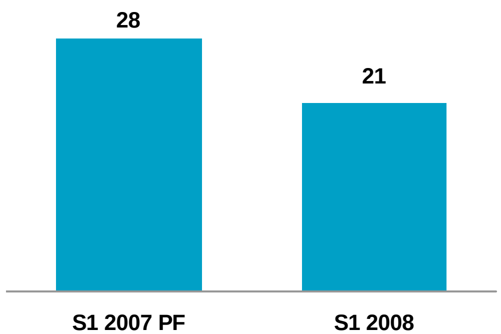
1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

Creative papers

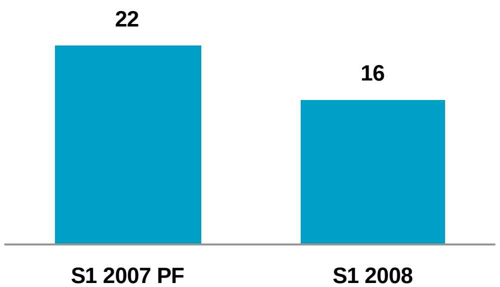
(€ millions, except ROCE)

Sales

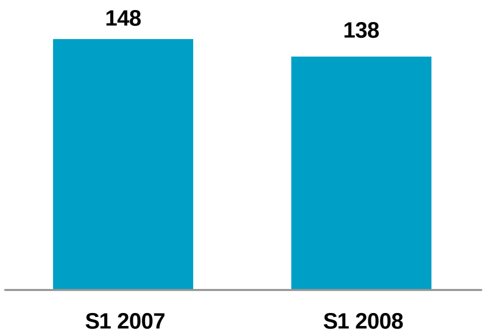
EBITDA



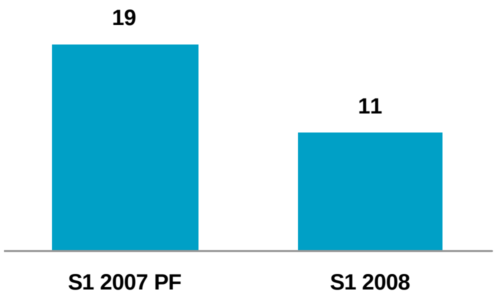
Recurring operating income



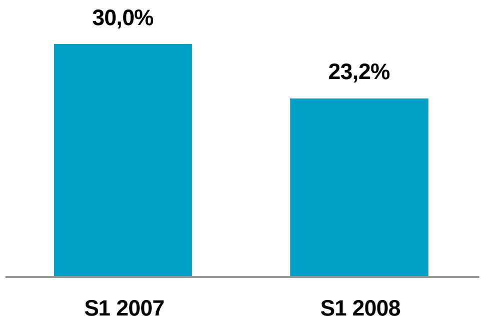
Capital employed



Cash flow from operating activities[(1)]



ROCE[(2)]



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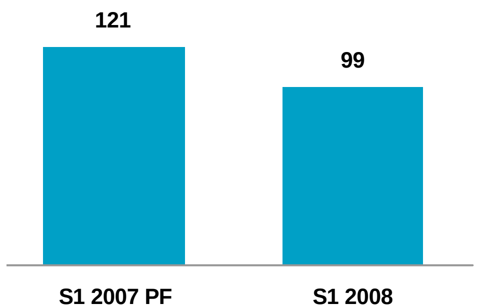
1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

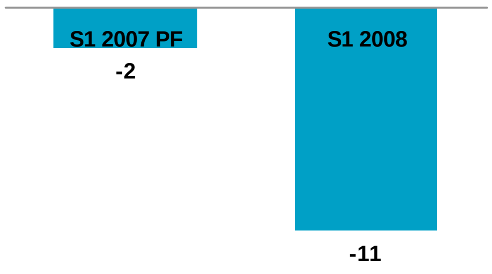
Thin papers

(€ millions, except ROCE)

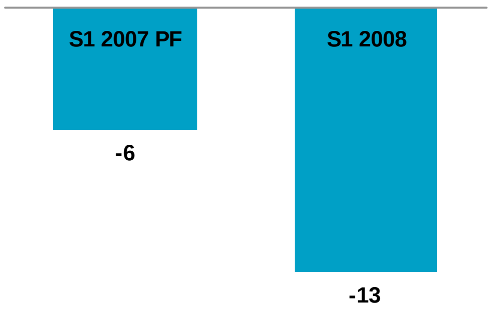
Sales



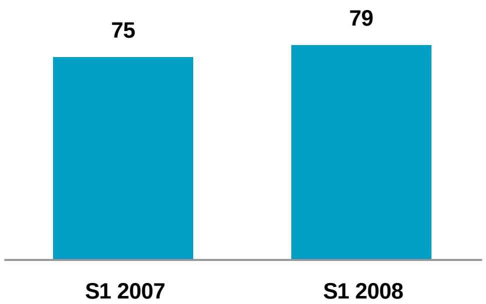
EBITDA



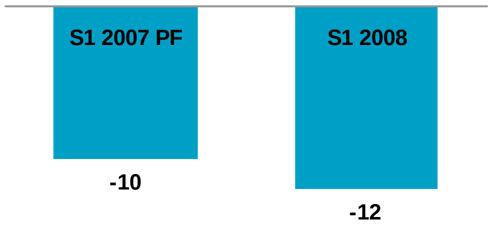
Recurring operating income



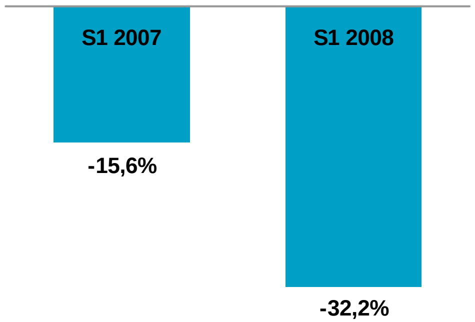
Capital employed



Cash flow from operating activities[1]



ROCE[2]



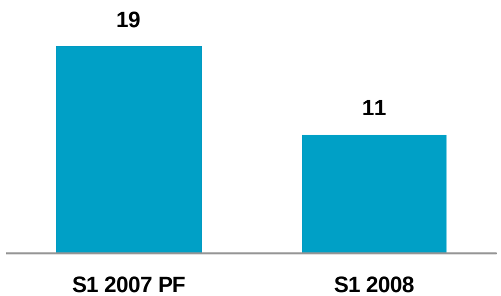
1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

Graphics Europe

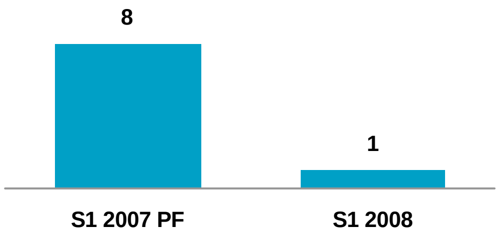
(€ millions, except ROCE)

Sales

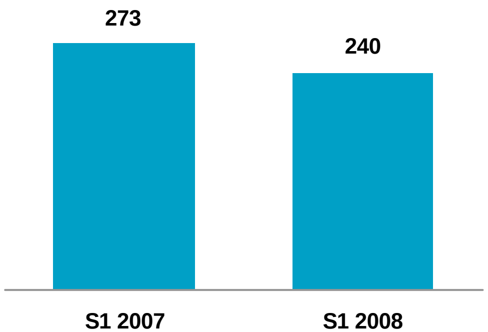
EBITDA



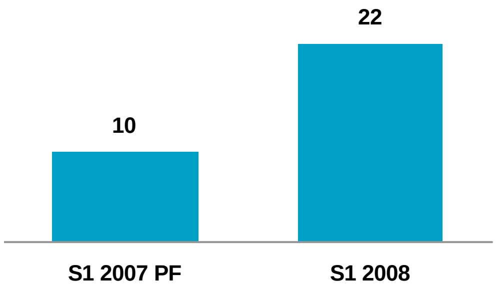
Recurring operating income



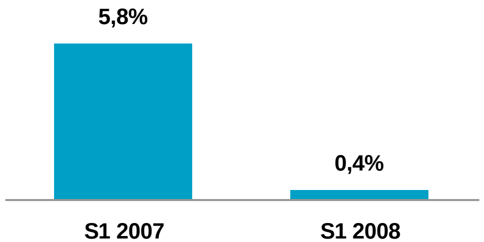
Capital employed



Cash flow from operating activities[1]



ROCE[2]



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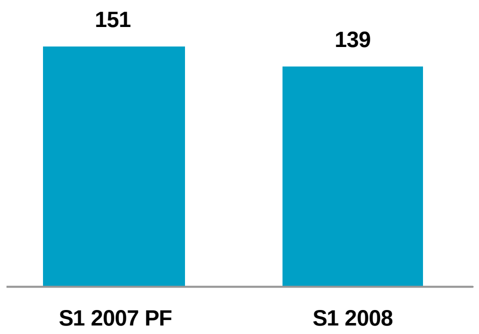
1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

US Coated

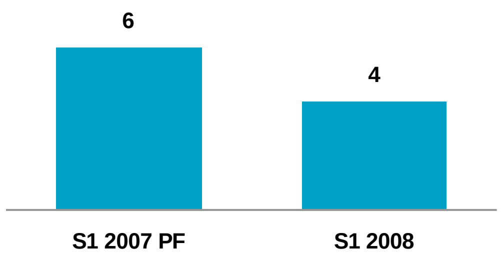
ARJOWIGGINS

(€ millions, except ROCE)

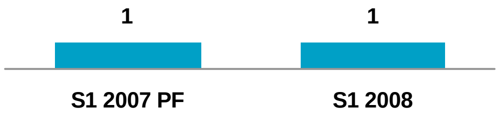
Sales



EBITDA

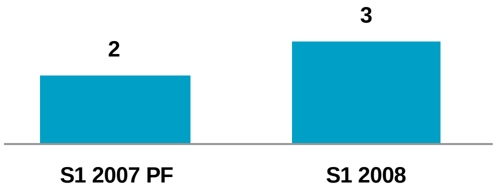


Recurring operating income

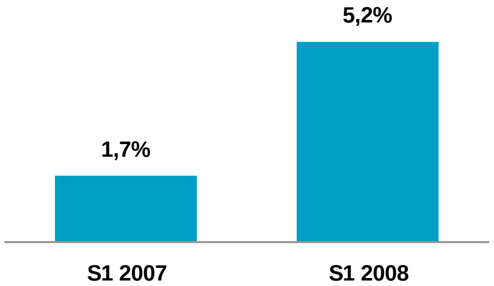


Capital employed

Cash flow from operating activities[(1)]



ROCE[(2)]



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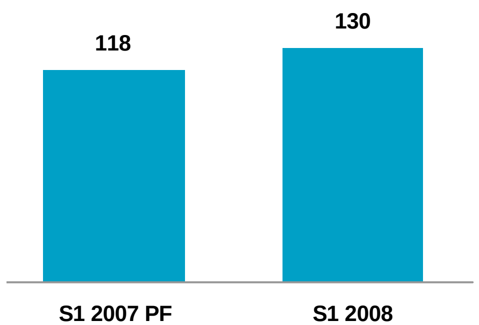
1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

SEQUANA

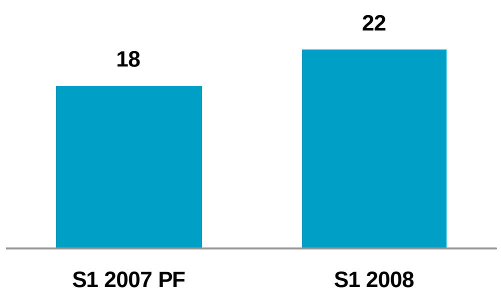
Security

(€ millions, except ROCE)

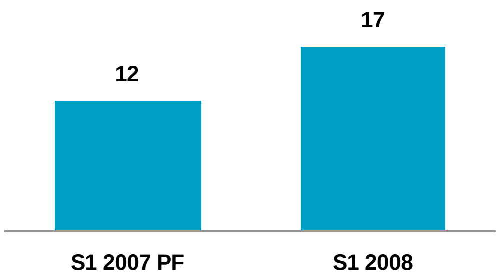
Sales



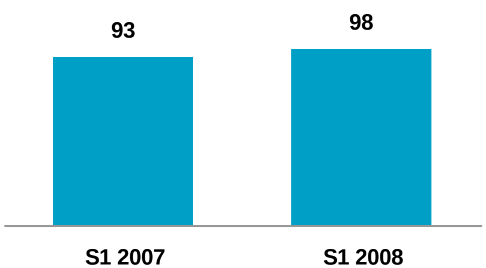
EBITDA



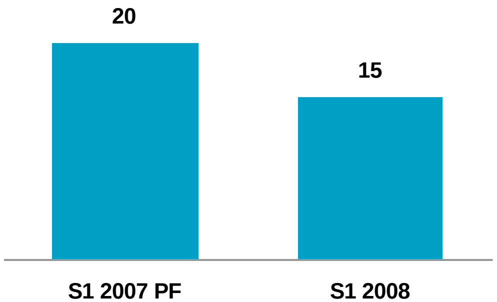
Recurring operating income



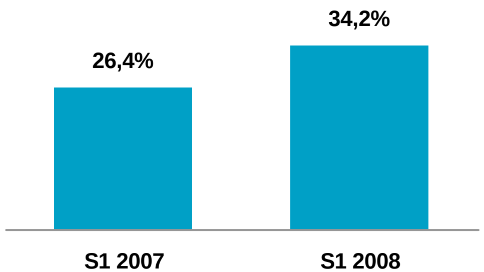
Capital employed



Cash flow from operating activities[1]



ROCE[2]



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1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

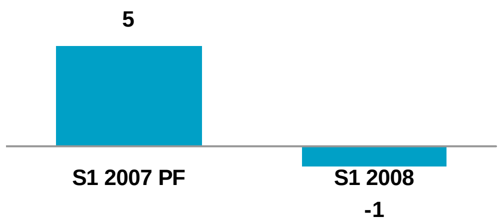
Industrial solutions

ARJOWIGGINS

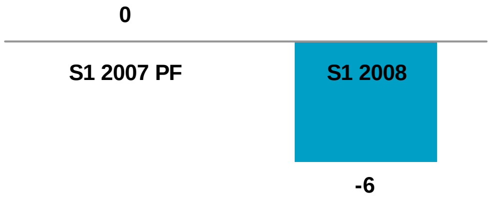
(€ millions, except ROCE)

Sales

EBITDA

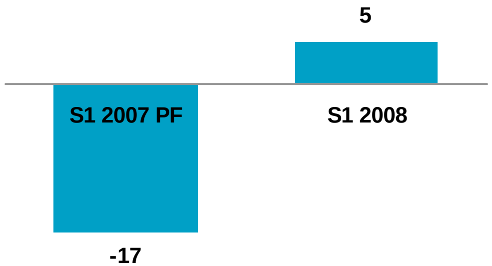


Recurring operating income

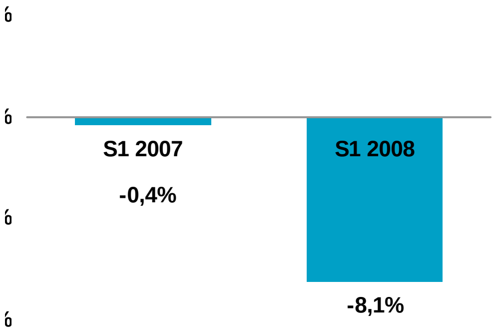


Capital employed

Cash flow from operating activities[1]



ROCE[2]



1. *Cash flow from operating activities: Current operating income +Depreciation - Investment - Change in WCR*
2. *ROCE is defined as current operating income/capital employed*

SEQUANA