

Arctic Paper Group Results for 1H 2017

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This Presentation should be read together with the 2016 consolidated and standalone report and report for the 1st half of 2017.

Agenda

- **Market environment**
- **Operations and financial results**
- **Summary for the 1H 2017**

Market environment



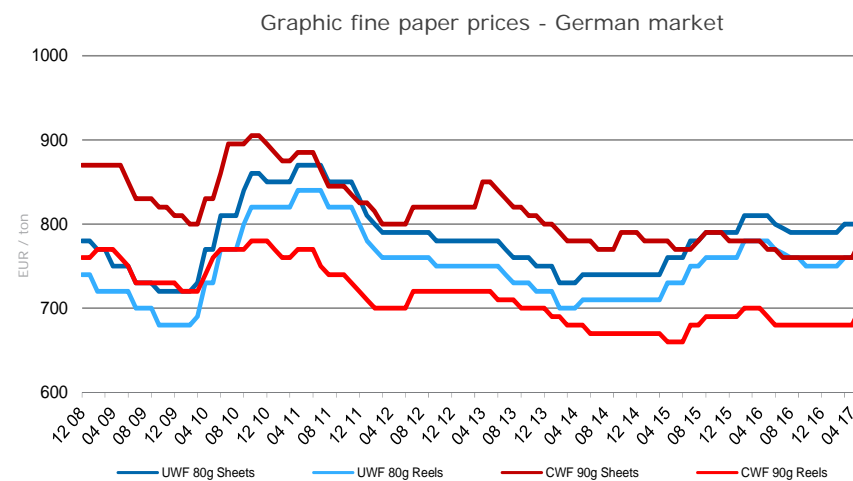
Fine paper prices

▶ JUN 2017 vs. MAR 2017

- ▶ UWF segment average price change +1,7%
- ▶ CWF segment average price change +2,9%

▶ JUN 2017 vs. JUN 2016

- ▶ UWF segment average price change +1,2%
- ▶ CWF segment average price change +1,7%



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	06 17 vs. 03 17			06 17 vs. 06 16		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	2,3%	1,7%	1,2%	0,9%	1,2%	1,9%
CWF	2,8%	2,9%	3,1%	1,3%	1,7%	2,5%

Source: Arctic Paper based on RISI data.

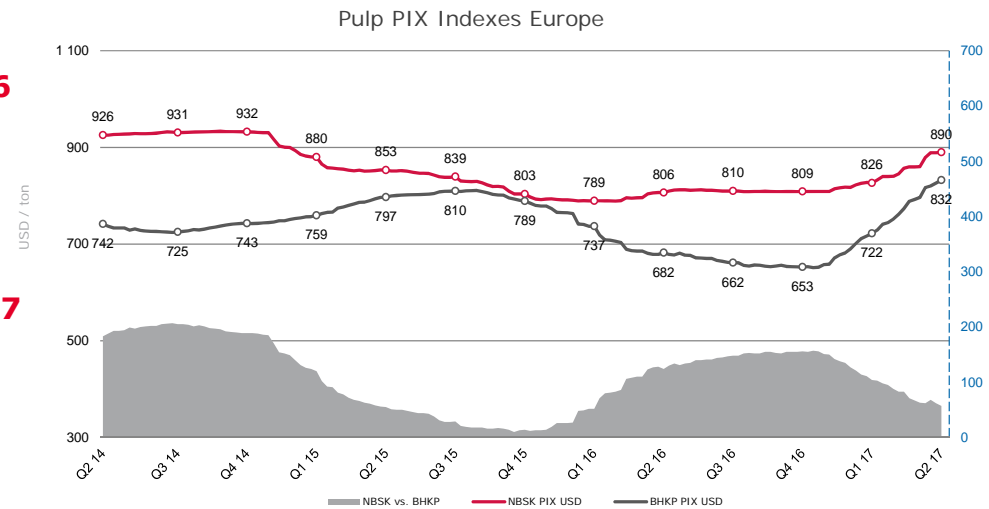
Pulp prices

▶ Average price Q2 2017 compared to Q2 2016

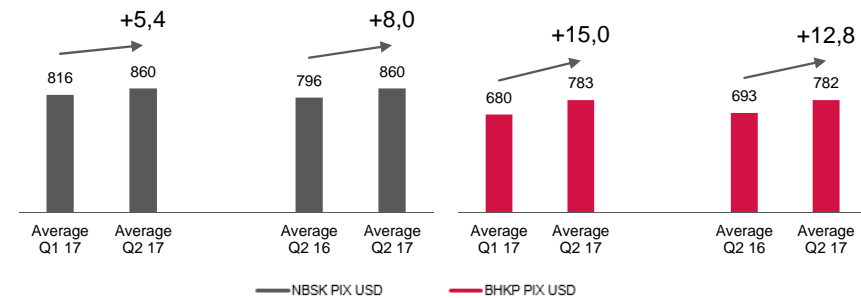
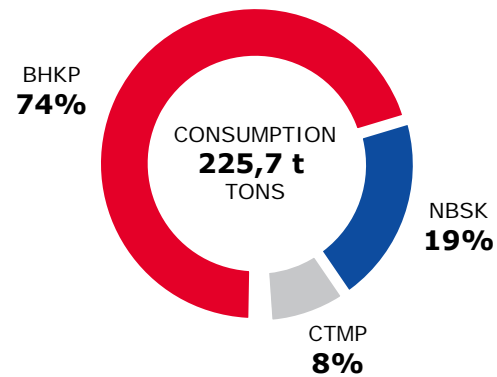
- ▶ NBSK (long fibre): 8,0% higher
- ▶ BHKP (short fibre): 12,9% higher

▶ Average price Q2 2017 compared to Q1 2017

- ▶ NBSK (long fibre): 5,4% higher
- ▶ BHKP (short fibre): 15,0% higher



Arctic Paper YTD Q2 2017 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

Currency exposure

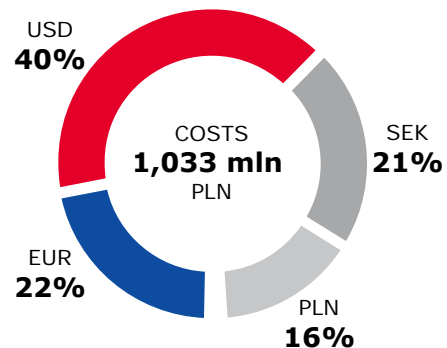
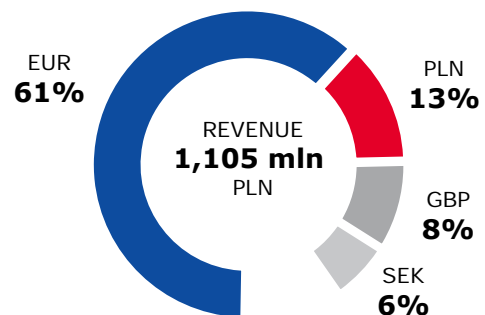
▶ Average exch. rate Q2 2017 compared to Q1 2017

- ▶ EUR/PLN -2,4%
- ▶ EUR/SEK +1,9%
- ▶ EUR/USD +3,4%

▶ Average exch. rate Q2 2017 compared to Q2 2016

- ▶ EUR/PLN -3,5%
- ▶ EUR/SEK +4,4%
- ▶ EUR/USD -2,5%

Arctic Paper YTD Q2 2017 Revenue and costs structure



EUR/PLN changes



EUR/SEK changes



EUR/USD changes



Operations



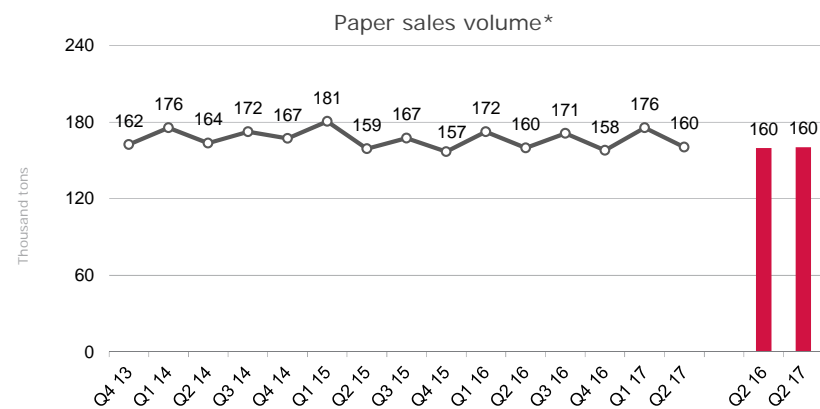
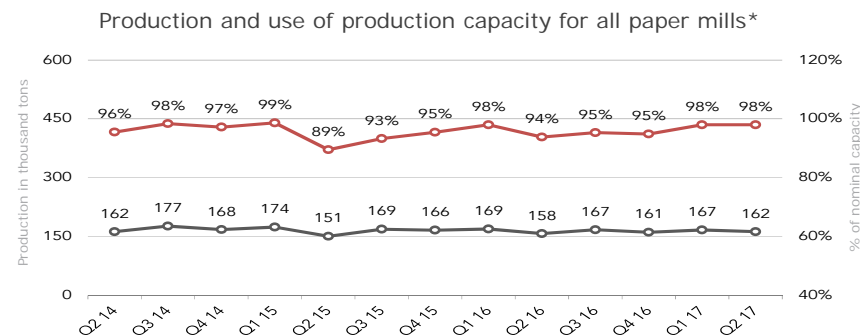
Budget production capacity and sales volume*

▶ **Q2 2017 average use of budgeted production capacity: 98%**

- ▶ 0,5% higher than in Q1 2017
- ▶ 6,2% higher than in Q2 2016

▶ **Q2 2017 total production volume: 162k tons**

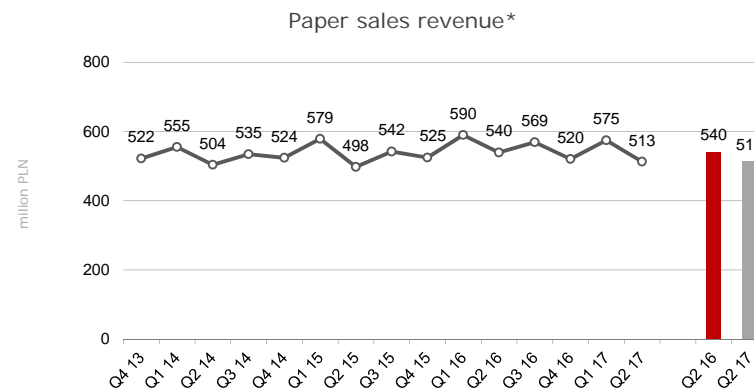
- ▶ 2,7% lower than in Q1 2017
- ▶ 2,9% higher than in Q2 2016



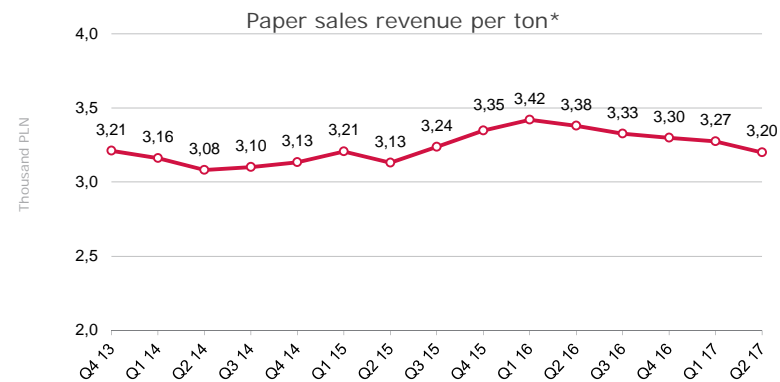
* AP Mochenwangen excluded from sales volume.

Paper sales revenue and revenue per ton*

- ▶ Q2 2017 (PLN 513m) down by 4,9% compared to Q2 2016
- ▶ Q2 2017 down by 10,8% compared to Q1 2017



- ▶ Q2 2017 (PLN 3,20k) decrease by 5,3% compared to Q2 2016
- ▶ Q2 2017 decrease by 2,3% compared to Q1 2017



* AP Mochenwangen excluded from revenue per ton.

*

Financial results

Key consolidated figures

(PLN thousands)	Q2 2017	Q1 2017	Q2 2016	1H 2017	1H 2016
Paper sales volume (000' tonnes)	160	176	160	336	332
Pulp sales volume (000' tonnes)	85	101	91	186	186
Revenues	703 087	773 902	721 265	1 476 989	1 499 825
Gross profit on sales	141 503	154 638	138 980	296 141	289 858
% margin	20,1	20,0	19,3	20,1	19,3
EBITDA	64 561	75 498	63 695	140 059	134 364
% margin	9,2	9,8	8,8	9,5	9,0
EBIT	33 026	44 121	33 705	77 147	75 081
% margin	4,7	5,7	4,7	5,2	5,0
Net result	12 963	32 934	10 704	45 897	30 332
% margin	1,8	4,3	1,5	3,1	2,0
Net result from continuing operations	14 818	35 082	11 965	49 899	36 672
% margin	2,1	4,5	1,7	3,4	2,4
Net result from discontinued operations	-1 855	-2 148	-1 261	-4 003	-6 340
% margin	-0,3	-0,3	-0,2	-0,3	-0,4
Net operating cash flow	81 838	21 935	15 140	103 773	15 384
Capital expenditures	44 843	30 872	37 325	75 716	62 996
Cash and equivalents	100 821	101 595	124 219	100 821	124 219
Total assets	1 692 704	1 706 908	1 750 212	1 692 704	1 750 212
Capital employed	1 178 958	968 538	1 104 243	1 178 958	1 104 243
Total equity	739 265	738 370	704 158	739 265	704 158
Net debt	249 599	267 464	313 045	249 599	313 045
Earnings per share (PLN)	0,19	0,48	0,15	0,66	0,44
Equity / assets ratio (%)	44	43	40	44	40
Net debt / equity ratio (%)	34	36	44	34	44
Net debt / EBITDA (times)	0,98x	1,05x	1,36x	0,98x	1,36x

1H 2017 total revenues down -1,5% compared to 1H 2016 (-3,8% paper segment, +4,7% pulp segment revenue)

1H 2017 EBITDA up by PLN 5,7m compared to 1H 2016 (65,8m PLN paper segment: +5,6m PLN, 74,3m PLN pulp segment: +0,07m PLN)

1H 2017 Net result from continuing operations: + PLN 13,2m compared to 1H 2016 (26,0m PLN paper segment: +12,8 PLN, 23,9m PLN pulp segment: +0,5m PLN)

CAPEX on the level of 75,3m PLN (31m PLN paper segment: +13m PLN, 44m PLN pulp segment: -0,4m PLN)

Cash on the level of 100,8m PLN (96,0m PLN paper segment: +8,9m PLN, 4,8m PLN pulp segment: -32,3m PLN)

Net debt on the level of 250m PLN vs 313 PLN in JUNE 2016

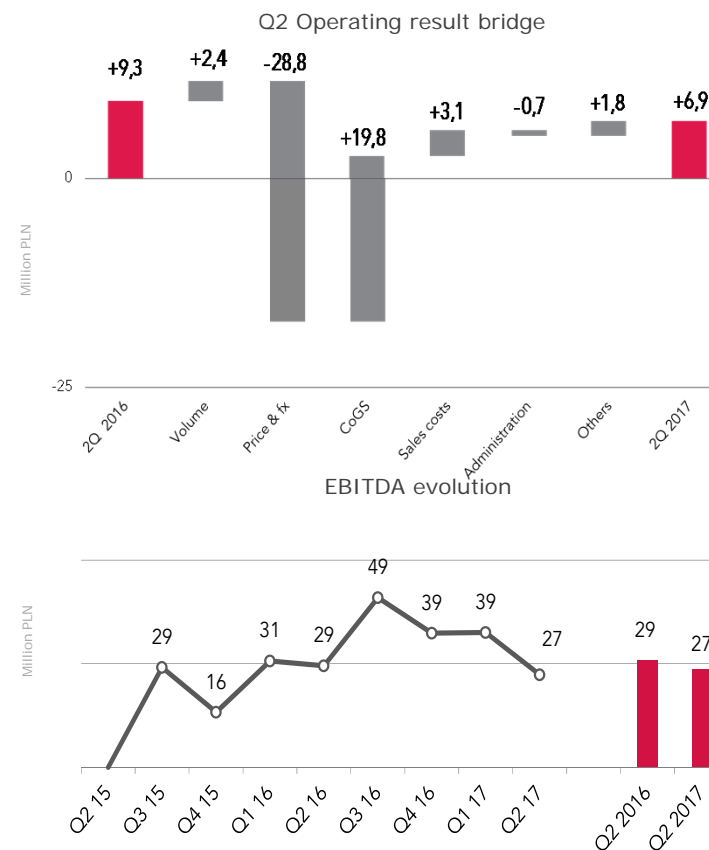
Q2 2017 Operating result and EBITDA (excluding Rottneros)

▶ Operating result for the Q2 2017 6,9m PLN

- ▶ -11,9m PLN lower than Q1 2017
- ▶ -2,4m PLN lower than Q2 2016

▶ Q2 2017 EBITDA 26,8m PLN

- ▶ -12,3m PLN lower than Q1 2017
- ▶ -2,6m PLN lower than Q2 2016



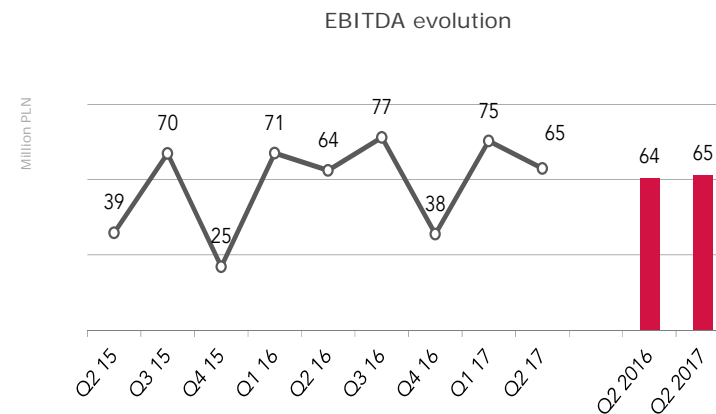
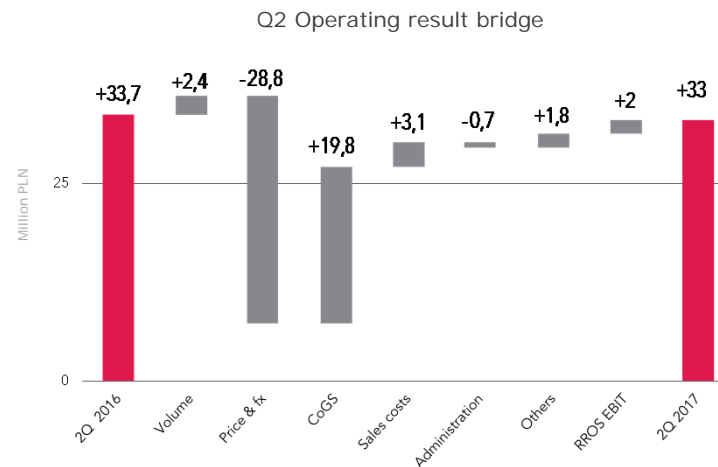
Q2 2017 Consolidated operating result and EBITDA (including Rottneros)

▶ Operating result for the Q2 2017 33,0m PLN

- ▶ -11,1mPLN lower than Q1 2017
- ▶ -0,7m PLN lower than Q2 2016

▶ Q2 2017 EBITDA 64,6m PLN

- ▶ -11,0m PLN lower than Q1 2017
- ▶ +0,9m PLN higher than Q2 2016



Summary of 1H 2017

1H 2017 in brief

Market environment:

- Unfavourable pulp prices market development in second part of 1H 2017 for paper segment, BHKP, short fibre average Q2 2017 +12,9% and NBSK, long fibre average Q2 2017 +8,0% if compared to Q2 2016, accordingly BHKP +15,0% and NBSK +5,4% if compared average Q2 2017 to Q1 2017;
- Market still shows clear signals of pulp prices further increases in next coming months;
- The USD to the Euro slightly moved in the second part of 1H 2017 towards more favourable for paper segment level;

Arctic Paper Group:

- Arctic Paper in the paper segment delivered good results although pulp prices continued to increase;
- Financial results in the pulp segment in the 1st half of 2017 continued to be very solid, with profit and margins remaining at a good level;
- EBITDA for 1H 2017 without Rottneros on level of 65,8m PLN vs. 60,2m PLN in 1H 2016;
- EBITDA for 1H 2017 of Arctic Paper Group with Rottneros was 140,1m PLN vs. 134,4m PLN in 1H 2016 (paper segment up by 5,6m PLN, pulp segment up by +0,07m PLN);

Thank you!

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Wolfgang Lübbert, EVP Marketing and Strategy



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