



ARCTIC PAPER

PRESS RELEASE

Poznań, 16th of May 2016

ARCTIC PAPER GROUP Q1 2016: SIGNIFICANT IMPROVEMENT OF RESULTS IN PAPER SEGMENT

The Q1 results of Arctic Paper Group continue to show stability as well as significant improvement of results in paper segment - EBITDA in this segment was up 18.2% compared to Q1 2015, and operating profit increased by 58.0% year-on-year.

The Profit Improvement Program 2015/16, not least the financial important cessation of production at Arctic Paper Mochenwangen, finalized in December last year, is running according to plan and delivering the desired effects.

The Groups sales revenue for the period Q1 2016 was PLN 778,6m, that is 1.0% higher year-on-year. EBITDA was PLN 70.7m (9.4% less compared to Q1 2015), operating profit was PLN 41.4m (down 18.8%), and net profit from continued operations came to PLN 24.7m (down 7.4%).

The Group's results have for a long period of time been stable and are aided by the pulp and paper markets compensating each other's volatility.

Results excluding Rottneros

In the paper segment sales revenue were PLN 589,9m (almost 2.0% higher in comparison to Q1 2015), EBITDA increased to PLN 30.8m (up 18.2%) and operating profit to PLN 10.8m (up 58.0%). Net result from continued operations was PLN 1.5m, while in the same period of 2015 the segment generated loss of PLN 7.2m.

The market for coated and uncoated fine graphic paper in Q1 2016 was still declining, being down 4.3% year-on-year and 0.7 % in comparison to Q4 2015 on this difficult market Arctic Paper managed to increase volume of its fine paper deliveries in comparison to the last quarter of 2015 and strengthen its market position.

Wolfgang Lübbert member of the Management Board commented: *"The financial results in paper segment that we achieved in Q1 2016 are very satisfying. The cessation of production at the Mochenwangen plant has had a strong positive financial result. The effect of the Profit Improvement Program on the revenue side is running smoothly and we have benefited from increased paper prices, especially for high quality Arctic Paper products. Together the actions have sustained the financial stability we are striving for."*

The revenue from sale of paper was up 1.9% in Q1 2016 year-on-year and 12.4% higher than in Q4 2015. Sales revenue per tonne increased by 2.2% and 6.7% respectively. This increase is largely due to the implemented price strategy.

The total production volume in for the period was 169' tonnes, 2.7% lower than in the equivalent period in 2015. Q1 2016 included Easter, normally a weak period, where as last year, Easter occurred during Q2.

Results including Rottneros

The Groups results have been influenced at consolidated level by the performance of Rottneros AB. The development program of Rottneros continues with increased efficiency. The results of the first quarter are strong despite the fact that prices of long-fibre pulp (produced by Rottneros) in both US dollars and SEK have fallen. Compared to the exceptional quarter of Q1 2015 the contribution from Rottneros declined, on EBITDA by 23% and as revenue by 2%.

New financing

During the first quarter of 2016, an evaluation of potential refinancing was initiated. The main aim would be to switch the structure of financing and thereby achieve increased financial stability.

"The rough market conditions are here to stay and we are acting accordingly. By not only defending our position, rather strengthen it in these conditions, we prove that our philosophy of stable finances combined with mobile and swift market responses creates results. The development of the Profit Improvement Program 2015/2016 as well as refinancing is according to plan which further reinforces our competitive advantages," says Arctic Paper acting CEO Per Skoglund.

Selected financial results of the Arctic Paper Group (including Rottneros) in the 1st quarter of 2016

PLN '000	1Q 2016	1Q 2015	Change (%)	4Q 2015
SALES REVENUE	778,560	771,103	1.0%	710,408
EBITDA	70,669	77,999	-9.4%	25,336
EBIT	41,377	50,959	-18.8%	-5,623
NET RESULT*	24,707	26,690	-7.4%	-3,593
NET RESULT	19,628	12,846	52.8%	-65,440

Selected financial results of the Arctic Paper Group (excluding Rottneros) in the 1st quarter of 2016

PLN '000	1Q 2016	1Q 2015	Change (%)	4Q 2015
SALES REVENUE	589,849	578,733	1.9%	524,984
EBITDA	30,787	26,037	18.2%	15,920
EBIT	10,843	6,861	58.0%	-3,815
NET RESULT*	1,541	-7,188	-	12,666
NET RESULT	-3,538	-21,032	-	-49,270

**From continued operations only. As the Management Board announced in Current Report No. 10/2015 of 28 July 2015, in particular as a result of the active search for a buyer for Arctic Paper Mochenwangen, its results have been excluded from the consolidated income statement and, in compliance with IFRS, are reported separately as discontinued operations.*

Further information for the media provided by:

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ARCTIC PAPER S.A. is one of the leading manufacturers of high-quality graphical fine paper in Europe. The company produces coated and uncoated wood-free paper for demanding clients such as printers, publishers, newspaper publishers, advertising agencies, paper distributors and packaging producers. The product portfolio includes well-known brands such as Amber, Arctic, G-Print and Munken.

The products are produced at Arctic Paper S.A.'s three paper mills:

- Arctic Paper Munkedals, Sweden
- Arctic Paper Grycksbo, Sweden
- Arctic Paper Kostrzyn, Poland

The total production capacity of the company is over 700,000 tonnes of paper per year.

Arctic Paper Kostrzyn has a production capacity of 285,000 tonnes per year and produces uncoated wood-free paper for the printing of brochures, forms, books and envelopes.

Arctic Paper Grycksbo has a production capacity of 260,000 tonnes per year and produces coated paper used for magazines, direct mail, books, posters and maps.

Arctic Paper Munkedals has a production capacity of 160,000 tonnes per year and produces mainly uncoated wood-free paper for book, design and advertising purposes.

Arctic Paper S.A. is the main shareholder owning 51% of Rottneros AB (two pulp-producing mills), with a total production capacity of approximately 400,000 tonnes pulp per year. The pulp mill in Vallvik, which has a production capacity of 240,000 tonnes per year, produces two types of long-fibre sulphate-pulp. The pulp mill in Rottneros that has a production capacity of 160,000 tonnes per year, mainly produces two kinds of mechanical pulp: ground-wood pulp and CTMP.

An important and unique part of Arctic Paper is the sales offices, which markets and manages the delivery of the company's products. Arctic Paper S.A. currently has 14 sales offices throughout Europe, which provides access to all European markets.

The company has about 1 250 employees, excluding Rottneros AB, and its headquarters are in Poland.

The largest shareholder in Arctic Paper S.A. is the Swedish company Nemus Holding AB. Arctic Paper S.A. is listed on the Warsaw Stock Exchange since October 2009, and additionally since December 2012 on the NASDAQ in Stockholm.

More information to be found at www.arcticpaper.com

