

Arctic Paper Group Results for Q4 2016

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ARCTIC PAPER

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This Presentation should be read together with the 2016 consolidated and standalone annual report and report for the 2015.

Agenda

- **Market environment**
- **Operations and financial results**
- **Summary for the 2016**

Market environment



Deliveries of fine paper

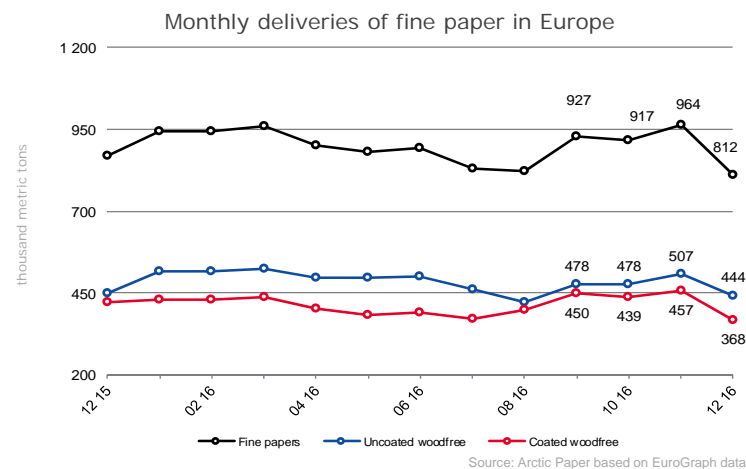
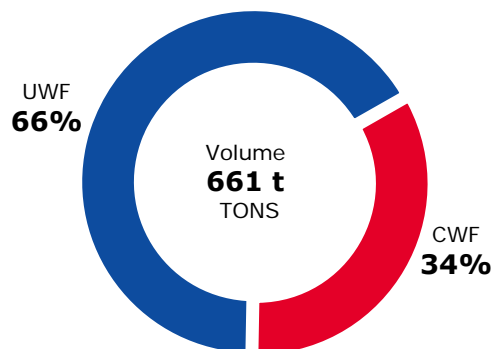
► Q4 2016 vs. Q4 2015 -6,1%

- Uncoated woodfree down -3,7%
- Coated woodfree down -8,8%
- Arctic Paper volume up +0,6%

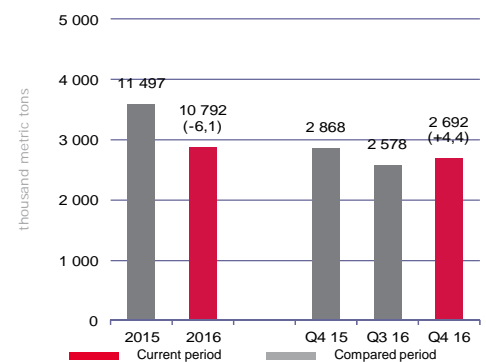
► 2016 vs. 2015 -6,1%

- Uncoated woodfree down -5,7%
- Coated woodfree down -6,6%
- Arctic Paper volume down -0,4%

Arctic Paper YTD 2016 volume structure



Quarterly deliveries of fine paper in Europe



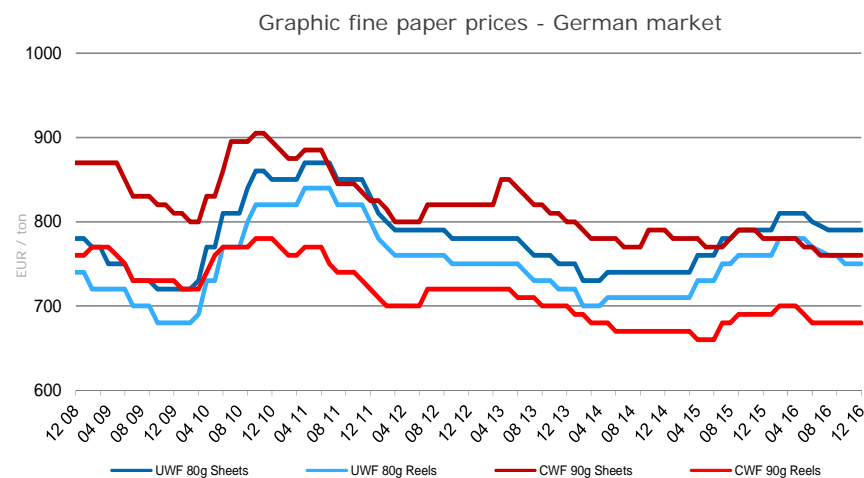
Fine paper prices

▶ December 2016 vs. September 2016

- ▶ UWF segment average price change -0,7%
(Arctic Paper: -0,8%, measured in PLN)
- ▶ CWF segment average price change -0,7%
(Arctic Paper: +0.8%, measured in PLN)

▶ December 2016 vs. December 2015

- ▶ UWF segment average price change -1,6%
(Arctic Paper: -2,8%, measured in PLN)
- ▶ CWF segment average price change -3,0%
(Arctic Paper: -1,9%, measured in PLN)



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	12 16 vs. 09 16			12 16 vs. 12 15		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,0%	-0,7%	-0,5%	-1,6%	-1,6%	-1,4%
CWF	-1,1%	-0,7%	-0,4%	-3,3%	-3,0%	-2,6%

Source: Arctic Paper based on RISI data.

Pulp prices

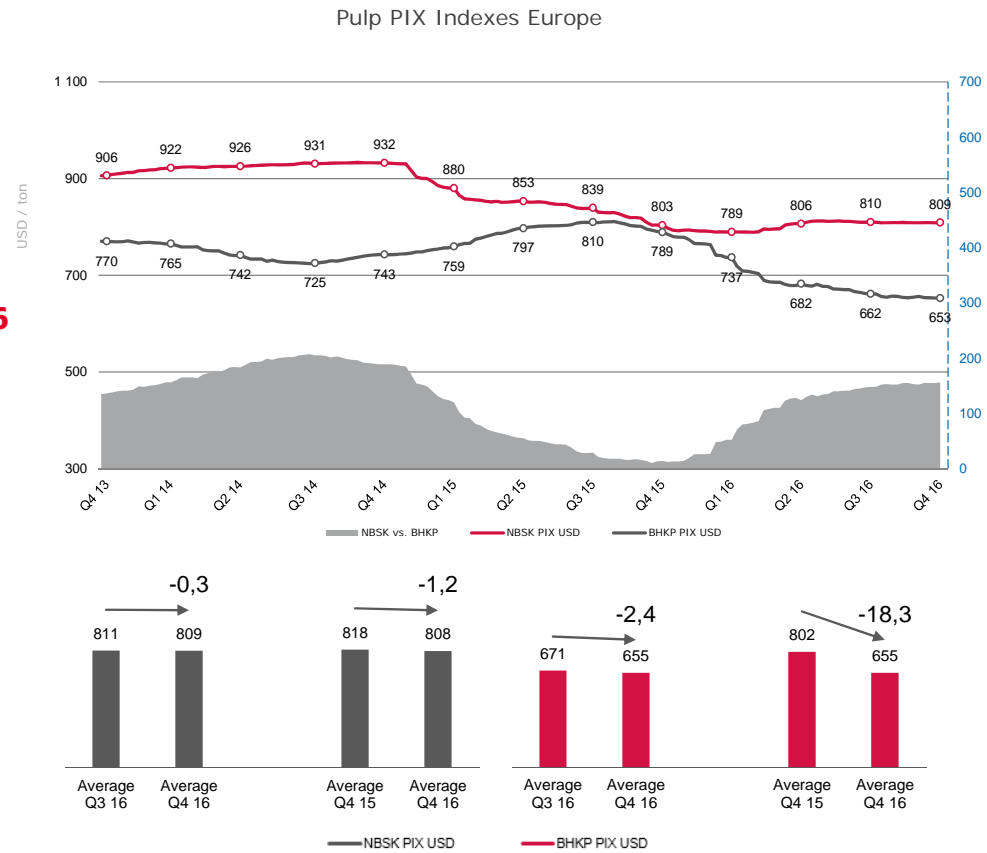
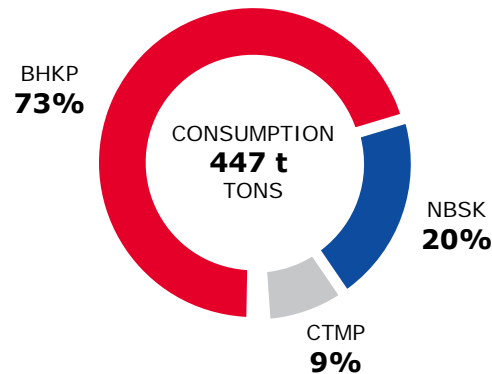
▶ Average price Q4 2016 compared to Q4 2015

- ▶ NBSK (long fibre): 1,2% lower
- ▶ BHKP (short fibre): 18,3% lower
- ▶ Arctic Paper costs 14,0% lower (measured in PLN)

▶ Average price Q4 2016 compared to Q3 2016

- ▶ NBSK (long fibre): 0,3% lower
- ▶ BHKP (short fibre): 2,4% lower
- ▶ Arctic Paper costs 1,9% lower (measured in PLN)

Arctic Paper YTD 2016 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

Currency exposure

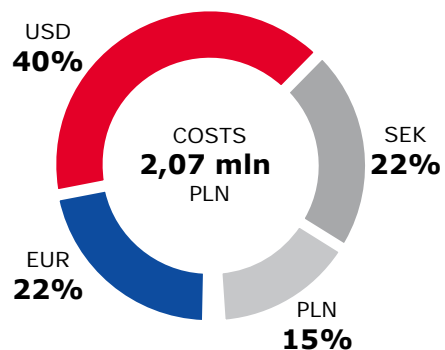
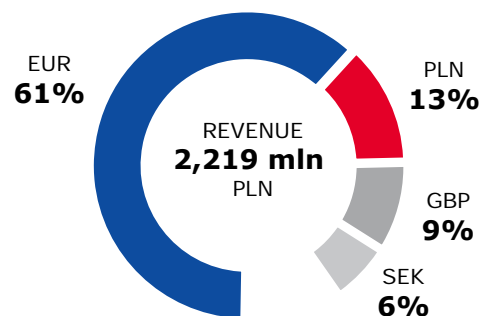
▶ Average exch. rate Q4 2016 compared to Q3 2016

- ▶ EUR/PLN +0,9%
- ▶ EUR/SEK +2,5%
- ▶ EUR/USD -3,3%

▶ Average exch. rate Q4 2016 compared to Q4 2015

- ▶ EUR/PLN +2,7%
- ▶ EUR/SEK +4,9%
- ▶ EUR/USD -1,5%

Arctic Paper YTD 2016 Revenue and costs structure



EUR/PLN changes



EUR/SEK changes



EUR/USD changes



Operations



Budget production capacity and sales volume*

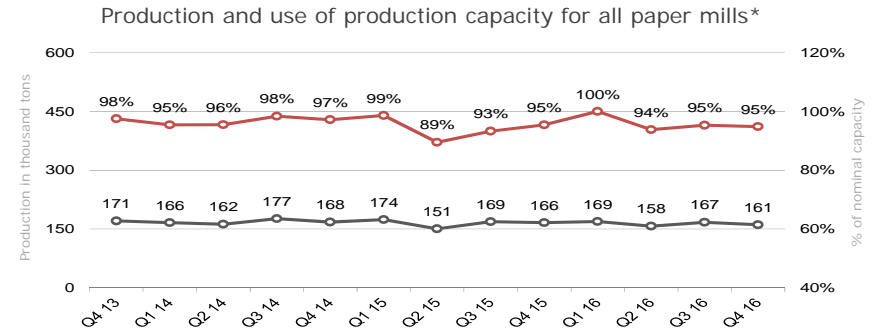
► **Average 2016 use of budget production capacity : 96%**

► 2,0% higher than 2015

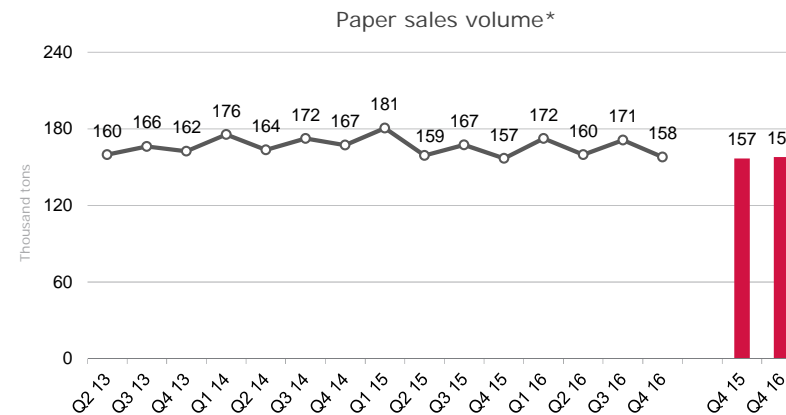
► **Total 2016 total production volume : 661k ton**

► 0,4% lower than 2015

* AP Mochenwangen excluded from both production capacity and production volume.



* AP Mochenwangen excluded from production and capacity



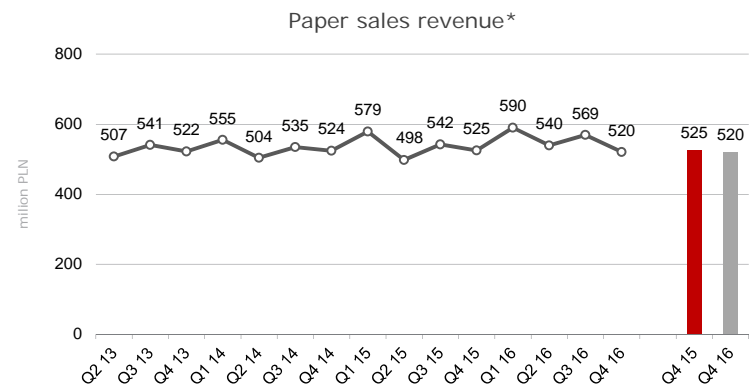
* AP Mochenwangen excluded from sales volume.

Paper sales revenue and revenue per ton*

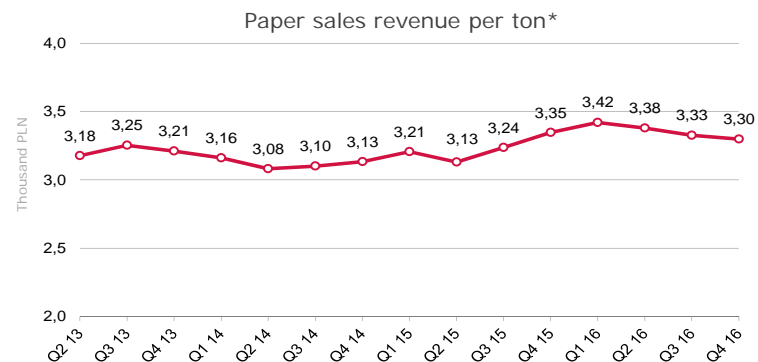
▶ Total 2016 (PLN 2 219m) up 3,5% compared to 2015

▶ Average 2016 (PLN 3.36k) increase by 4,0% compared to average 2015

* AP Mochenwangen excluded from both sales revenue and revenue per ton.



* AP Mochenwangen excluded from sales revenue



* AP Mochenwangen excluded from revenue per ton.

Financial results

Key consolidated figures

(PLN thousands)	Q4 2016	Q3 2016	Q4 2015	YTD Q4 2016	YTD Q4 2015
Paper sales volume (000' tonnes)	158	171	157	661	664
Pulp sales volume (000' tonnes)	69	96	63	351	344
Revenues	707 166	759 981	710 408	2 966 972	2 900 460
Gross profit on sales	77 072	121 732	86 202	423 661	409 927
% margin	10,9	16,0	12,1	14,3	14,1
EBITDA	38 384	76 856	25 336	249 603	212 697
% margin	5,4	10,1	3,6	8,4	7,3
EBIT	1 924	48 035	-5 623	125 040	100 239
% margin	0,3	6,3	-0,8	4,2	3,5
Net result	-950	31 644	-65 440	61 026	-26 570
% margin	-0,1	4,2	-9,2	2,1	-0,9
Net result from continuing operations	-10 361	32 517	-3 593	58 829	71 019
% margin	-1,5	4,3	-0,5	2,0	2,4
Net result from discontinued operations	9 411	-873	-61 847	2 198	-97 588
% margin	1,3	-0,1	-8,7	0,1	-3,4
Net operating cash flow	87 089	82 485	61 621	184 958	172 748
Capital expenditures	58 655	55 503	36 353	177 154	96 468
Cash and equivalents	130 157	211 923	188 552	130 157	188 552
Total assets	1 770 081	1 826 014	1 813 235	1 770 081	1 813 235
Capital employed	1 189 624	1 057 717	1 130 719	1 189 624	1 130 719
Total equity	742 902	728 986	676 856	742 902	676 856
Net debt	257 442	266 236	241 197	257 442	241 197
Earnings per share (PLN)	-0,01	0,46	-0,94	0,88	-0,38
Equity / assets ratio (%)	42	40	37	42	37
Net debt / equity ratio (%)	35	37	36	35	36
Net debt / EBITDA (times)	1,03x	1,13x	1,13x	1,03x	1,13x

YTD DEC 2016 total revenues up +2,3% compared to YTD 2015 (+3,5% paper segment, -1,2% pulp segment revenue).

YTD DEC 2016 EBITDA up by PLN 36,9m compared to YTD DEC 2015 (148,0m PLN paper segment: +77,9 PLN, 101,5m PLN pulp segment: -41,0m PLN)

Net result from continuing operations: - PLN 12,2m compared to YTD DEC 2015 (34,1m PLN paper segment: +26,9 PLN, 24,7m PLN pulp segment: -39,1m PLN)

CAPEX on the level of 177,2m PLN (48,9m PLN paper segment: -0,1m PLN, 128,2m PLN pulp segment: +81,7m PLN)

Cash on the level of 130,2m PLN (122,8m PLN paper segment: +12,7m PLN, 7,4m PLN pulp segment: -71,1m PLN)

Net debt on the level of 257,4 PLN vs 241,2 PLN in DEC 2015

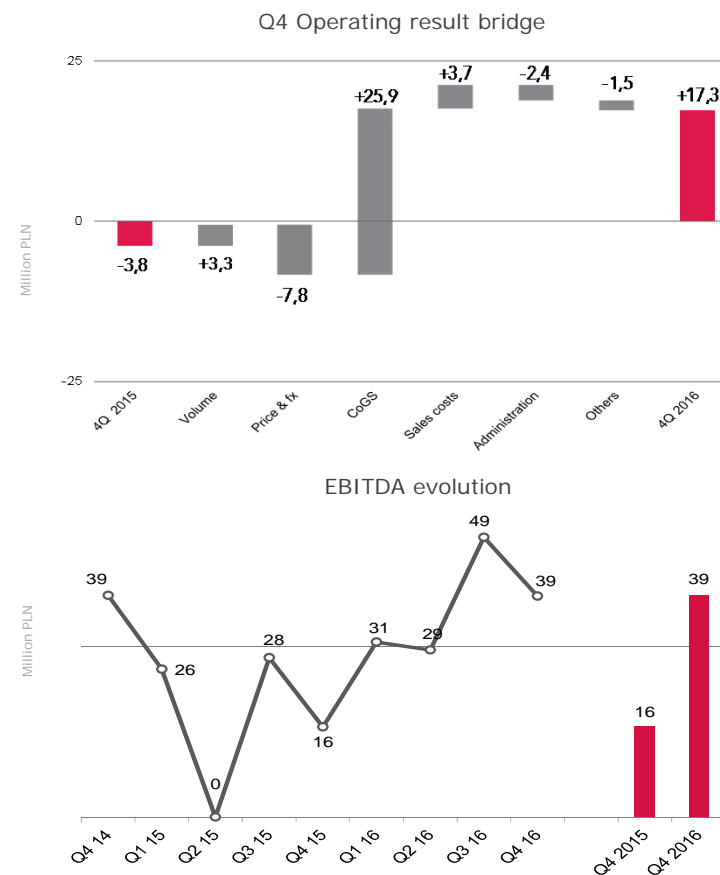
Q4 2016 Operating result and EBITDA (excluding Rottneros)

▶ Operating result for the Q4 2016 17,3m PLN

- ▶ -12,0m PLN less than Q3 2016
- ▶ +21,1m PLN higher than Q4 2015

▶ Q4 2016 EBITDA 38,8m PLN

- ▶ -10,3m PLN less than Q3 2016
- ▶ +22,9m PLN higher than Q4 2015



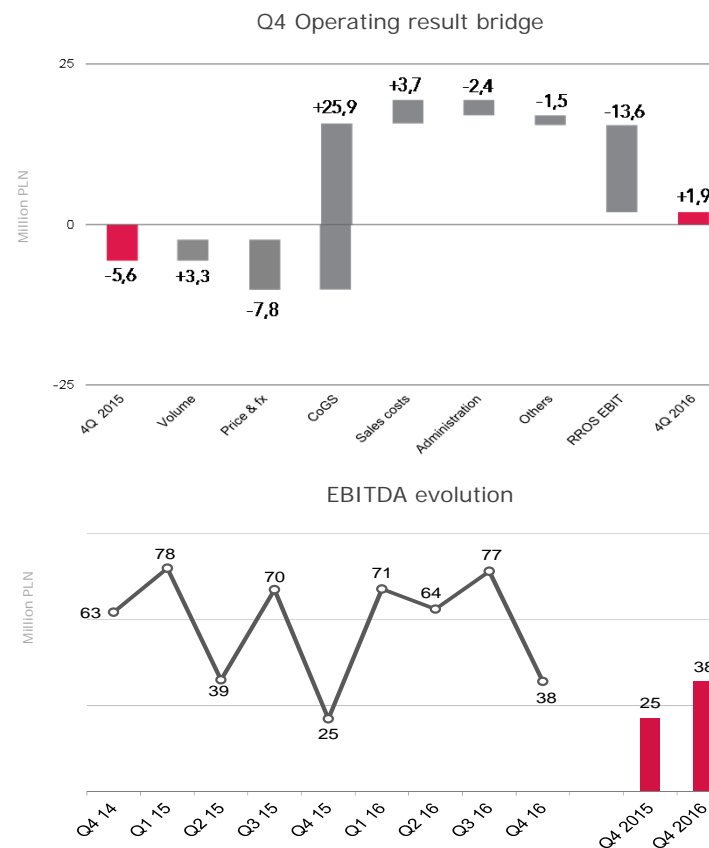
Q4 2016 Consolidated operating result and EBITDA (including Rottneros)

▶ Operating result for the Q4 2016 1,9m PLN

- ▶ -46mPLN less than Q3 2016
- ▶ +7,5m PLN higher than Q4 2015

▶ Q4 2016 EBITDA 38,4m PLN

- ▶ -38,5m PLN less than Q3 2016
- ▶ +13m PLN higher than Q4 2015



Summary of 2016



2016 in brief

Market environment:

- Favourable pulp prices market for paper segment, BHKP, short fibre average 2016 -11,3% and NBSK, long fibre average - 6,3% if compared to average 2015;
- Graphical paper prices in Europe end of DEC 2016 on lower level -1,6% for UWF and -3,0% for CWF if compared to end of DEC 2015;
- 2016 deliveries of Fine Paper were lower by -6,1%, with decrease for UWF by -5,7% and for CWF by -6.6% if compared to 2015;
- The USD to the Euro remaining at low unfavourable for paper segment level;

Arctic Paper Group:

- EBITDA for 2016 without Rottneros on level of 148,0m PLN vs. 70,2m PLN in 2015;
- EBITDA for 2016 of Arctic Paper Group with Rottneros was 249,6m PLN vs. 212,7m PLN in 2015 (paper segment up by 77,9m PLN, pulp segment down by -41m PLN);
- Sales revenue (excl. Rottneros) was 2 219,0m PLN more than 3,5% higher than in 2015. Sales revenue (incl. Rottneros) were 2 967m PLN almost 2,3% higher than in 2015;
- In 2016 the Arctic Paper Group successfully completed the process of changing the financing structure of its operations in the paper segment;

Thank you!

Per Skoglund, CEO Arctic Paper

Małgorzata Majewska, CFO Arctic Paper

Wolfgang Lübbert, Board Member Arctic Paper



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