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# Arctic Paper S.A. Q2 2018

## A future in paper



ARCTIC PAPER

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This Presentation should be read together with the consolidated and standalone report for the 1H of 2018.

## Content

1. Summary of Q2 2018
2. Market environment
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# Summary of Q2 2018

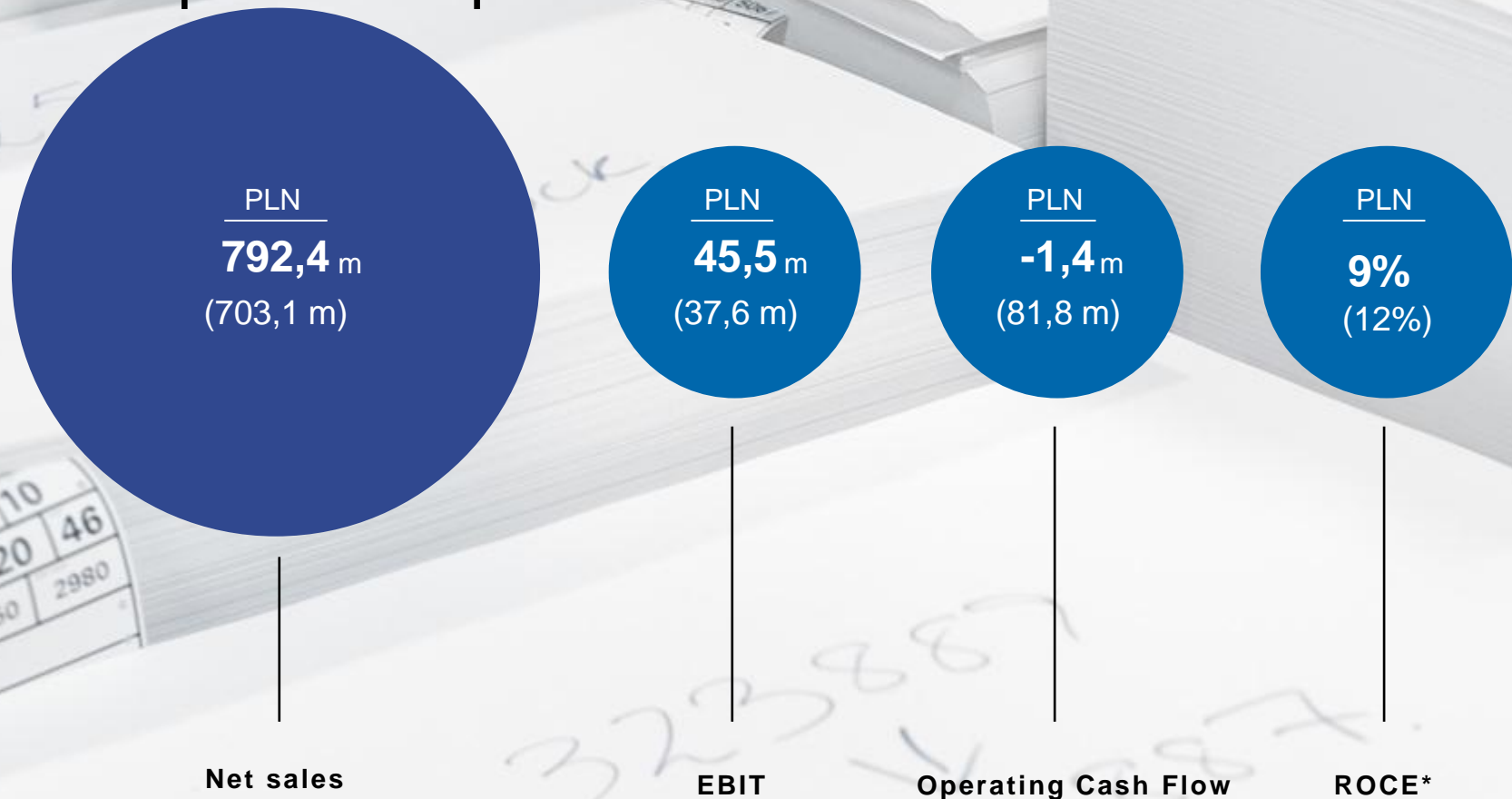
# Q2 2018 in brief

## Arctic Paper Group

- Price increases have not offset the rising pulp prices.
- Advancing of the implementation of the new strategy – A Future in Paper.
- Focusing on continued growth of speciality products with a higher revenue per tonne.
- Developing new high end products and grades to further sales increase.
- Stable production amounted to 160,000 tonnes.
- Paper segment, EBITDA fell to PLN 19,7 million (PLN 26,8 million in Q2, 2017).

# Financial Summary Q2 2018: Satisfactory results in a difficult market

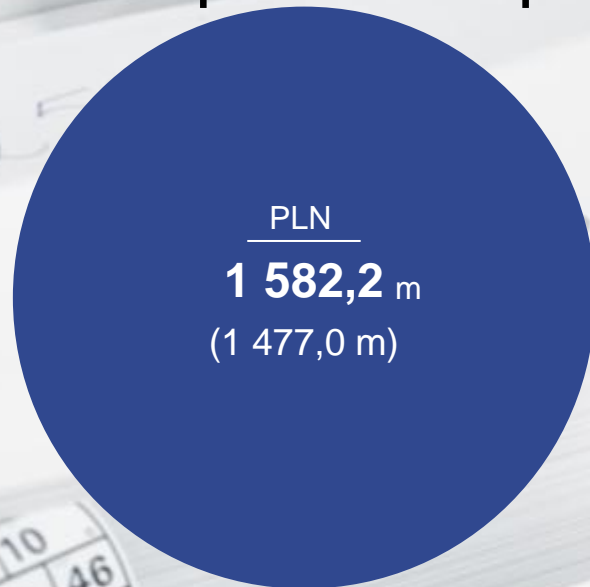
## Arctic Paper Group Q2 2018 vs. Q2 2017



\* Rolling 12 months

# Financial Summary 1H 2018: Satisfactory results in a difficult market

## Arctic Paper Group 1H 2018 vs. 1H 2017



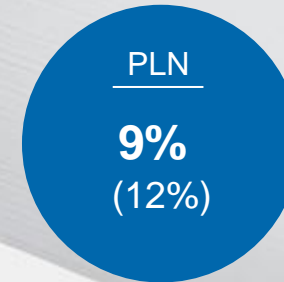
Net sales



EBIT



Operating Cash Flow



ROCE\*

\* Rolling 12 months

# Market Environment



# Fine paper prices partially compensate

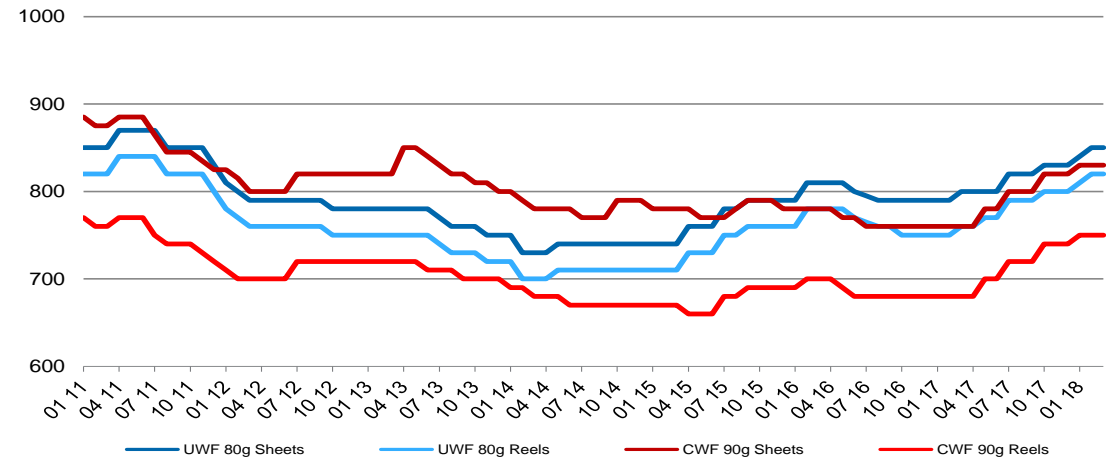
## JUNE 2018 compared to MARCH 2018

- UWF segment average price change +2.4%
- CWF segment average price change +2.7%

## JUNE 2018 compared to JUNE 2017

- UWF segment average price change +10.3%
- CWF segment average price change +10.8%

Graphic fine paper prices – German market



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR – Western Europe

	06 18 vs. 03 18			06 18 vs. 06 17		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	2,8%	2,4%	2,0%	11,0%	10,3%	9,7%
CWF	2,8%	2,7%	2,6%	11,7%	10,8%	10,1%

Source: Arctic Paper based on RISI data.

# Continued increase in pulp prices

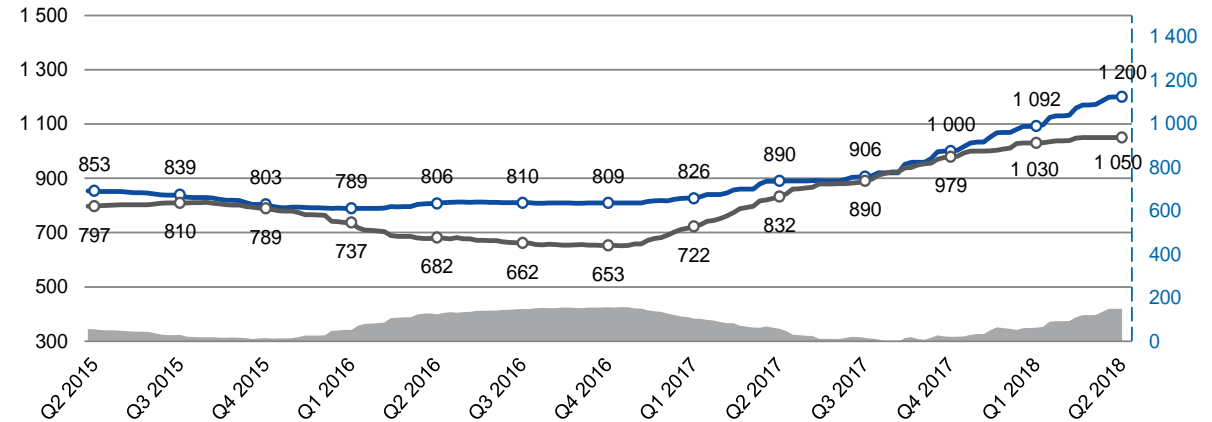
## Average price Q2 2018 compared to Q2 2017

- NBSK (long fibre): 34.8% higher
- BHKP (short fibre): 33.4% higher

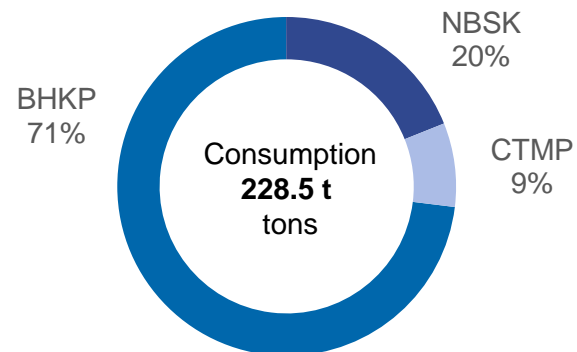
## Average price Q2 2018 compared to Q1 2018

- NBSK (long fibre): 9.8% higher
- BHKP (short fibre): 3.5% higher

Pulp PIX Indexes Europe



Arctic Paper YTD JUN 2018 Structure of pulp consumption



# Currency exchange rates

## Average exchange rate Q2 2018 compared to Q1 2018

- EUR/PLN +1.9%
- EUR/SEK +3.6%
- EUR/USD -3.0%

## Average exchange rate Q2 2018 compared to Q2 2017

- EUR/PLN +1.1%
- EUR/SEK +6.6%
- EUR/USD +8.2%

EUR/PLN changes



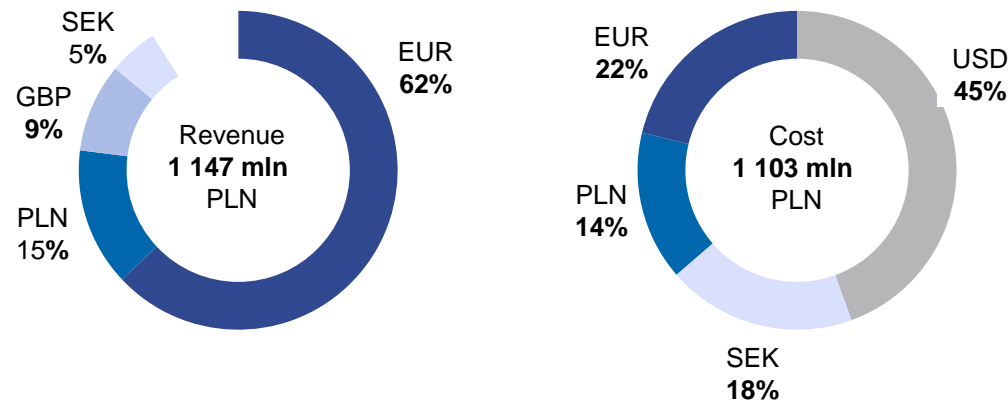
EUR/SEK changes



EUR/USD changes



Arctic Paper YTD JUN 2018 Revenue and costs structure



# Operations and financial results

# Stable output from production

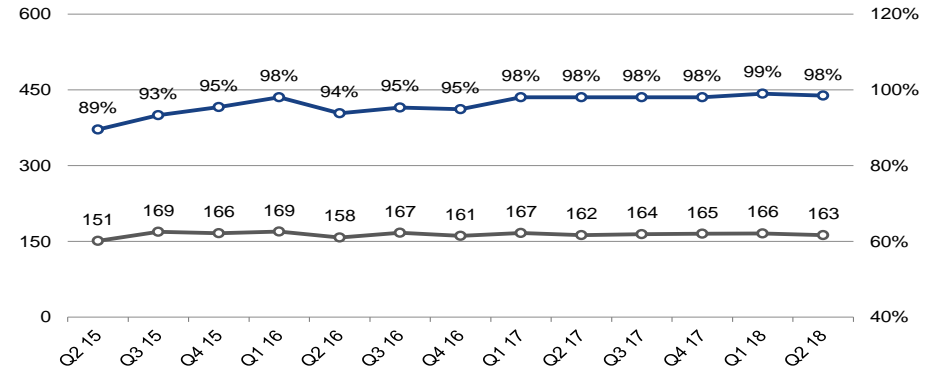
**Average Q2 2018 use of budget production capacity: 98%**

- 0.5% higher than in Q2 2017

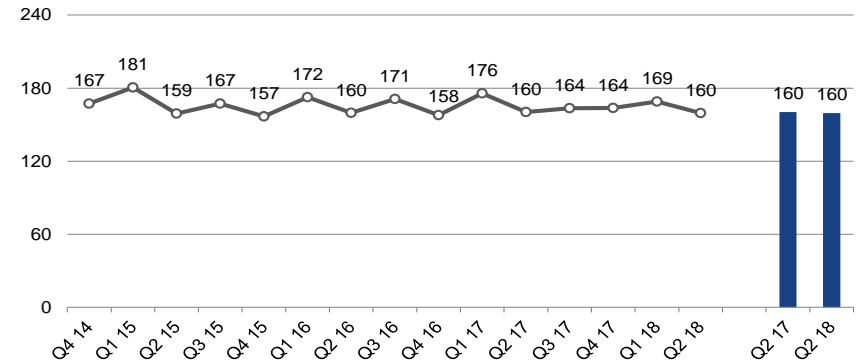
**Q2 2018 total production volume: 160k tonne**

- 0.5% lower than in Q2 2017

**Production and use of production capacity for all paper mills**



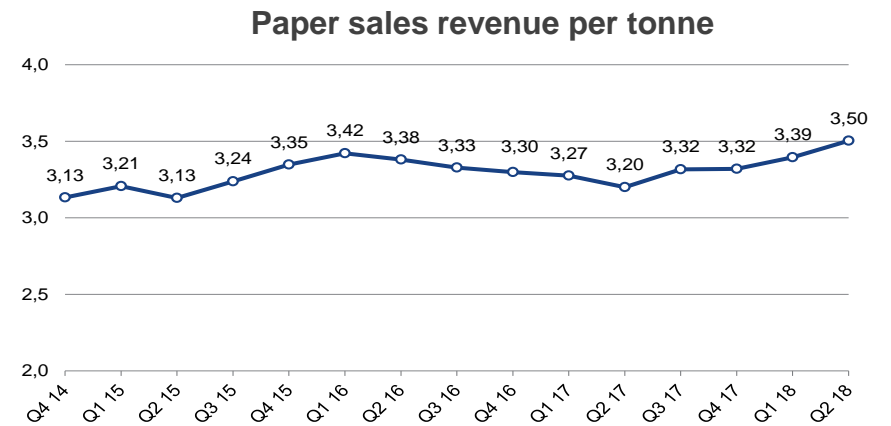
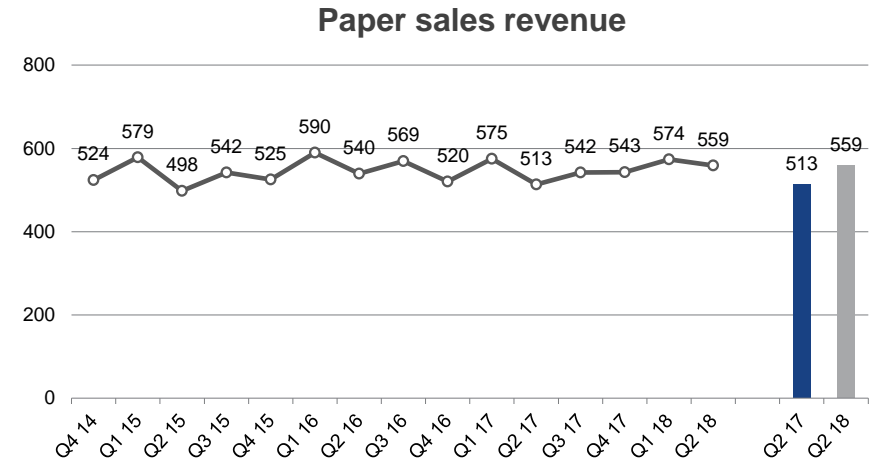
**Paper sales volume**



# Paper sales revenue and revenue per tonne

**Total Q2 2018 (PLN 559m) up 8.9% compared to Q2 2017**

**Average Q2 2018 (PLN 3.50k) increased by 9.4% compared to average in Q2 2017**



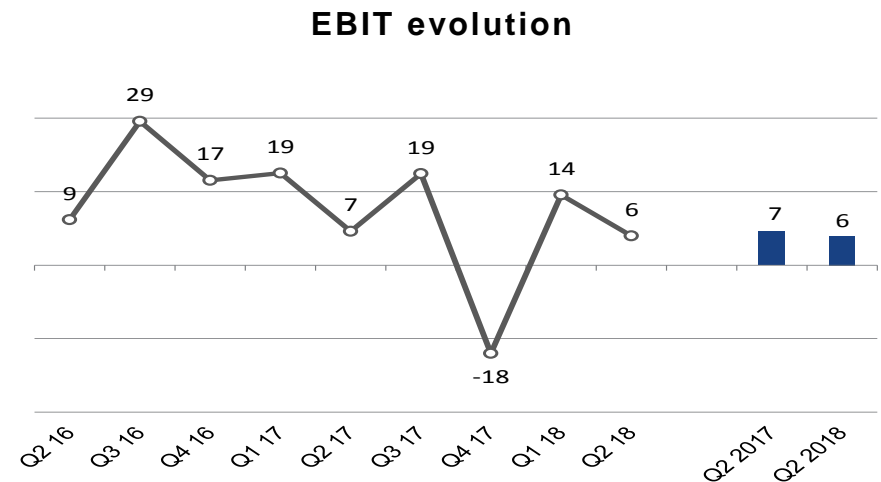
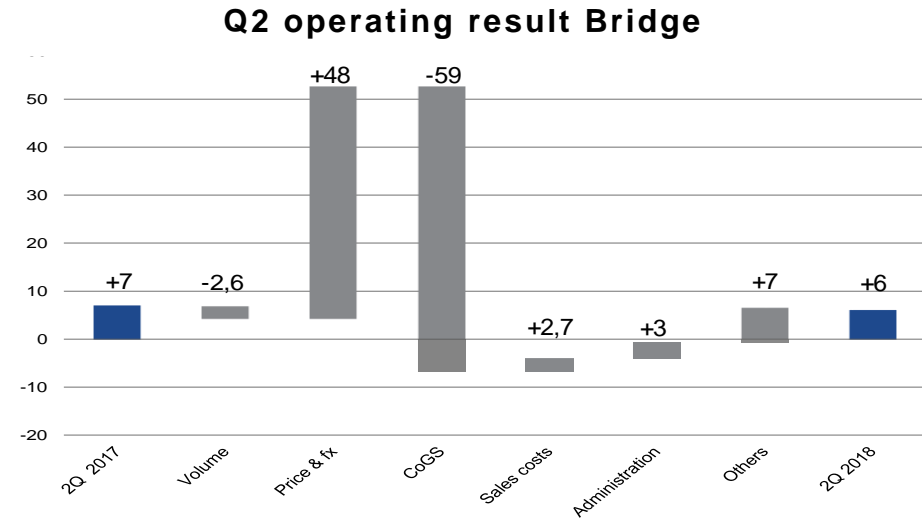
# Key consolidated figures

- Q2 2018 total revenues up +12.7% compared to Q2 2017 (+8.9% paper segment, +23.0% Rottneros AB revenue)
- Q2 2018 EBITDA up by 2,2m PLN compared to Q2 2017 (19,7m PLN paper segment: -7m PLN; 47,0m PLN Rottneros AB: +9,2m PLN)
- Q2 2018 Net result from continuing operations: +2,2m PLN compared to Q2 2017 (0,7m PLN paper segment: -8,2m PLN, 19,8m PLN Rottneros AB: +10,4m PLN)
- YTD JUN 2018 CAPEX on the level of 66m PLN (34,2m PLN paper segment: +3,1m PLN; 31,7m PLN Rottneros AB: -12,8m PLN)
- Cash on the level of 143,2m PLN (43,1m PLN paper segment: -53m PLN; 100,1m PLN Rottneros AB: +95,3m PLN)
- Net debt on the level of 337,8m PLN vs. 249,6 PLN in June 2017

# Q2 2018 EBIT Arctic Paper (excluding Rottneros AB)

## Q2 2018 operating result 5,9m PLN

- -8,4m PLN less than Q1 2018
- -0,9m PLN less than Q2 2017

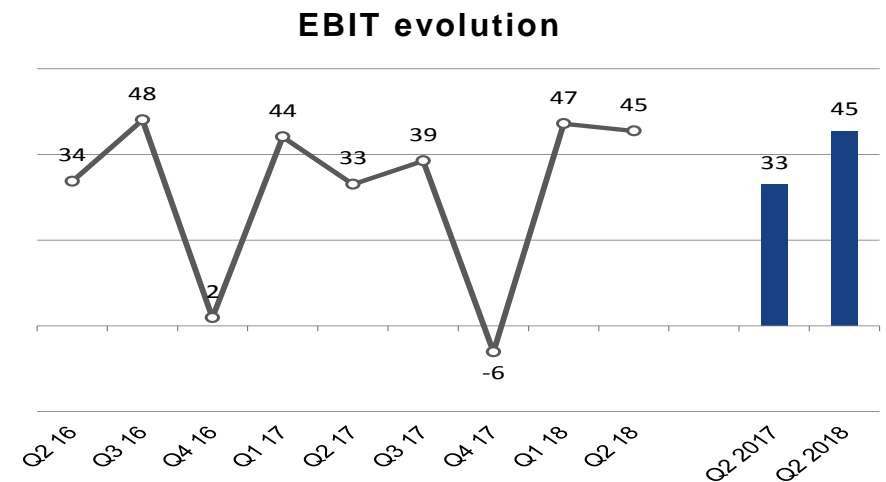
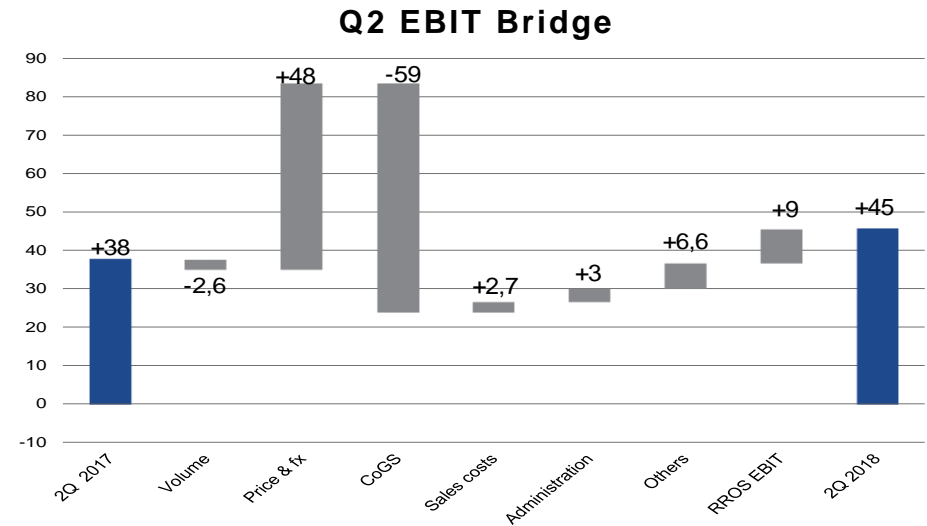




# Q2 2018 EBIT Arctic Paper Group – total

## Q2 2018 EBIT 45,5m PLN

- -1,7m PLN less than Q1 2018
- +7,9m PLN more than Q2 2017



# Summing-up

# Summing-up Q2 2018

## Arctic Paper Group

- Paper segment, turnover rose to PLN 558,8 million (PLN 513,2 million in Q2, 2017)
- Price increases have not offset the rising pulp prices.
- Advancing of the implementation of the new strategy – A Future in Paper.
- Focusing on continued growth of speciality products with a higher revenue per tonne.
- Paper segment, EBITDA fell to PLN 19,7 million (PLN 26,8 million in Q2, 2017).

## Market environment

- The pulp price reached a record high and is still rising.
- Fine paper prices continued increases.
- Favourable EUR/SEK exchange rates.
- Unfavorable development of EUR/USD exchange rate.

Arctic Paper Vision:

Turning ideas into experiences.

