

PRESS RELEASE

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ARCTIC PAPER GROUP IN THE 1ST QUARTER OF 2015: CONTINUED SALES GROWTH, PROVISION FOR PAPERLINX RECEIVABLES IMPACTS FINANCIAL RESULTS

In the 1st quarter of 2015 the Arctic Paper Group generated good financial results compared to those from a year before. EBITDA was PLN 68.8m (growth of 42.2% compared to 1Q 2014), operating profit was over PLN 37.6m (up 94.6% in comparison to 1Q 2014), and net profit was PLN 12.8m (growth by 44.2%, as compared to 1Q 2014). Sales revenues in 1Q 2015 reached PLN 836.2m, as compared to PLN 804.5m in 1Q 2014 (up 3.9% in comparison to 1Q 2014).

The operations of Rottneros, which achieved excellent results, had a positive impact on the financial results of the Group in the 1st quarter of 2015.

Arctic Paper Group excluding Rottneros generated sales revenues of PLN 643.9m in the 1st quarter of 2015, about 4.4% higher than in 1Q 2014. At the same period the company posted EBITDA of PLN 16.8m (a decline of 47.4% compared to 1Q 2014), an operating loss of PLN 6.5m (compared to a profit of PLN 10.6m in 1Q 2014), and a net loss of PLN 21m (as against a profit of PLN 2.3m during 1Q 2014).

The results of Arctic Paper Group in the 1st quarter of 2015 were impacted by creation of a provision in the amount of PLN 15.3m. This was dictated by the anticipated non-payment of trade receivables to Arctic Paper's mills by PaperlinX UK companies, which were placed in voluntary administration.

The Group's results in the paper segment were also affected by an increase in the costs for purchasing pulp in PLN by 12.8% compared to 1Q 2014 and 8.4% to 4Q 2014. This was mainly related to the unfavourable euro to US dollars exchange rates (down 17.9% from 1Q 2014 and 10.0% from 4Q 2014).

This set off the benefit of the slight decrease of pulp prices in US dollar compared to Q1 2014 (2.4% price drop of short-fibre pulp (BHKP) and 1.1% price drop of long-fibre pulp (NBSK)) (data from FOEX).



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Arctic Paper CEO Wolfgang Lübbert commented: *"The market complexity and turbulence is increasing, not least due to a strong US dollar during the quarter. We are fully aware that there will be more challenges in the market and therefore we are constantly implementing measures to protect and enhance our positive gains since 2013. Our involvement with PaperlinX UK and the need to create a provision for receivables influenced the 1st quarter financial results, affecting our focused work on achieving stable finances."*

As of the end of the 1st quarter of 2015, the average prices of high-quality paper in Europe were slightly higher than at the end of 1Q 2014 – up 0.6% for uncoated wood-free paper, while prices for coated wood-free paper fell by 1.2% year-on-year (all data based on RISI).

In 1Q 2015 Arctic Paper Group increased the volume of paper sold by 2.6% in comparison to the same period of the prior year. This resulted in strengthening of the Group's market position, as the deliveries of high-quality paper on the European market in 1Q 2015 were lower than in 1Q 2014. In the segment of uncoated wood-free paper deliveries were down 4.3% and in the coated wood-free segment were down 4.1% (all market data based on EuroGraph). The use of the production capacity of the Arctic Paper Group during the period was 95%.

Arctic Paper CEO Wolfgang Lübbert summarized: *"The first quarter was already influenced to some extent by the troublesome external market conditions. During the period we increased our work on further improving our effectiveness and market alertness. The vigilance and determination we have shown over the last year and a half will need to continue and to be further increased."*

Selected financial results of the Arctic Paper Group (including Rottneros) in the 1st quarter of 2015

PLN '000	1Q 2015	1Q 2014	Change (%)	4Q 2014
Sales revenue	836.240	804.492	3,9%	755.770
EBITDA	68.815	48.389	42,2%	54.778
Operating profit (loss)	37.611	19.325	94,6%	19.367
Net profit (loss)	12.846	8.908	44,2%	21.410

Selected financial results of the Arctic Paper Group (excluding Rottneros) in the 1st quarter of 2015

PLN '000	1Q 2015	1Q 2014	Change (%)	4Q 2014
Sales revenue	643.870	616.616	4,4%	622.447
EBITDA	16.853	32.036	-47,4%	31.136
Operating profit (loss)	(6.486)	10.656	n/a	7.195
Net profit (loss)	(21.032)	2.325	n/a	(429)

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 and uncoated wood-containing 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, AP-Tec, Arctic, G-Print, Munken, L-Print and Pamo.

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

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

The total production capacity of the company is approximately 800,000 tonnes of paper per year.

Arctic Paper Kostrzyn has a production capacity of 275,000 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 printing magazines, direct mail, books, posters, maps and packaging purposes.

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 Mochenwangen has a production capacity of 95,000 tonnes of paper and 55,000 tonnes of ground-wood pulp per year. The mill produces mainly uncoated mechanical paper used for book production and also speciality papers, such as flooring and wallpaper.

Arctic Paper S.A. is the principal owner 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 170,000 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 and distribution centres, 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 1450 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 OMX in Stockholm.

More information to be found at www.arcticpaper.com