



ARCTIC PAPER

PRESS RELEASE

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ARCTIC PAPER GROUP IN 1H 2015: FIRM ACTIONS FOR TOUGH MARKET SITUATION

In the 1st half of 2015 the financial results from continued operations generated by the Arctic Paper Group were better than those from a year before. However, according to Wolfgang Lübbert, Arctic Paper CEO, *"The results of our paper business are far from being satisfactory."* EBITDA was PLN 116.9m (growth of 14% compared to 1H 2014), operating profit was over PLN 62.8m (up 35.8% in comparison to 1H 2014), and net profit was PLN 51.9m (an increase of 114.6%). Sales revenues amounted to over PLN 1,459m, which is a 1.6% increase year-on-year. The figures include the contribution of Rottneros (the majority of Rottneros was acquired by Arctic Paper Group in 2013), which posted very good financial results for the period.

The Arctic Paper Group, excluding Rottneros, generated sales revenues of about PLN 1,077m in 1H 2015, which is 1.7% more than in 1H 2014. EBITDA was nearly PLN 26.2m (a decline of 59.5% compared to 1H 2014). The company had an operating loss of PLN 12.3m and a net loss from continued operations of nearly PLN 2.5m.

Arctic Paper CEO Wolfgang Lübbert commented: *"The results of the paper business for the first half of 2015 are far from being satisfactory. The challenges of Q1 continued and accelerated during Q2 2015. In general, the high-quality graphical fine paper market is a long way from recovery. We have responded to the strong negative impact of the US dollar and the complex market situation by implementing the Profit Improvement Program 2015/2016, with the aim to lessen costs by about PLN 50m annually. It includes decisive moves concerning Arctic Paper Mochenwangen—possible cease of production or sale of the mill."*

The Group's results in the paper segment were adversely affected by an increase in PLN pulp purchasing costs by 18.5% year-on-year (and 2.1% compared to 1Q 2015). This was mainly related to the unfavourable euro to US dollar exchange rates, which were down by 19.5% compared to 2Q 2014 (and 1.8% compared to 1Q 2015).

Moreover, production at the Arctic Paper Kostrzyn mill was stopped for 10 days because of the investment process carried out there. This caused a decrease of Q2 2015 production volume by almost 4,300 tonnes, which impacted the financial results for the period.

As at the end of 1H 2015, the Arctic Paper Group kept a PLN 14.2m provision (out of PLN 15.3m created in Q1) motivated by the anticipated non-payment of trade receivables to Arctic Paper's mills by PaperlinX UK companies, which were placed in voluntary administration.

The sustained capture of UK market share during the period is a small but significant sign of the Arctic Paper product's attractiveness and the effectiveness of the sales force, as is the high speed that Arctic Paper's situation on the UK market has improved.

As at the end of 1H 2015, the average prices of high-quality paper in Europe were 2.6% higher for uncoated wood-free paper and 1.7% lower for coated wood-free paper (year-on-year). As compared to 1Q 2015, these prices were up 2.6% for uncoated wood-free paper and down 2.8% for coated wood-free paper (all data based on RISI).

The good results of Rottneros are, aside from the benefit of a strong US dollar, due to forceful internal actions. The Focus 15 action plan has resulted in both productivity and profit improvements and it is now being transformed into a new program, Action 500.

Arctic Paper CEO Wolfgang Lübbert summarized: *"In the tough market situation, we will continue to apply a combination of patience, endurance and quick action to fulfil our customer's needs. Our majority ownership of Rottneros is an advantage that permits us to proceed with uncompromising work to create a more alert, mobile and stable Arctic Paper, for which our actions concerning Arctic Paper Mochenwangen are essential steps."*

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

PLN '000	1H 2015	1H 2014	Change (%)
Sales revenues	1,459,352	1,436,062	+1.6%
EBITDA	116,898	102,562	+14.0%
EBIT	62,825	46,257	+35.8%
Net result*	51,890	24,178	+114.6%
Net result	25,944	22,383	+15.9%

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

PLN '000	1H 2015	1H 2014	Change (%)
Sales revenues	1,076,702	1,058,889	+1.7%
EBITDA	26,189	64,668	-59.5%
EBIT	-12,254	23,511	-
Net result*	-2,489	7,164	-
Net result	-28,435	5,369	-

**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 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

