

Arctic Paper Group
Results for the year 2015

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

Agenda

- **Market environment**
- **Operating and financial results**
- **New products**
- **Summary of 2015**

Market environment



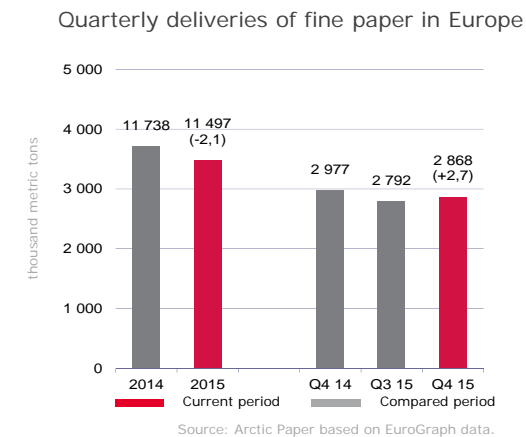
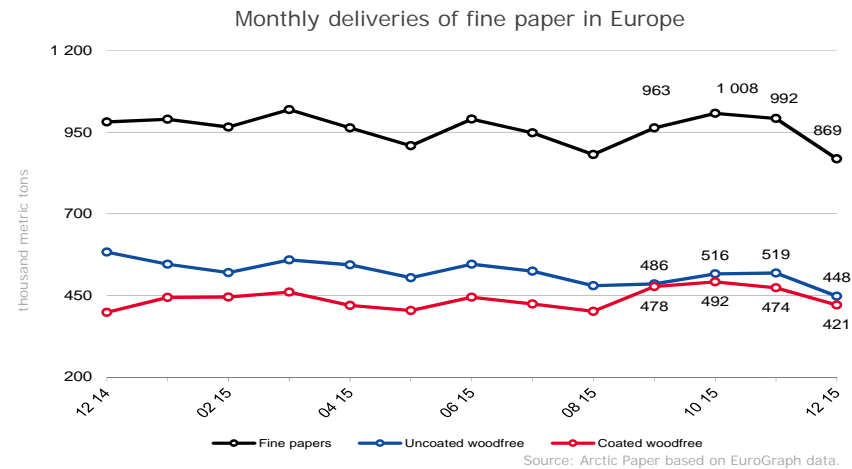
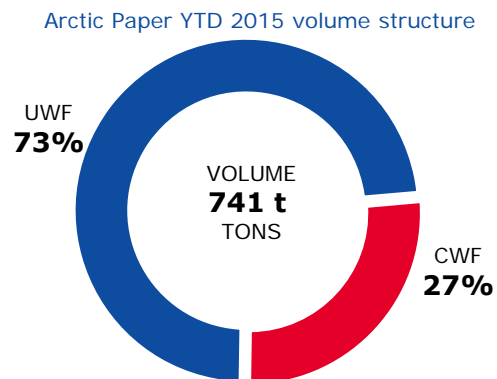
Deliveries of fine paper

▶ YTD 2015 vs. YTD 2014 -2,0%

- ▶ Uncoated woodfree down -1,8%
- ▶ Coated woodfree down -2,3%
- ▶ Arctic Paper volume down -2,6%

▶ Q4 2015 vs. Q4 2014 -3,6%

- ▶ Uncoated woodfree down -8,3%
- ▶ Coated woodfree up +1,9%
- ▶ Arctic Paper volume down -6,9%



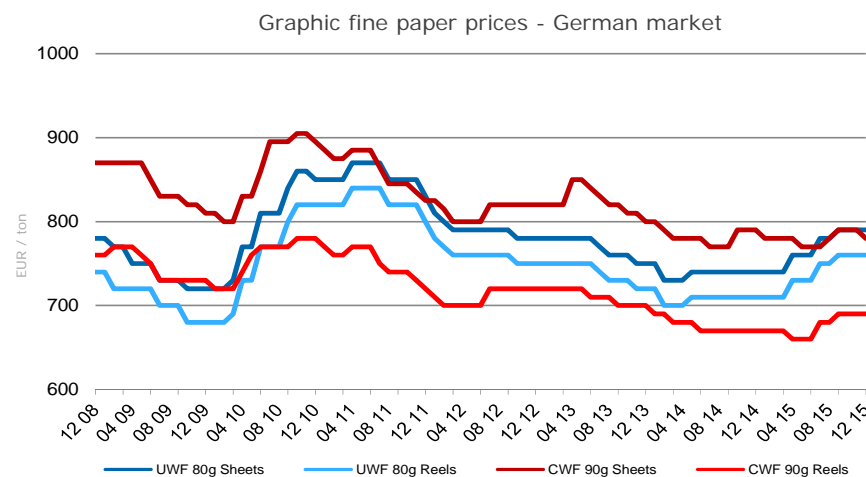
Fine paper prices

► Dec 2015 vs. Sep 2015

- ▶ UWF segment average price change 0,0%
(Arctic Paper: -0,2%)
- ▶ CWF segment average price change -0,3%
(Arctic Paper: 3,4%)

► Dec 2015 vs. Dec 2014

- ▶ UWF segment average price change 5,3%
(Arctic Paper: 4,3%)
- ▶ CWF segment average price change -0,6%
(Arctic Paper: 1,6%)



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	12 15 vs. 09 15			12 15 vs. 12 14		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	0,0%	0,0%	0,0%	5,5%	5,3%	5,0%
CWF	-0,1%	-0,3%	-0,4%	-0,3%	-0,6%	-1,0%

Source: Arctic Paper based on RISI data.

Pulp prices

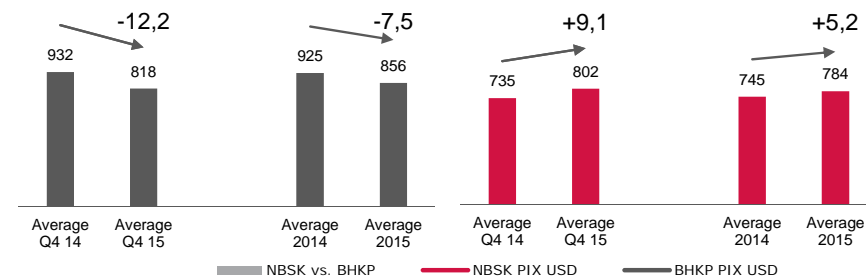
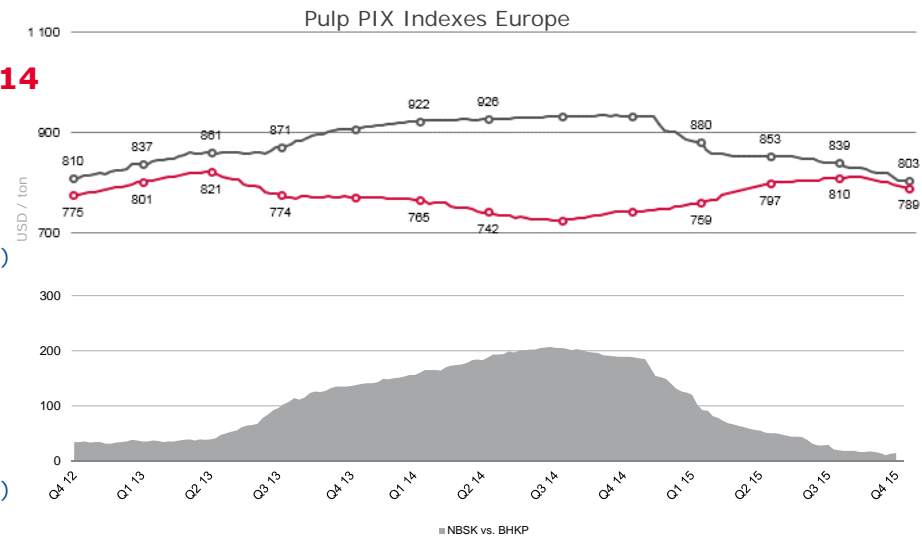
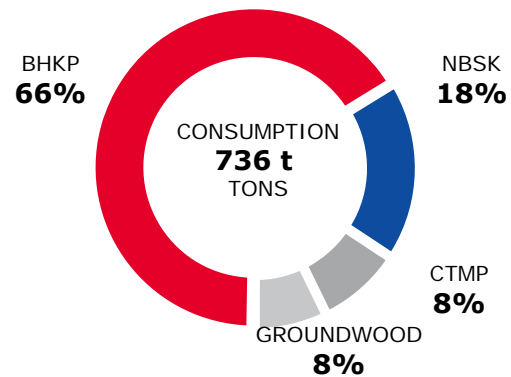
▶ Average price YTD 2015 compared to YTD 2014

- ▶ NBSK (long fibre) 7,5% lower
- ▶ BHKP (short fibre) 5,2% higher
- ▶ Arctic Paper costs 18,2% higher (measured in PLN)

▶ Average price Q4 2015 compared to Q4 2014

- ▶ NBSK (long fibre) 12,2% lower
- ▶ BHKP (short fibre) 9,1% higher
- ▶ Arctic Paper costs 20,4% higher (measured in PLN)

Arctic Paper YTD 2015 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

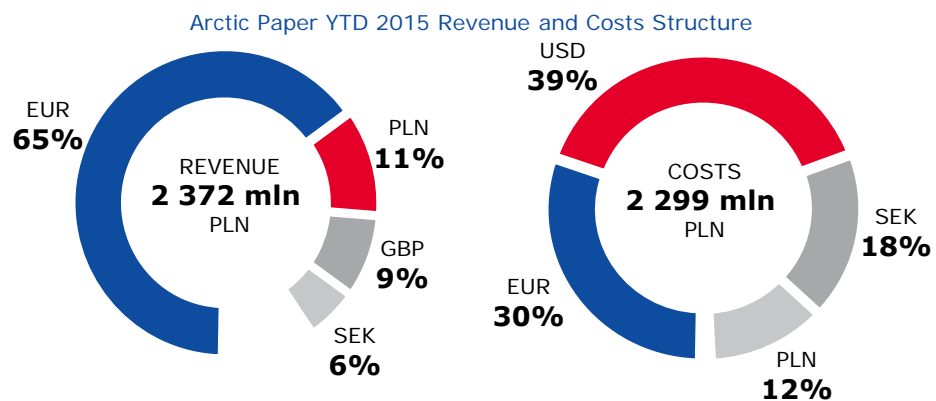
Currency exposure

▶ Average exch. rate Q4 2015 compared to Q3 2015

- ▶ EUR/PLN +1,8%
- ▶ EUR/SEK -1,4%
- ▶ EUR/USD -1,5%

▶ Average exch. rate Q4 2015 compared to Q4 2014

- ▶ EUR/PLN +1,3%
- ▶ EUR/SEK +0,3%
- ▶ EUR/USD -12,3%



EUR/PLN changes



EUR/SEK changes



EUR/USD changes



Operating and financial results

Production capacity and sales volume

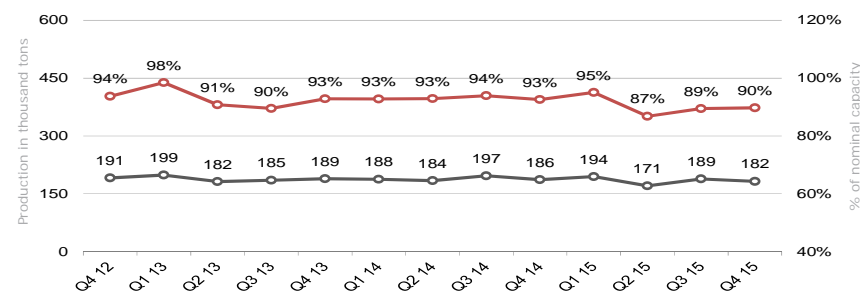
► Q4 2015 average use of production capacity: 90%

- 0,3% higher than Q3 2015
- 2,8% lower than Q4 2014

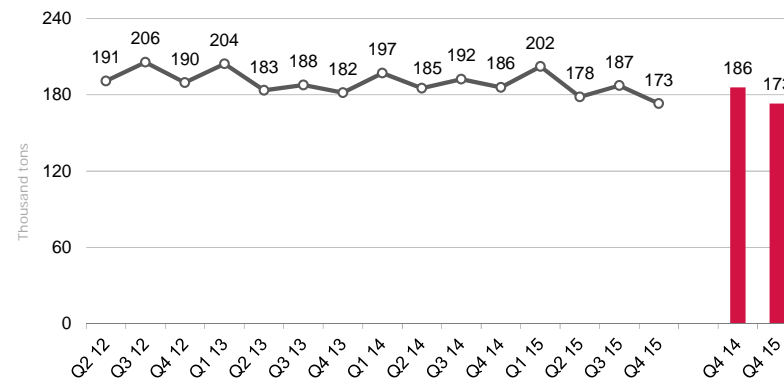
► Q4 2015 total production volume 182' tons

- 3,4% lower than Q3 2015
- 2,3% lower than Q4 2014

Production and use of production capacity for all paper mills*



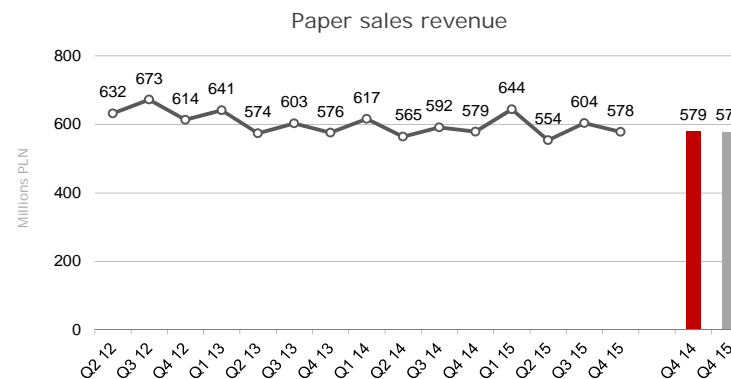
Paper sales volume*



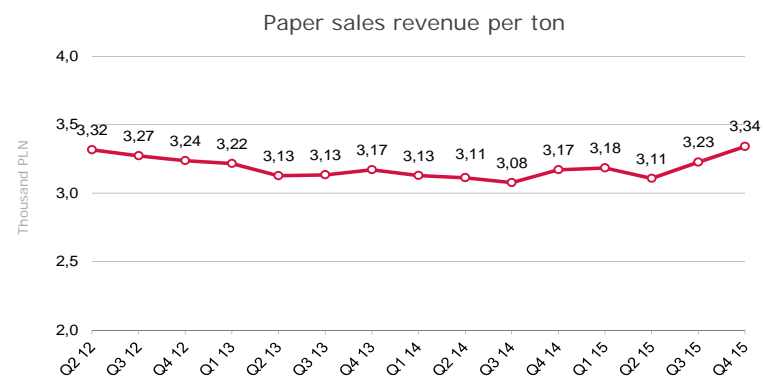
* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

Paper sales revenue and revenue per ton

- ▶ Q4 2015 (PLN 578m) down 4,3% compared to Q3 2015
- ▶ Q4 2015 down 0,2% compared to Q4 2014



- ▶ Q4 2015 (PLN 3,34k) increase by 3,6% compared to Q3 2015
- ▶ Q4 2015 increase by 5,4% compared to Q4 2014



Key consolidated figures

(PLN thousands)	Q4 2015	Q3 2015	Q4 2014	YTD Q4 2015*	YTD Q4 2014
Paper sales volume (000' tonnes)	157	167	167	664	679
Pulp sales volume (000' tonnes)	89	95	83	373	345
Revenues	710 408	730 700	700 817	2 900 460	2 865 121
Gross profit on sales	86 202	111 566	109 244	409 927	437 558
% margin	12,1	15,3	15,6	14,1	15,3
EBITDA	25 336	70 463	62 565	212 697	252 319
% margin	3,6	9,6	8,9	7,3	8,8
EBIT	-5 623	43 038	30 297	100 239	135 660
% margin	-0,8	5,9	4,3	3,5	4,7
Net result	-65 440	12 926	21 410	-26 570	78 175
% margin	-9,2	1,8	3,1	-0,9	2,7
Net result from continuing operations	-3 593	22 721	34 155	71 019	98 326
% margin	-0,5	3,1	4,9	2,4	3,4
Net result from discontinued operations	-61 847	-9 795	-12 745	-97 588	-20 152
% margin	-8,7	-1,3	-1,8	-3,4	-0,7
Net operating cash flow	61 621	55 236	27 450	172 748	206 433
Capital expenditures	36 004	10 190	15 377	102 947	68 853
Cash and equivalents	188 552	196 012	158 412	188 552	158 412
Total assets	1 813 235	1 808 457	1 762 790	1 813 235	1 762 790
Capital employed	1 130 719	1 181 853	1 172 223	1 130 719	1 172 223
Total equity	676 856	741 916	725 071	676 856	725 071
Net debt	241 197	243 447	268 535	241 197	268 535
Earnings per share (PLN)	-0,94	0,19	0,31	-0,38	1,13
Equity / assets ratio (%)	37	41	41	37	41
Net debt / equity ratio (%)	36	33	37	36	37
Net debt / EBITDA (times)	1,13x	0,97x	1,13x	1,13x	1,13x

* - included one-off transactions related to reserve for outstanding invoices to PaperlinX UK in amount of 12,9m PLN

YTD 2015 Results impacted by reserve for outstanding invoices to PaperlinX UK in amount of 12,9m PLN.

YTD2015 EBITDA on the level of PLN 212,7m, Net result from continuing operations of 71,0m PLN.

YTD2015 Net result from discontinued operation of -97,6m PLN.

Cash on the level of 188,5m PLN.

Net debt on the level of 241,2m PLN.

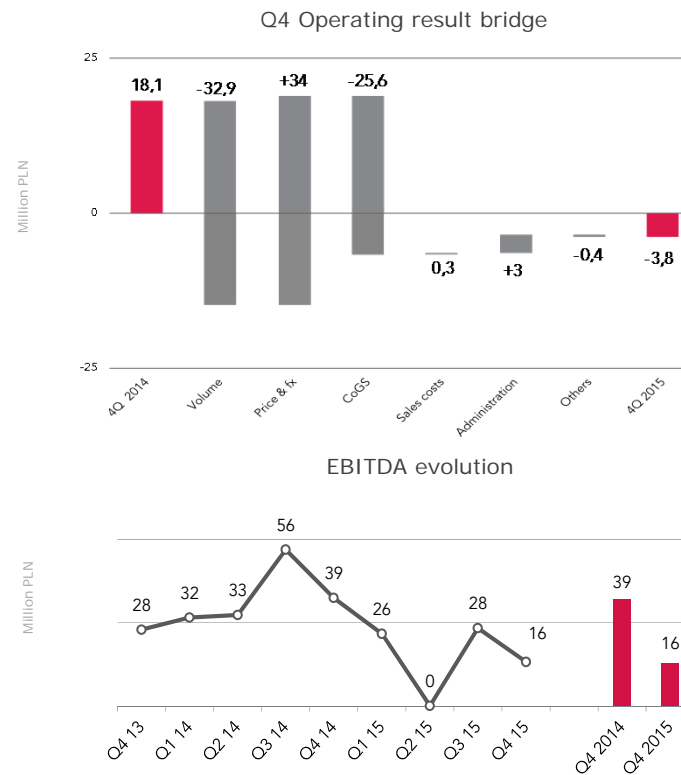
Q4 2015 Operating result and EBITDA (excluding Rottneros)

▶ Operating result for the Q4 2015 -3,8m PLN

- ▶ -12,7m PLN lower than Q3 2015
- ▶ -22,0m PLN lower than Q4 2014

▶ Q4 2015 EBITDA 15,9m PLN

- ▶ -12,1m PLN lower than Q3 2015
- ▶ -23,0m PLN lower than Q4 2014



Q4 2015 Consolidated operating result and EBITDA (including Rottneros)

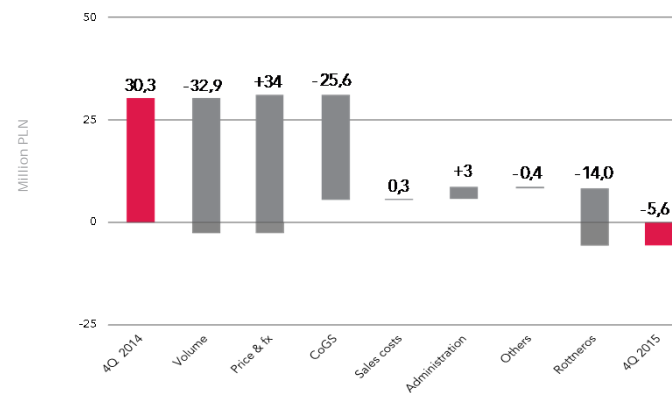
▶ Operating result for the Q4 2015 -5,6m PLN

- ▶ -48,6 m PLN lower than Q3 2015
- ▶ -35,9 m PLN lower than Q4 2014

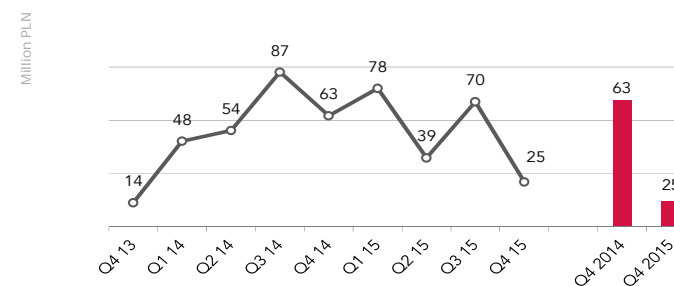
▶ Q4 2015 EBITDA 25,3m PLN

- ▶ -45,1m PLN lower than Q3 2015
- ▶ -37,2m PLN lower than Q4 2014

Q4 Operating result bridge



EBITDA evolution



Profit Improvement Program 2015/2016

▶ Profit Improvement Program 2015/2016 – actions already taken:

- ▶ Cessation of production at the Arctic Paper Mochenwangen mill;
- ▶ Price increases of UWF and CWF segment implemented in Q4 2015;
- ▶ Restructuring projects – changes in sales organisation in Scandinavia, Logistics Center in Poland; Shared Service for administration in Scandinavian sales force, liquidation of internal distribution centers in Scandinavia;
- ▶ Costs savings in various areas ;
- ▶ APG – lean organisation in operational activities – employment reduction (full impact in 2017);

New products



Arctic Paper Highway Range

Arctic Paper introduced during 2015 a new innovative and flexible range of quality papers designed for today's fastest and most efficient High Speed inkjet technology.

- **Amber Highway Regular** and **Amber Highway Super** have been developed for today's growing transactional and transpromo market, suitable for products such as personalised bank statements, invoices and personalised offerings and ads.

Munken Highway White and **Munken Highway Cream** are true multifunctional, bulky paper grades in two different shades, suitable for black and white and full colour printing using high-speed inkjet, flexo, offset or dry toner printing methods.

"As a leading producer of fine paper in Europe, we are keen to offer a flexible range of paper grades that meets both current and emerging market needs and we see great potential for the new range," **said Marc Bogaert, Managing Director of Arctic Paper's sales office in Benelux.**



Munken Kristall

"I am proud of how we have maintained a leading position long-term in developing and producing a family of natural white uncoated fine papers", says **Göran Lindqvist, CEO of Arctic Paper Munkedals**. "Now we are creating new opportunities for design and creative communication through the European launch of Munken Kristall".

- **Munken Kristall**, a fourth high white shade of **Munken Design Range**.
- Introduced 1st of March, 2016.
- Answers to a trend towards increased demand for fine paper exhibiting both high whiteness and brightness.
- Large European campaign incl. 30.000 DMs, 16.000 Sales tools, web communication and much more targeting designers, printers & end-users. Inspiring our fans of paper lovers to explore the white territory and unlimited creative possibilities of the Munken Design Range.

Arctic Paper

Munken Polar

Munken Pure

Is your choice of white crystal clear?

THE NEW EXTENDED MUNKEN DESIGN RANGE

Munken

Munken Lynx

Munken Kristall

Summary for the year 2015



2015 in brief

Market environment:

- Unfavourable level of EUR against USD, if compared average 2015 to average 2014 the change by – 16,5%;
- Unfavourable pulp prices BHKP, short fibre changes - average 2015 +5,3% compared to 2014 (in USD) and favourable changes for NBSK, long fibre –7,5%);
- Graphical paper prices in Europe during 2015 slightly up for UWF +5,3% and almost on the same level for CWF -0,6% if compared DEC 2015 to DEC 2014;
- Deliveries of high quality paper in Europe slightly lower if compared average 2015 to 2014 for UWF segment - 1,8% and for CWF - 2,3%;

Arctic Paper Group:

- Negative impact on pulp costs due to strong USD;
- Results in the paper segment were adversely affected by an increase pulp purchasing costs by 18.2% (measured in PLN) if compared year-on-year;
- 2015 Financial results affected by - 12,9m PLN due to one-off provision for outstanding invoices to PaperlinX UK;
- 2015 results significantly impacted by the costs connected with cessation of production at the Arctic Paper Mochenwangen mill, created provision of about PLN 39m (EUR 9.3m), charged against the discontinued operations of the Group;
- The comprehensive Profit Improvement Program 2015/2016 in the middle of last year was implemented;
- The excellent result achieved by Rottneros, 2015 EBIDTA of the Arctic Paper Group was PLN 212,7m, for Arctic Paper without Rottneros EBITDA was PLN 70,1m;
- Higher sales prices achieved by Arctic Paper due to price increases in UWF and CWF segment;

Thank you!

Wolfgang Lübbert, CEO Arctic Paper
Małgorzata Majewska-Śliwa, CFO Arctic Paper

