Arctic Paper Group
Results for Q1 2017

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This Presentation should be read together with the 2017 consolidated and standalone report and report for the 2016.
Agenda

- Market environment
- Operations and financial results
- Summary for the Q1 2017
Market environment
Deliveries of fine paper

Q1 2017 vs. Q1 2016 -1,7%
- Uncoated woodfree up +0,2%
- Coated woodfree down -3,8%
- Arctic Paper volume up +1,8%

Q1 2017 vs. Q4 2016 +4,0%
- Uncoated woodfree up 8,8%
- Coated woodfree down -1,5%
- Arctic Paper volume up +11,3%

Arctic Paper YTD Q1 2017 volume structure

Volume 175,6 t
- UWF 68%
- CWF 32%

Monthly deliveries of fine paper in Europe

Quarterly deliveries of fine paper in Europe

Source: Arctic Paper based on EuroGraph data
## Fine paper prices

### Mar 2017 vs. Dec 2016
- UWF segment average price change +1,6%  
  (Arctic Paper: +1,9%, measured in PLN)
- CWF segment average price change +0,8%  
  (Arctic Paper: -1,0%, measured in PLN)

### Mar 2017 vs. Mar 2016
- UWF segment average price change -1,4%  
  (Arctic Paper: -3,7%, measured in PLN)
- CWF segment average price change -3,2%  
  (Arctic Paper: -4,9%, measured in PLN)

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### Change in price for graphic paper in EUR - Western Europe

<table>
<thead>
<tr>
<th></th>
<th>03 17 vs. 12 16</th>
<th>03 17 vs. 03 16</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Minimum price</td>
<td>Average price</td>
</tr>
<tr>
<td>UWF</td>
<td>0,9%</td>
<td>1,6%</td>
</tr>
<tr>
<td>CWF</td>
<td>0,7%</td>
<td>0,8%</td>
</tr>
</tbody>
</table>

Source: Arctic Paper based on RISI data.
**Pulp prices**

- **Average price Q1 2017 compared to Q1 2016**
  - NBSK (long fibre): 3.2% higher
  - BHKP (short fibre): 10.8% lower
  - Arctic Paper costs 12.6% lower (measured in PLN)

- **Average price Q1 2017 compared to Q4 2016**
  - NBSK (long fibre): 0.9% higher
  - BHKP (short fibre): 3.9% higher
  - Arctic Paper costs 0.7% higher (measured in PLN)

Arctic Paper YTD Q1 2017 Structure of pulp consumption

![Pulp PIX Indexes Europe](image)

Source: Arctic Paper based on Foex data.
Currency exposure

› Average exch. rate Q1 2017 compared to Q4 2016
  › EUR/PLN -1,3%
  › EUR/SEK -2,5%
  › EUR/USD -1,3%

› Average exch. rate Q1 2017 compared to Q1 2016
  › EUR/PLN -1,0%
  › EUR/SEK +1,9%
  › EUR/USD -3,4%

Arctic Paper YTD Q1 2017 Revenue and costs structure

- **Revenue**
  - 0,582 mln PLN
  - EUR 61%
  - PLN 13%
  - GBP 8%
  - SEK 7%

- **Costs**
  - 0,541 mln PLN
  - EUR 21%
  - PLN 17%
  - SEK 22%

Arctic Paper YTD Q1 2017 Revenue and costs structure
Budget production capacity and sales volume*

- **Average Q1 2017 use of budget production capacity:** 98%
  - 5.1% higher than Q4 2016

- **Total Q1 2017 total production volume:** 166.7k ton
  - 3.8% higher than Q4 2016

*AP Mochenwangen excluded from both production capacity and production volume.
Paper sales revenue and revenue per ton*

- Q1 2017 (PLN 575m) down 2,5% compared to Q1 2016
- Q1 2017 up 10,5% compared to Q4 2016

- Q1 2017 (PLN 3,27k) decrease by 4,3% compared to Q1 2016
- Q1 2017 decrease by 0,7% compared to Q4 2016

* AP Mochenwangen excluded from both sales revenue and revenue per ton.
### Key consolidated figures

<table>
<thead>
<tr>
<th>(PLN thousands)</th>
<th>Q1 2017</th>
<th>Q4 2016</th>
<th>Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Paper sales volume (000' tonnes)</strong></td>
<td>176</td>
<td>158</td>
<td>172</td>
</tr>
<tr>
<td><strong>Pulp sales volume (000' tonnes)</strong></td>
<td>101</td>
<td>69</td>
<td>93</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td>773 902</td>
<td>707 166</td>
<td>778 560</td>
</tr>
<tr>
<td><strong>Gross profit on sales</strong></td>
<td>121 165</td>
<td>77 072</td>
<td>118 034</td>
</tr>
<tr>
<td>% margin</td>
<td>15.7</td>
<td>10.9</td>
<td>15.2</td>
</tr>
<tr>
<td><strong>EBITDA</strong></td>
<td>75 498</td>
<td>38 384</td>
<td>70 669</td>
</tr>
<tr>
<td>% margin</td>
<td>9.8</td>
<td>5.4</td>
<td>9.1</td>
</tr>
<tr>
<td><strong>EBIT</strong></td>
<td>44 121</td>
<td>1 924</td>
<td>41 376</td>
</tr>
<tr>
<td>% margin</td>
<td>5.7</td>
<td>0.3</td>
<td>5.3</td>
</tr>
<tr>
<td><strong>Net result</strong></td>
<td>32 934</td>
<td>-950</td>
<td>19 628</td>
</tr>
<tr>
<td>% margin</td>
<td>4.3</td>
<td>-0.1</td>
<td>2.5</td>
</tr>
<tr>
<td><strong>Net result from continuing operations</strong></td>
<td>35 082</td>
<td>-10 361</td>
<td>24 707</td>
</tr>
<tr>
<td>% margin</td>
<td>4.5</td>
<td>-1.5</td>
<td>3.2</td>
</tr>
<tr>
<td><strong>Net result from discontinued operations</strong></td>
<td>-2 148</td>
<td>9 411</td>
<td>-5 079</td>
</tr>
<tr>
<td>% margin</td>
<td>-0.3</td>
<td>1.3</td>
<td>-0.7</td>
</tr>
<tr>
<td><strong>Net operating cash flow</strong></td>
<td>21 935</td>
<td>87 089</td>
<td>245</td>
</tr>
<tr>
<td><strong>Capital expenditures</strong></td>
<td>30 872</td>
<td>58 655</td>
<td>25 670</td>
</tr>
<tr>
<td><strong>Cash and equivalents</strong></td>
<td>101 595</td>
<td>130 157</td>
<td>168 237</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1 706 908</td>
<td>1 770 081</td>
<td>1 793 672</td>
</tr>
<tr>
<td><strong>Capital employed</strong></td>
<td>968 538</td>
<td>1 027 179</td>
<td>1 100 006</td>
</tr>
<tr>
<td><strong>Total equity</strong></td>
<td>738 370</td>
<td>742 902</td>
<td>693 665</td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>267 464</td>
<td>257 442</td>
<td>274 962</td>
</tr>
<tr>
<td><strong>Earnings per share (PLN)</strong></td>
<td>0.48</td>
<td>-0.01</td>
<td>0.28</td>
</tr>
<tr>
<td><strong>Equity / assets ratio (%)</strong></td>
<td>43</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td><strong>Net debt / equity ratio (%)</strong></td>
<td>36</td>
<td>35</td>
<td>40</td>
</tr>
<tr>
<td><strong>Net debt / EBITDA (times)</strong></td>
<td>1.05x</td>
<td>1.03x</td>
<td>1.30x</td>
</tr>
</tbody>
</table>

Q1 2017 total revenues down -0.6% compared to Q1 2016
(-2.5% paper segment, +5.4% pulp segment revenue)

Q1 2017 EBITDA up by PLN 4.8m compared to Q1 2016
(39.0m PLN paper segment: +8.3 PLN, 36.4m PLN pulp segment: -3.4m PLN)

Net result from continuing operations: + PLN 10.4m compared to Q1 2016
(17.0m PLN paper segment: +15.5 PLN, 18.0m PLN pulp segment: -5.1m PLN)

CAPEX on the level of 30.9m PLN
(11.8m PLN paper segment: +0.8m PLN, 19.1m PLN pulp segment: +4.4m PLN)

Cash on the level of 101.6m PLN
(94.0m PLN paper segment: -15.9m PLN, 7.5m PLN pulp segment: -50.7m PLN)

Net debt on the level of 267.4 PLN vs 274.9 PLN in MAR 2016
Q1 2017 Operating result and EBITDA (excluding Rottneros)

- Operating result for the Q1 2017 18,8m PLN
  - +1,4m PLN higher than Q4 2016
  - +7,9m PLN higher than Q1 2016

- Q1 2017 EBITDA 39,0m PLN
  - +0,2m PLN higher than Q4 2016
  - +8,3m PLN higher than Q1 2016
Q1 2017 Consolidated operating result and EBITDA (including Rottneros)

- Operating result for the Q1 2017 44,1m PLN
  - +42,2mPLN higher than Q4 2016
  - +2,7m PLN higher than Q1 2016

- Q1 2017 EBITDA 75,5m PLN
  - +37,1m PLN higher than Q4 2016
  - +4,8m PLN higher than Q1 2016
Summary of Q1 2017
Q1 2017 in brief

Market environment:

- Still favourable pulp prices market in Q1 for paper segment, BHKP, short fibre average Q1 2017 -10,8% and NBSK, long fibre average Q1 2017 + 3,2% if compared to Q1 2016, but in the end of Q1 2017 growth trends were observed and market showes clear signals of pulp prices significant increases in next coming months;

- The market for fine graphical papers developed in two directions: while the uncoated market remained on a stable level (increasing by 0.2%), the coated market continued to decline by 3,8% (compared to Q1 2016, according to EuroGraph data). During the same period Arctic Paper increased its sales volume by 1.8%;

- The USD to the Euro remaining at low unfavourable for paper segment level;

Arctic Paper Group:

- EBITDA for Q1 2017 without Rottneros on level of 39,0m PLN vs. 31,0m PLN in Q1 2016;

- EBITDA for Q1 2017 of Arctic Paper Group with Rottneros was 75,5m PLN vs. 71,0m PLN in Q1 2016 (paper segment up by 8,3m PLN, pulp segment down by -3,4m PLN);

- Sales revenues in the paper segment in the Q1 2017 were over 575m PLN, down 2.5% compared to the same period of 2016, sales revenues (incl. Rottneros) were on the level of 774m PLN, down 0,6% compared to Q1 2016;
Thank you!

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