

Arctic Paper Group  
**Results for 1H 2016**

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ARCTIC PAPER

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This Presentation should be read together with the 2015 consolidated and standalone annual report and report for 1H 2016.

## **Agenda**

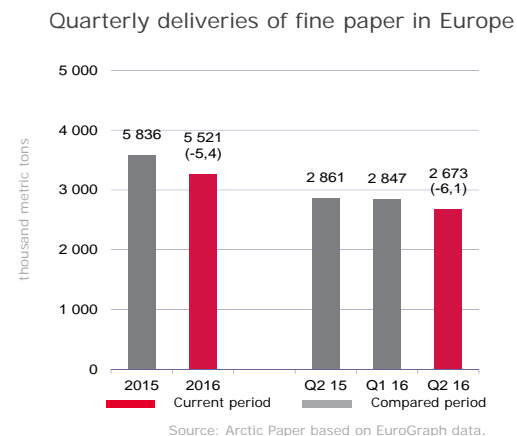
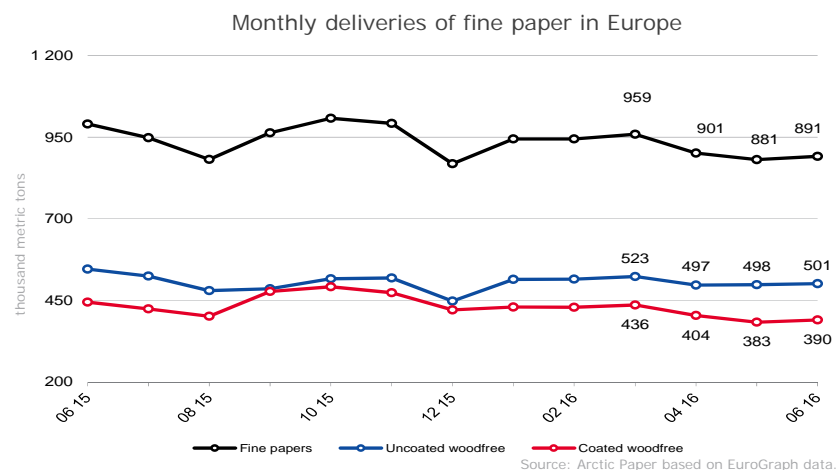
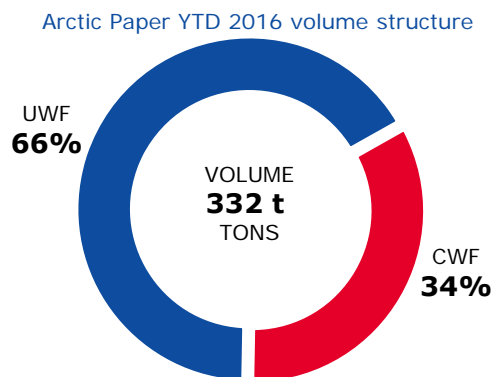
- **Market environment**
- **Operations**
- **Financial results**
- **Summary of 1H 2016**

**Market environment**



## Deliveries of fine paper

- ▶ **Q2 2016 vs. Q2 2015 -6.6%**
  - ▶ Uncoated woodfree down -6.2%
  - ▶ Coated woodfree down -7.1%
  - ▶ Arctic Paper volume up +0.3%
- ▶ **Q2 2016 vs. Q1 2016 -6.1%**
  - ▶ Uncoated woodfree down -3.6%
  - ▶ Coated woodfree down -9.1%
  - ▶ Arctic Paper volume down -7.4%



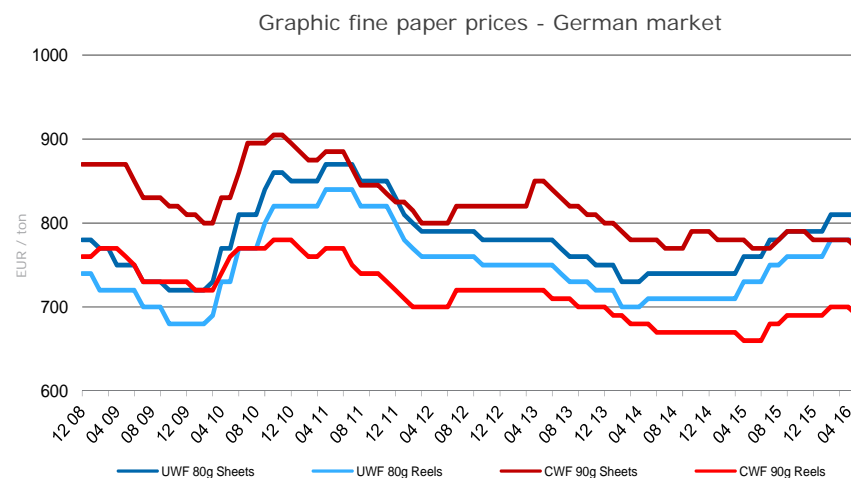
## Fine paper prices

### ► Jun 2016 vs. Mar 2016

- UWF segment average price change -1.5%  
(Arctic Paper: -1.6%)
- CWF segment average price change -3.1%  
(Arctic Paper: -0.3%)

### ► Jun 2016 vs. Jun 2015

- UWF segment average price change +2.6%  
(Arctic Paper: 2.3%)
- CWF segment average price change -0.05%  
(Arctic Paper: 1.2%)



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	06 16 vs. 03 16			06 16 vs. 06 15		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-0,6%	-1,5%	-0,9%	3,3%	2,6%	2,5%
CWF	-1,8%	-3,1%	-1,6%	0,9%	0,0%	1,1%

Source: Arctic Paper based on RISI data.

## Pulp prices

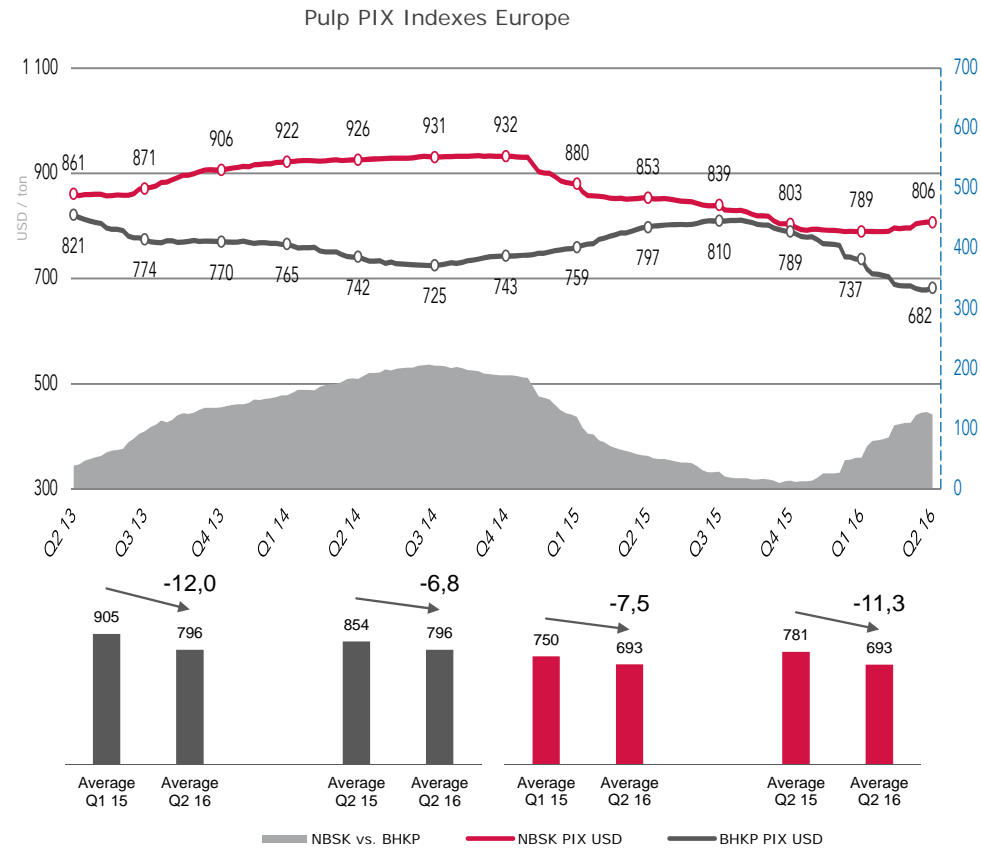
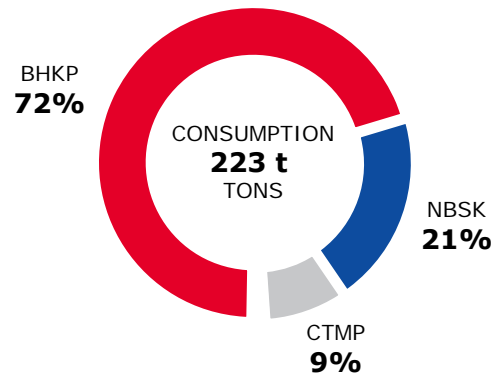
### ▶ Average price Q2 2016 compared to Q2 2015

- ▶ NBSK (long fibre) 6.8% lower
- ▶ BHKP (short fibre) 11.3% lower
- ▶ Arctic Paper costs 3.8% lower (measured in PLN)

### ▶ Average price Q2 2016 compared to Q1 2016

- ▶ NBSK (long fibre) 0.6% higher
- ▶ BHKP (short fibre) 9.1% lower
- ▶ Arctic Paper costs 8.7% lower (measured in PLN)

Arctic Paper YTD 2016 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

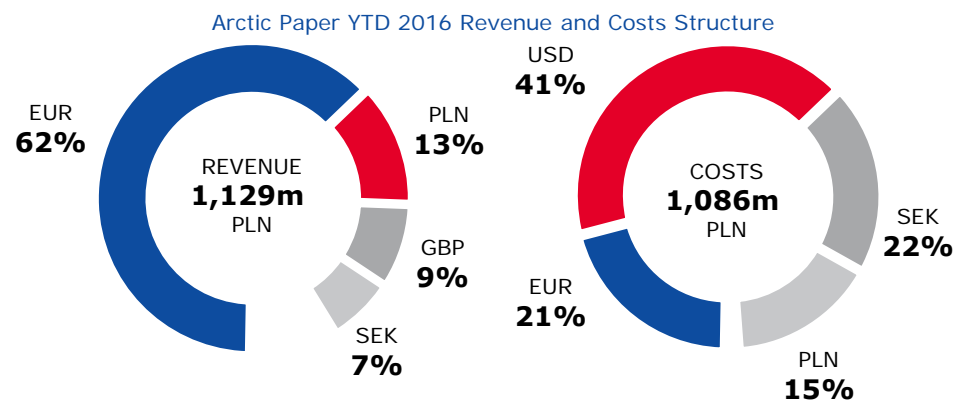
## Currency exposure

### ▶ Average exch. rate Q2 2016 compared to Q1 2016

- ▶ EUR/PLN +0.1%
- ▶ EUR/SEK -0.5%
- ▶ EUR/USD +2.4%

### ▶ Average exch. rate Q2 2016 compared to Q2 2015

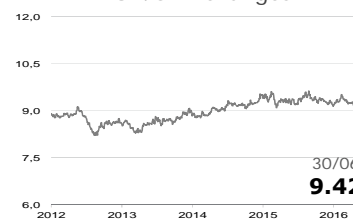
- ▶ EUR/PLN +6.9%
- ▶ EUR/SEK -0.2%
- ▶ EUR/USD +2.2%



EUR/PLN changes



EUR/SEK changes



EUR/USD changes





# Operations



## Production capacity and sales volume\*

### ► Q2 2016 average use of production capacity: 93.8%

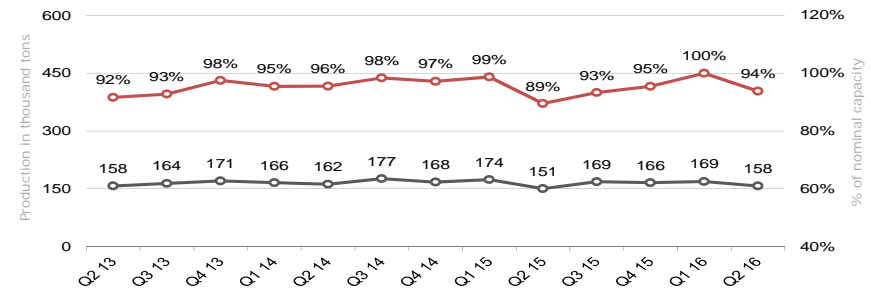
- ▶ 6.2% lower than Q1 2016
- ▶ 4.3% higher than Q2 2015

### ► Q2 2016 total production volume 158' tons

- ▶ 6.9% lower than Q1 2016
- ▶ 4.6% higher than Q2 2015

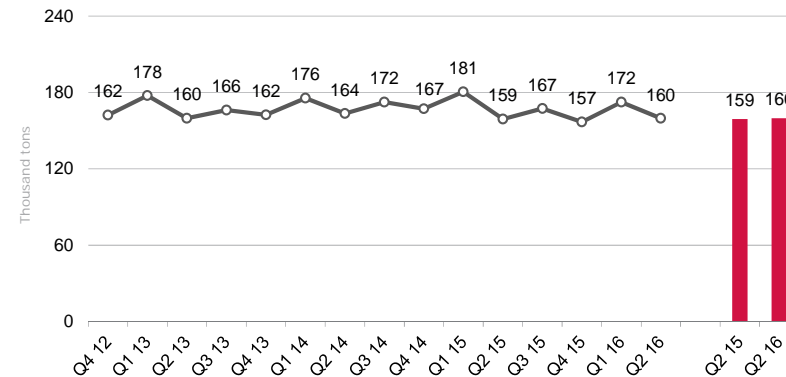
\* AP Mochenwangen excluded from both production capacity and production volume.

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



\* AP Mochenwangen excluded from production and capacity.

Paper sales volume\*



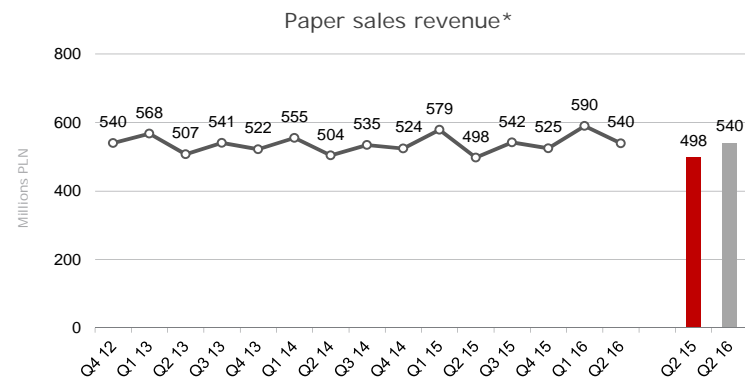
\* AP Mochenwangen excluded from sales volume.

## Paper sales revenue and revenue per ton\*

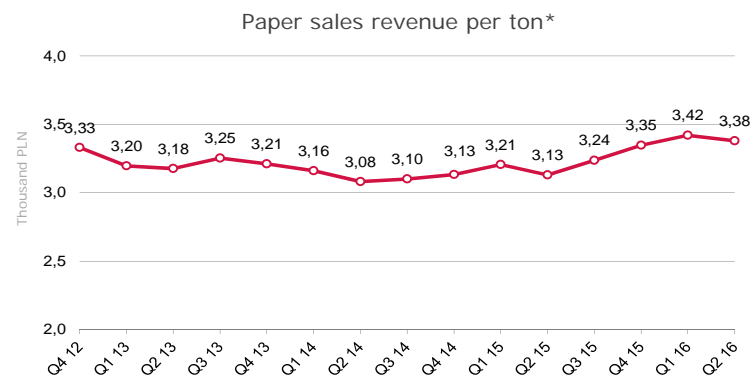
- ▶ Q2 2016 (PLN 540m) down 8.5% compared to Q1 2016
- ▶ Q2 2016 up 8.4% compared to Q2 2015

- ▶ Q2 2016 (PLN 3.38k) decrease by 1.2% compared to Q1 2016
- ▶ Q2 2016 increase by 8.0% compared to Q2 2015

\* AP Mochenwangen excluded from both sales revenue and revenue per ton.



\* AP Mochenwangen excluded from sales revenue.



\* AP Mochenwangen excluded from revenue per ton.

**Financial results**



## Key consolidated figures

(PLN thousands)	Q2 2016	Q1 2016	Q2 2015	1H 2016	1H 2015
Paper sales volume (000' tonnes)	160	172	159	332	340
Pulp sales volume (000' tonnes)	91	95	94	186	185
Revenues	721 265	778 560	688 249	1 499 825	1 459 352
Gross profit on sales	106 823	118 034	85 572	224 857	221 545
% margin	14,8	15,2	12,4	15,0	15,2
<b>EBITDA</b>	<b>63 695</b>	<b>70 669</b>	<b>38 899</b>	<b>134 364</b>	<b>116 898</b>
% margin	8,8	9,1	5,7	9,0	8,0
EBIT	33 705	41 377	11 865	75 081	62 825
% margin	4,7	5,3	1,7	5,0	4,3
Net result	10 704	19 628	13 098	30 332	25 944
% margin	1,5	2,5	1,9	2,0	1,8
Net result from continuing operations	11 965	24 707	25 200	36 672	51 890
% margin	1,7	3,2	3,7	2,4	3,6
Net result from discontinued operations	-1 261	-5 079	-12 102	-6 340	-25 946
% margin	-0,2	-0,7	-1,8	-0,4	-1,8
Net operating cash flow	15 140	245	17 912	15 384	55 890
Capital expenditures	37 325	25 670	29 315	62 996	37 939
Cash and equivalents	124 219	168 237	184 698	124 219	184 698
Total assets	1 750 212	1 793 672	1 832 862	1 750 212	1 832 862
Capital employed	1 104 243	1 100 006	1 183 451	1 104 243	1 183 451
Total equity	704 158	693 665	737 378	704 158	737 378
Net debt	313 045	274 962	261 828	313 045	261 828
Earnings per share (PLN)	0,15	0,28	0,19	0,44	0,37
Equity / assets ratio (%)	40	39	40	40	40
Net debt / equity ratio (%)	44	40	36	44	36
Net debt / EBITDA (times)	1,36x	1,34x	0,98x	1,36x	0,98x

1H 2016 total revenues up +2.8% compared to 1H 2015 (+4.9% paper segment, -1.6% pulp segment revenue).

1H 2016 EBITDA up by PLN 24,8m compared to 1H 2015 (60.2m PLN paper segment, +34.0m PLN, 74.2m PLN pulp segment, -16.5m PLN).

Cash on the level of 124,2m PLN (87.1m PLN paper segment, -22.4m PLN, 37.1m PLN pulp segment, -38.1m PLN).

Net debt on the level of 313,0m PLN (338,7m PLN paper segment, +10.3m PLN, -25.6m PLN pulp segment, +40.9m PLN).

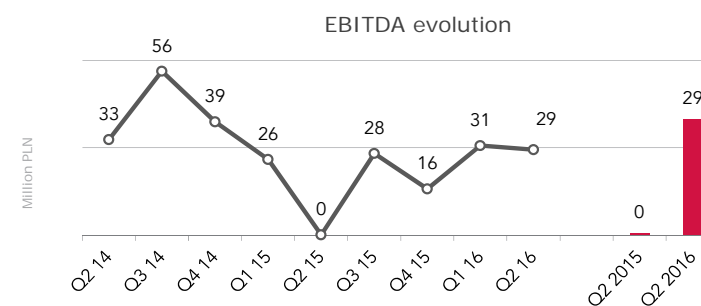
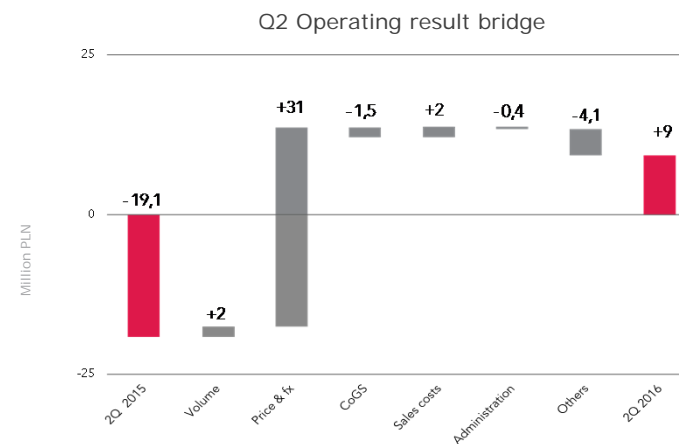
## Q2 2016 Operating result and EBITDA (excluding Rottneros)

### ▶ Operating result for the Q2 2016 9.3m PLN

- ▶ -1.6m PLN lower than Q1 2016
- ▶ +28.4m PLN higher than Q2 2015

### ▶ Q2 2016 EBITDA 29.4m PLN

- ▶ -1.4m PLN lower than Q1 2016
- ▶ +29.2m PLN higher than Q2 2015



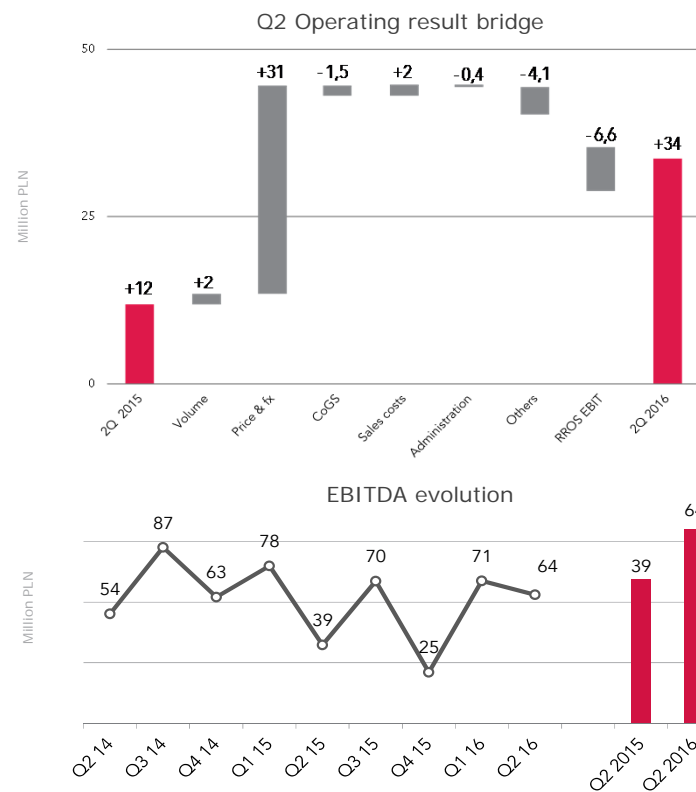
## Q2 2016 Consolidated operating result and EBITDA (including Rottneros)

### ▶ Operating result for the Q2 2016 33.7m PLN

- ▶ -7.7m PLN lower than Q1 2016
- ▶ +21.8m PLN higher than Q2 2015

### ▶ Q2 2016 EBITDA 63.7m PLN

- ▶ -7.0m PLN lower than Q1 2016
- ▶ +24.8m PLN higher than Q2 2015



# Summary of 1H 2016





## 1H 2016 in brief

### Market environment:

- Still favourable pulp prices market for paper segment, BHKP, short fibre - average 1H 2016 – 4.9% and NBSK, long fibre - average – 9.7% if compared to 1H 2015;
- Graphical paper prices in Europe end of June 2016 almost on the same level for UWF and lower -2.2% for CWF;
- The market for coated and uncoated fine graphic paper continues to decline, -5.3% for UWF and -5.4% for CWF if compared to 1H 2015;
- The USD remaining at low unfavourable for paper segment level to the Euro;

### Arctic Paper Group:

- EBITDA without Rottneros on level of 60.2m PLN vs. 26.2m PLN in 1H 2015;
- EBITDA of Arctic Paper Group with Rottneros was 134,4m PLN vs. 117,0m PLN in 1H 2015 (paper segment up by 34.0m PLN, pulp segment down by -16.5m PLN);
- Sales revenue (exl. Rottneros) was 1 129,4m PLN almost 5.0% higher than in 1H 2015. Sales revenue (incl. Rottneros) were 1 499,8m PLN almost 3.0% higher than in 1H 2015;
- The evaluation of potential refinancing continues and is in an intense phase;

**Thank you!**

**Per Skoglund, Acting CEO Arctic Paper**  
**Małgorzata Majewska-Śliwa, CFO Arctic Paper**

