



ARCTIC PAPER

PRESS RELEASE

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**ARCTIC PAPER GROUP IN 2015:  
ACCEPTABLE FINANCIAL RESULTS THANKS TO DECISIVE  
MEASURES IN DIFFICULT MARKET SITUATION**

**In 2015 the Arctic Paper Group generated sales revenue of PLN 2.90bn, 1.2% higher than the year before. EBITDA was PLN 212.7m (down 15.7% from 2014), operating profit was more than PLN 100.2m (down 26.1%), and net profit from continuing activity\* was over PLN 71m (down 27.8%).**

These results reflect the contribution of Rottneros AB (of which the Arctic Paper Group acquired majority ownership in 2013), which generated very good financial results in 2015.

Excluding Rottneros AB, the Group generated sales revenue in 2015 of PLN 2.14bn, or 1.2% higher than in 2014. EBITDA was close to PLN 70.2m (56.1% less than the previous year), and net operating profit on continuing activity was over PLN 7.2m (a decline of 82.5% from 2014). The Group recorded an operating loss of about PLN 7.2m.

The market for graphical fine paper remained difficult during 2015, with a combination of high prices for purchasing pulp, weakening of the euro against the US dollar, and an almost year-long low price of graphical fine paper, reducing the financial results of the Arctic Paper Group compared to 2014.

Wolfgang Lübbert, Arctic Paper CEO, commented: *"We responded to the market challenges with force in the middle of last year by developing and implementing the comprehensive Profit Improvement Program 2015/2016. An essential element of the program was the difficult but necessary decision to cease production at the Arctic Paper Mochenwangen mill."*

In Q4 2015, the results were significantly impacted by the costs connected with cessation of production at the Arctic Paper Mochenwangen mill. Due to this a provision was created in the amount of about PLN 39m (EUR 9.3m), charged against the discontinued operations of the Group.

The results for the last quarter were also affected by the results achieved by Rottneros AB. Compared to Q4 2014 Rottneros noted a decline in net profit from SEK 55m to SEK 1m. The 4<sup>th</sup> quarter is seasonally a weak period because of the Vallvik Mill's annual maintenance shutdown. The capacity-enhancing investments, a part of the company's on-going investment plan, during Q4 2015 created a more complex and longer start-up period than planned. It should be stressed, however, that the results of Rottneros for 2015 were at record levels in the company's history.

The Group's results in the paper segment were negatively impacted by the high prices for purchasing of pulp as expressed in PLN and SEK, which continued over the whole year. In Q4 2015 for PLN they were 20.4% higher year-on-year and 5.9% higher than in Q3 2015. This was connected mainly with the unfavourable relationship between several European currencies (EUR, PLN, SEK) and the US dollar.

Due to the anticipated lack of payment of trade receivables to Arctic Paper by the PaperlinX UK companies, in which reorganization proceedings were commenced, a provision was maintained in the amount of PLN 12.9m (originally PLN 15.3m created in Q1 2015) in Q4 2015.

In December 2015 the average prices of graphical fine paper in Europe were 5.3% higher year-on-year for uncoated wood-free paper and 0.6% lower for coated wood-free paper. Compared to September 2015, these prices remained unchanged for uncoated wood-free paper and fell by 0.3% for coated wood-free paper (data based on RISI).

The Group's revenue from sale of paper was down 0.2% in Q4 2015 year-on-year and 4.3% lower than in Q3 2015. Sales revenue per tonne increased by 3.6% and 5.4% respectively.

Production volume in Q4 2015 was 182,000 tonnes, 3.4% lower than in Q3 2015 and down 2.3% year-on-year, a figure greatly influenced by the cessation of production at the Arctic Paper Mochenwangen mill.

*"In the difficult market conditions, we have defended our position as one of Europe's leading producers of graphical fine papers," said Arctic Paper CEO Wolfgang Lübbert. "Taking these turbulent circumstances into account we achieved financial results that are to be regarded as acceptable. The excellent result achieved by Rottneros is a valuable contribution. We are also pleased with the results of the Profit Improvement Program 2015/2016 launched in mid-2015. By the middle of 2016 we will achieve a significant part of the planned savings under the program, estimated at PLN 50m, which will enable us to reinforce our competitive advantages on a market full of challenges."*

Arctic Paper's focus on product development increased further during 2015 and started to enhance its core competence; being a paper developer and producer. By focusing on its competitive advantage, producing grades for professionals, Arctic Paper has been able to develop unique paper products for premium-paying market niches. At Arctic Paper Kostrzyn a high-end digital paper to be used in high-speed inkjet machines has been developed, marketed as Amber Highway.

In Arctic Paper Munkedals, Munken Kristall was developed in 2015. This is a new Munken Design grade with a much asked-for whiter and brighter shade.

Munken Kristall will be introduced globally this spring, and it will substantially reinforce and further strengthen the Munken Design Range as the leading European design range.

***Selected financial results of Arctic Paper Group (including results of Rottneros) for 2015***

PLN '000	Q4 2015	Q4 2014	CHANGE	2015	2014	CHANGE
SALES REVENUE	<b>710,408</b>	<b>700,817</b>	<b>+1.4%</b>	<b>2,900,460</b>	<b>2,865,121</b>	<b>+1.2%</b>
EBITDA	<b>25,336</b>	<b>62,565</b>	<b>-59.5%</b>	<b>212,697</b>	<b>252,319</b>	<b>-15.7%</b>
EBIT	<b>-5,623</b>	<b>30,297</b>	<b>-</b>	<b>100,239</b>	<b>135,660</b>	<b>-26.1%</b>
NET RESULT*	<b>-3,593</b>	<b>34,155</b>	<b>-</b>	<b>71,019</b>	<b>98,326</b>	<b>-27.8%</b>
NET RESULT	<b>-65,440</b>	<b>21,410</b>	<b>-</b>	<b>-26,570</b>	<b>78,175</b>	<b>-</b>

***Selected financial results of Arctic Paper Group (excluding Rottneros) for 2015***

PLN '000	Q4 2015	Q4 2014	CHANGE	2015	2014	CHANGE
SALES REVENUE	<b>524,984</b>	<b>524,187</b>	<b>+0.2%</b>	<b>2,143,557</b>	<b>2,117,772</b>	<b>+1.2%</b>
EBITDA	<b>15,920</b>	<b>38,923</b>	<b>-59.1%</b>	<b>70,155</b>	<b>159,850</b>	<b>-56.1%</b>
EBIT	<b>-3,815</b>	<b>18,124</b>	<b>-</b>	<b>-7,175</b>	<b>76,935</b>	<b>-</b>
NET RESULT*	<b>12,666</b>	<b>12,316</b>	<b>+2.8%</b>	<b>7,229</b>	<b>41,415</b>	<b>-82.5%</b>
NET RESULT	<b>-49,270</b>	<b>-429</b>	<b>-</b>	<b>-90,359</b>	<b>21,263</b>	<b>-</b>

*\*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, Arctic, G-Print, and Munken.

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

- Arctic Paper Munkedals, Sweden
- Arctic Paper Grycksbo, Sweden
- Arctic Paper Kostrzyn, Poland
- (Arctic Paper Mochenwangen – operational to December 2015)

The total production capacity of the Company is approximately 700,000 tonnes of paper per year.

Arctic Paper Kostrzyn has a production capacity of 280,000 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 and maps, and for 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 S.A. is the principal owner of Rottneros AB (two pulp-producing mills), with a total production capacity of approximately 400,000 tonnes of 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, which 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 are the sales offices and distribution centres, which market and manage the delivery of the company's products. Arctic Paper S.A. currently has 14 sales offices throughout Europe, which provide access to all European markets.

The company has about 1250 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. has been listed on the Warsaw Stock Exchange since October 2009, and additionally since December 2012 on NASDAQ OMX in Stockholm.

**More information to be found at [www.arcticpaper.com](http://www.arcticpaper.com)**

