



ARCTIC PAPER GROUP IN 2016: VERY GOOD RESULTS IN THE PAPER SEGMENT AND SIGNIFICANT IMPROVEMENT IN FINANCIAL SITUATION

In 2016 the Arctic Paper Group generated sales revenue of PLN 2.97bn, 2.3% higher than the year before. EBITDA was over PLN 249.6m (growth of 17.4% from 2015), and operating profit on continuing operations* exceeded PLN 125 million (up 24.7%).

The excellent results achieved by Arctic Paper in the paper segment should be stressed. The Group produced solid sales volume, translating into increased market share. Also an increase in revenue was generated and this despite the continued difficult market situation. Combined with the results of the Profit Improvement Program 2015/2016 and favourable prices of short-fibre pulp, this translated into achievement of very good operating results in this segment.

Results in the paper segment (excluding Rottneros)

Revenue from sales in the paper segment in 2016 was nearly PLN 2.22bn, 3.5% higher than in 2015. EBITDA rose to over PLN 148m, an improvement of 111.1% year-on-year. Net profit on continuing operations* rose to PLN 34.1m, as against a loss of PLN 7.2m the previous year.

In Q4 2016 the market for fine graphical papers continued to shrink, noting a decline of 6.1% (compared to Q4 2015, according to EuroGraph data). In the same period Arctic Paper increased its sales volume by up 0.6%, thus strengthening its market position.

The average use of production capacity in 2016 was 96%, or 2% higher than in 2015.

Per Skoglund, acting CEO of Arctic Paper, commented on the recently completed year: *"In the aspects of market presence, production efficiency and product development we have shown endurance, resulting in a good year 2016. Also, the Profit Improvement Program 2015/16 has now successfully met its target, with savings of PLN 46m during 2016, and the remaining part in Q1 2017, translating into growth in efficiency in the paper segment. Another positive factor was the decline in the cost of short-fibre pulp, the most important raw material used in our manufacturing."*

Results including Rottneros

The results and profit of Rottneros in 2016 were again very solid, despite a decline in prices of the long-fibre pulp (NBSK), produced by Rottneros, by 1.2% (compared to Q4 2015). In a historical perspective, the level of earnings and profitability remained good.

The fourth quarter is usually a weak quarter for Rottneros because of the annual maintenance shutdown at the Vallvik mill, along with the commissioning of new investments, and 2016 was no exception.

The sales revenue of the Arctic Paper Group in Q4 2016 fell slightly, by 0.5%, compared to Q4 2015. EBITDA was PLN 38.4 (+51.5% y/y), and the net result on continuing operations* in Q4 2016 was over PLN 1.9m.

New financing structure

In 2016 the Arctic Paper Group successfully completed the process of changing the structure for financing of its operations in the paper segment.

The centralized financing enables more effective management of financial liquidity and flexible adjustment of the level of financing of specific Group companies. This increases the Group's competitiveness and also enables improvement in resource management. Additionally, Arctic Paper can continue investments in new products at all of its plants on a wider scale than before.

Per Skoglund added: *"The aim to reduce our net debt to EBITDA ratio and optimize our working capital continued with intensified efforts during 2016. In Q3 2016 we managed to create a new and truly improved structure for financing of our operations. This meant full repayment of the prior indebtedness and complete implementation of the new financing structure during 2016. Thus the financial stability was greatly improved and the flexibility that the volatile market demands was increased."*

Selected financial results of the Arctic Paper Group (including results of Rottneros AB) for 2016

PLN '000	4Q 2016	4Q 2015	CHANGE (%)	2016	2015	CHANGE (%)
SALES REVENUE	707,166	710,408	-0.5%	2,966,972	2,900,460	+2.3%
EBITDA	38,384	25,336	+51.5%	249,603	212,697	+17.4%
EBIT	1,924	-5,623	-	125,040	100,239	+24.7%
NET RESULT*	-10,361	-3,593	-	58,829	71,019	-17.2%
NET RESULT	-950	-65,440	-	61,026	-26,570	-

Selected financial results of the Arctic Paper Group (excluding Rottneros AB) for 2016

PLN '000	4Q 2016	4Q 2015	CHANGE (%)	2016	2015	CHANGE (%)
SALES REVENUE	520,465	524,984	-0.9%	2,219,154	2,143,557	+3.5%
EBITDA	38,816	15,920	+143.8%	148,088	70,155	+111.1%
EBIT	17,320	-3,815	-	66,825	-7,175	-
NET RESULT*	2,970	12,666	-	34,103	7,229	+371.8%
NET RESULT	12,381	-49,181	-	36,301	-90,359	-

**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 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

The total production capacity of the company is over 700,000 tonnes of paper per year.

Arctic Paper Kostrzyn has a production capacity of 285,000 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 magazines, direct mail, books, posters and maps.

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 main shareholder owning 51% 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, Sweden, which has a production capacity of 240,000 tonnes per year, produces two types of long-fibre sulphate pulp. The pulp mill in Rottneros with a production capacity of 160,000 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, 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 1,250 employees, excluding Rottneros AB, and its ' headquarters are in Poland.

The largest shareholder of 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 the NASDAQ in Stockholm.

More information at www.arcticpaper.com

