

Arctic Paper Group  
**Results for the Q2 2015**

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



ARCTIC PAPER

## Disclaimer

Please read the information below carefully

This presentation (the 'Presentation') was prepared by Arctic Paper S.A. (the 'Company') for information purposes only for use by investors, banks and the Company's customers as well as market analysts and under no circumstances may it be treated as a part of an invitation or offer to purchase securities, an invitation to make investments or conduct transactions regarding securities, an inducement to make purchase offers or a recommendation to conclude any transactions, in particular transactions regarding the Company's securities.

The information contained in the Presentation was taken from publicly available sources which the Company believes to be reliable. However, the Company cannot guarantee its reliability or completeness, except for the information on the Company and its Group. The Company shall not be held liable for the consequences of decisions made on the basis of or in reliance on the information contained in this Presentation. The information contained in the Presentation has not been independently verified and may be subject to change at any time. The publication of the data contained in the Presentation by the Company does not constitute a breach of the provisions of the law which apply to companies whose shares are listed on the regulated market, in particular the regulated market operated by the Warsaw Stock Exchange in Poland and NASDAQ OMX Stockholm in Sweden. The information contained herein has been published by the Company in its current and periodic reports, or constitutes a supplement thereto which is not required to be published by the Company in order to comply with the Company's reporting requirements as a listed company.

Under no circumstances should information contained in this Presentation be construed as the explicit or implicit submission of a representation or warranty of any type by the Company or by persons acting on its behalf. Furthermore, neither the Company nor any person acting on its behalf shall be held liable in any respect for any damage which may arise as a result of negligence or for any other cause as a result of the use of this Presentation or any information contained in it, or for damage which may otherwise arise in connection with information constituting a part of this Presentation.

The Company is not obliged to publish updates and amendments to the information, data and representations contained in this Presentation as a result of a change of the Company's strategy or intentions or the appearance of unexpected facts or circumstances which affect such strategy or intentions of the Company, unless such an obligation arises from the provisions of law.

This Presentation contains information on the paper industry. With the exception of information indicated as originating from a specified source, the market information referred to above has been prepared on the basis of data received from third parties who are named in this Presentation and contains estimates, assessments, corrections and opinions based on the Company's experience and knowledge of the sector in which it conducts business. Because the market information referred to above may have been partially prepared with the use of estimates, assessments, corrections and opinions and has not been verified by independent entities, to a certain extent, this information is of a subjective nature, with the exception of the information which has been indicated as information originating from third parties from a specified source. It is presumed that estimates, assessments, corrections and opinions are based on reasonable grounds and that the market information which has been prepared duly reflects the situation of the industry on the markets on which the Company conducts business. However, there is no certainty that the estimates, assessments, corrections and opinions are the most appropriate basis for drawing conclusions on the market information or that market information taken from other sources may not differ significantly from the market information contained in this Presentation.

The Company would like to point out to the readers of this Presentation that the only reliable source of data on Arctic Paper's financial results, forecasts and events, as well as the Company's indicators, is the current and periodic reports submitted by the Company in compliance with reporting requirements under Polish and Swedish law.

This Presentation should be read together with the 2014 consolidated and standalone annual report as well as the report for the 1st half of 2015.

## **Agenda**

- **Market environment**
- **Operating and financial results**
- **The specifics of Profit Improvement Program 2015/16**
- **Summary for the Q2 2015**

**Market environment**



## Deliveries of fine paper

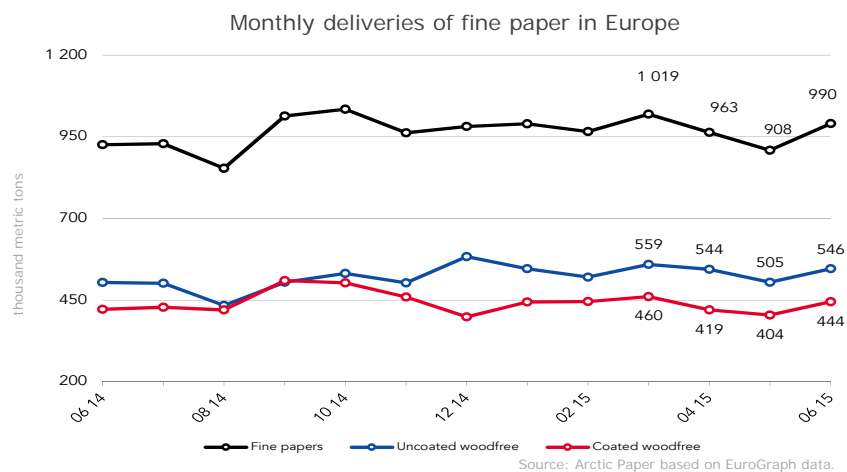
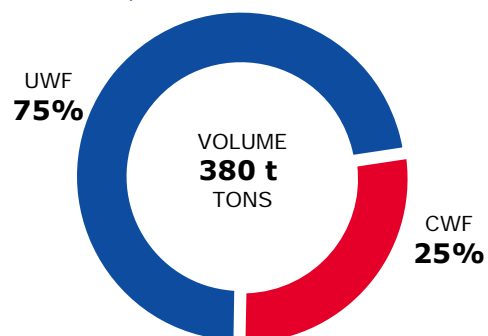
### ► Q2 2015 vs. Q1 2015 – 3,8%

- Uncoated woodfree down - 1,9%
- Coated woodfree down - 6,1%
- Arctic Paper volume down - 11,8%

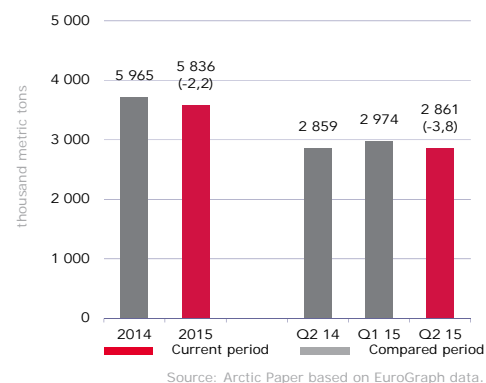
### ► 1H 2015 vs. 1H 2014 - 2,2%

- Uncoated woodfree down - 1,0%
- Coated woodfree down - 3,6%
- Arctic Paper volume down - 0,4%

Arctic Paper YTD 2015 volume structure



Quarterly deliveries of fine paper in Europe



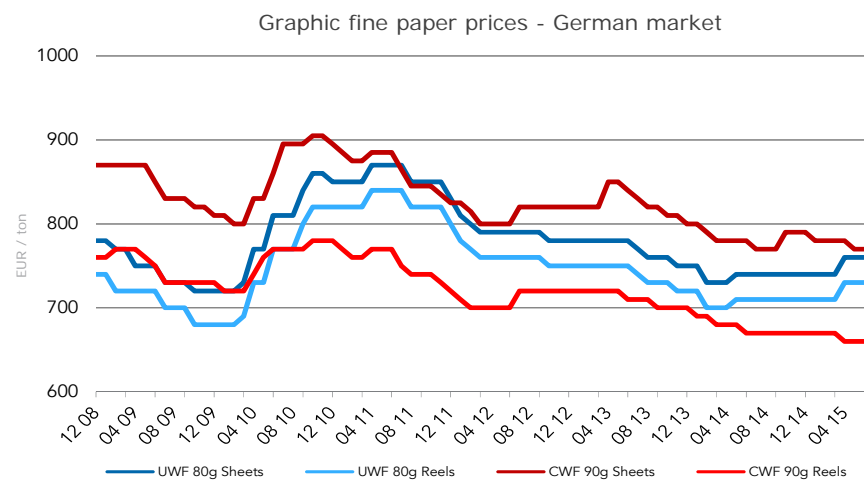
## Fine paper prices

### ▶ June 2015 vs. March 2015

- ▶ UWF segment average price change 2,6%  
(Arctic Paper + 1,3%)
- ▶ CWF segment average price change - 2,8%  
(Arctic Paper - 1,7%)

### ▶ June 2015 vs. June 2014

- ▶ UWF segment average price change +2,6%  
(Arctic Paper + 1,3%)
- ▶ CWF segment average price change - 1,7%  
(Arctic Paper - 0,8%)



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	06 15 vs. 03 15			06 15 vs. 06 14		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	2,6%	2,6%	2,6%	2,6%	2,6%	2,6%
CWF	-2,5%	-2,8%	-3,1%	-1,9%	-1,7%	-1,7%

Source: Arctic Paper based on RISI data.

## Pulp prices

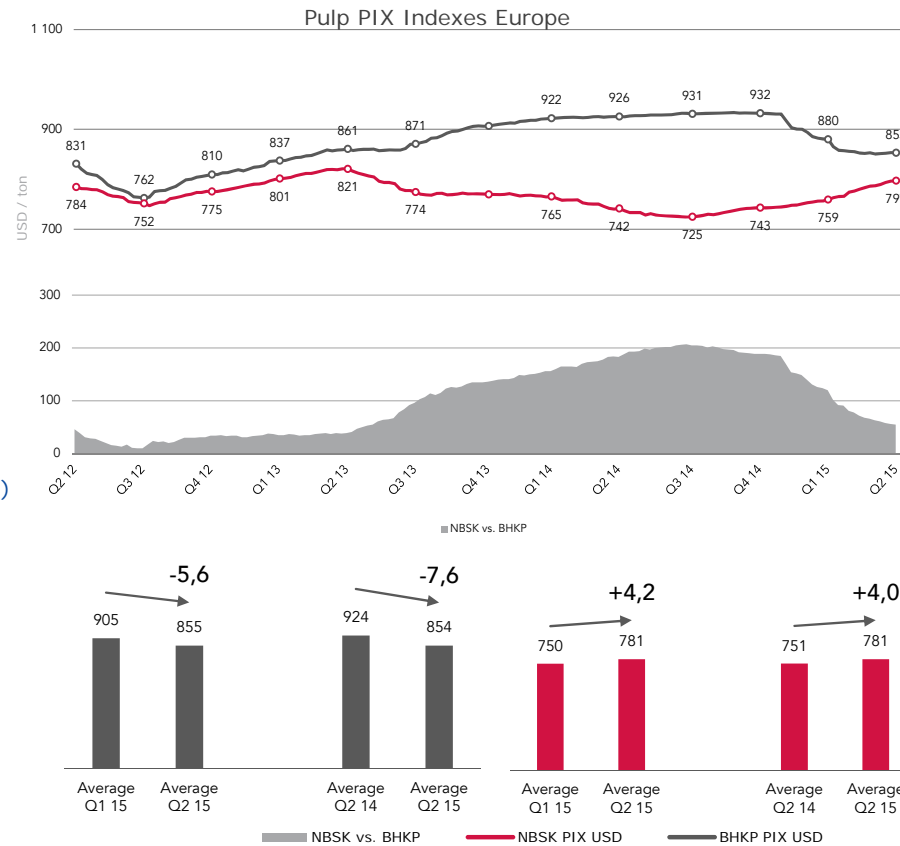
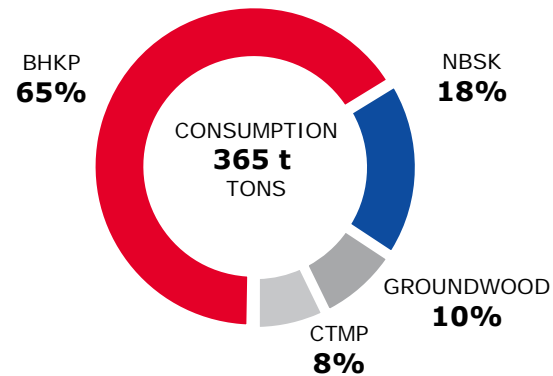
### ▶ Average price Q2 2015 compared to Q1 2015

- ▶ NBSK (long fibre) 5,6% lower
- ▶ BHKP (short fibre) 4,2% higher
- ▶ Arctic Paper costs 2,1% higher (measured in PLN)

### ▶ Average price Q2 2015 compared to Q2 2014

- ▶ NBSK (long fibre) 7,5% lower
- ▶ BHKP (short fibre) 4,0% higher
- ▶ Arctic Paper costs 18,5% higher (measured in PLN)

Arctic Paper YTD JUN 2015 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

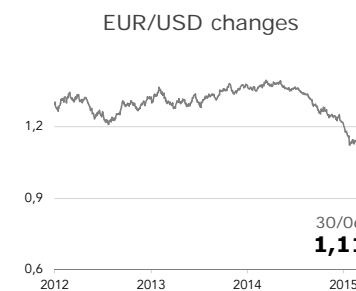
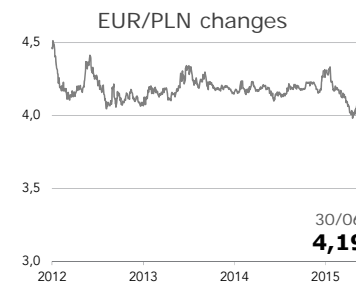
## Currency exposure

### ▶ Average exch. rate Q2 2015 compared to Q1 2015

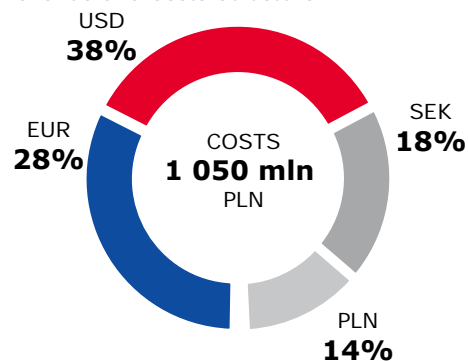
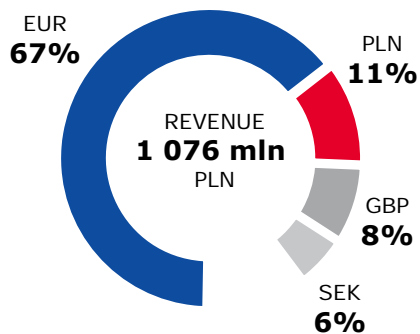
- ▶ EUR/PLN -2,5%
- ▶ EUR/SEK -0,9%
- ▶ EUR/USD -1,8%

### ▶ Average exch. rate Q2 2015 compared to Q2 2014

- ▶ EUR/PLN -1,9%
- ▶ EUR/SEK +2,7%
- ▶ EUR/USD -19,5%



Arctic Paper YTD JUN 2015 Revenue and Costs Structure





# Operating and financial results



ARCTIC PAPER

## Production capacity and sales volume

### ▶ Q2 2015 average use of production capacity 87%

- ▶ 8,2% lower than Q1 2015
- ▶ 6,1% lower than Q2 2014

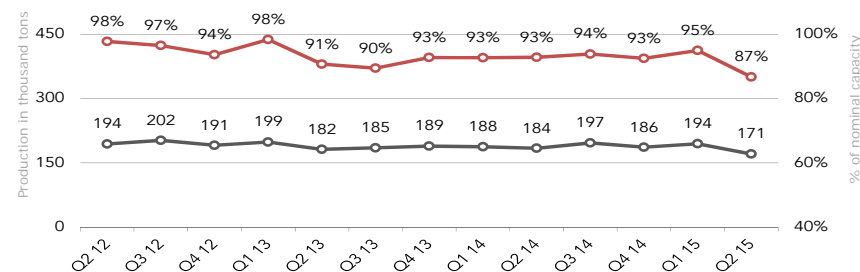
### ▶ Q2 2015 total production volume 171' tons

- ▶ 12,2% lower than Q1 2015
- ▶ 7,3% lower than Q2 2014

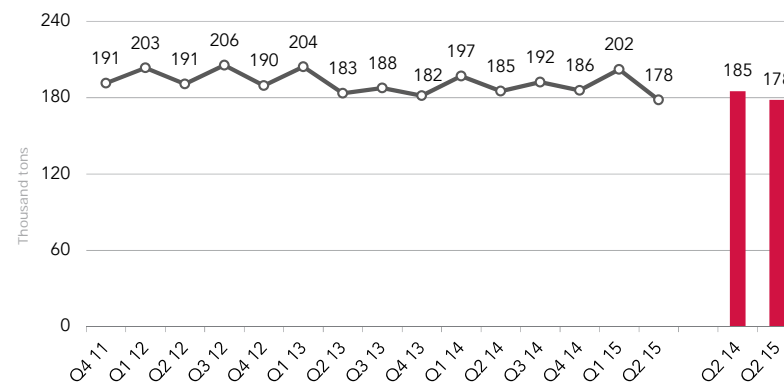
### ▶ 1H 2015 total production volume 365' tons

- ▶ 1,8% lower than 1H 2014

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



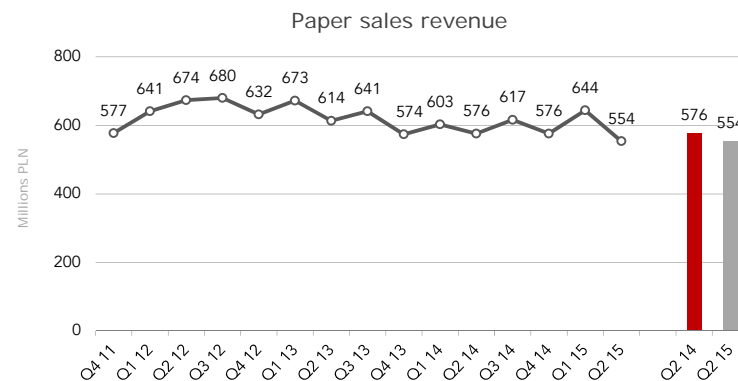
Paper sales volume\*



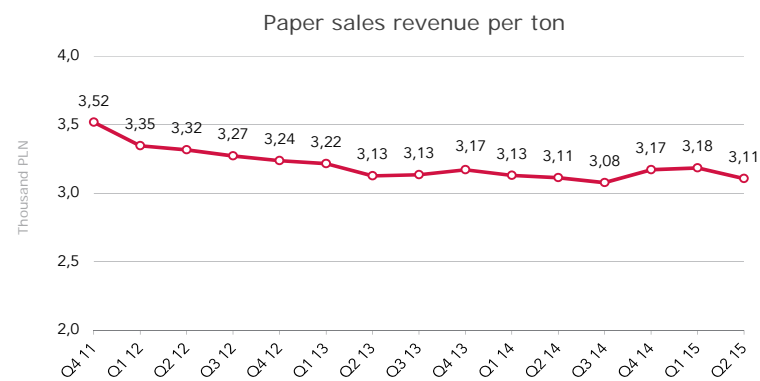
\* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

## Paper sales revenue and revenue per ton

- ▶ Q2 2015 (PLN 554m) down 14,0 % compared to Q1 2015
- ▶ Q2 2015 down 3,8% compared to Q2 2014



- ▶ Q2 2015 (PLN 3,11k) decrease of 2,4% compared to Q1 2015
- ▶ Q2 2015 equal to Q2 2014



## Key consolidated figures

(PLN thousands)	Q2 2015	Q1 2015*	Q2 2014	1H 2015*	1H 2014
Paper sales volume (000' tonnes)	159	181	164	340	339
Pulp sales volume (000' tonnes)	94	91	88	185	173
Revenues	688 249	771 103	693 135	1 459 352	1 436 062
Gross profit on sales	80 220	131 939	97 944	212 159	197 223
% margin	11,7	17,1	14,1	14,5	13,7
<b>EBITDA</b>	<b>38 899</b>	<b>77 999</b>	<b>54 329</b>	<b>116 898</b>	<b>102 562</b>
% margin	5,7	10,1	7,8	8,0	7,1
EBIT	11 865	50 959	26 185	62 825	46 257
% margin	1,7	6,6	3,8	4,3	3,2
Net result	13 098	12 846	13 475	25 944	22 383
% margin	1,9	1,7	1,9	1,8	1,6
Net result from continuing operations	25 200	26 690	14 290	51 890	24 178
% margin	3,7	3,5	2,1	3,6	1,7
Net result from discontinued operations	-12 102	-13 844	-814	-25 946	-1 795
% margin	-1,8	-1,8	-0,1	-1,8	-0,1
Net operating cash flow	17 912	37 978	29 936	55 890	61 321
Capital expenditures	31 300	12 893	13 154	44 193	34 656
Cash and equivalents	184 698	159 956	95 216	184 698	159 956
Total assets	1 832 862	1 800 860	1 725 072	1 832 862	1 725 072
Capital employed	1 183 451	1 142 433	1 074 365	1 183 451	1 074 365
Total equity	737 378	728 206	678 665	737 378	678 665
Net debt	261 828	245 473	375 455	261 828	375 455
Earnings per share (PLN)	0,19	0,19	0,19	0,37	0,32
Equity / assets ratio (%)	40	40	39	40	39
Net debt / equity ratio (%)	36	34	55	36	55
Net debt / EBITDA (times)	0,98x	0,90x	2,70x	0,98x	2,70x

\* - included one-off transactions related to reserve for outstanding invoices to PaperlinX UK in amount of 14,2m PLN

1H 2015 Results impacted by reserve for outstanding invoices to PaperlinX UK in amount of 14,2m PLN.

1H 2015 EBITDA on the level of PLN 116,9m, Net result of 25,9m PLN.

1H 2015 Net result from discontinued operation of - 25,9m PLN.

Cash on the level of 184,7m PLN.

Net debt on the level of 261,8m PLN.

## Q2 2015 Operating result and EBITDA (excluding Rottneros)

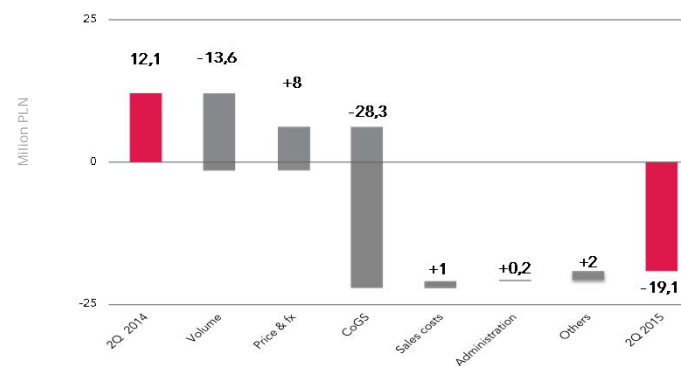
### ▶ Operating result for the Q2 2015 - 19,1 m PLN

- ▶ - 26,0 m PLN lower than Q1 2015
- ▶ - 31,2 m PLN lower than Q2 2014

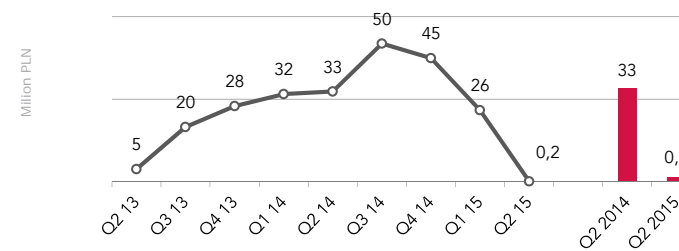
### ▶ Q2 2015 EBITDA 0,2m PLN

- ▶ - 25,9 m PLN lower than Q1 2015
- ▶ - 32,6 m PLN lower than Q2 2014

Q2 Operating result bridge



EBITDA evolution



## Q2 2015 Consolidated operating result and EBITDA (including Rottneros)

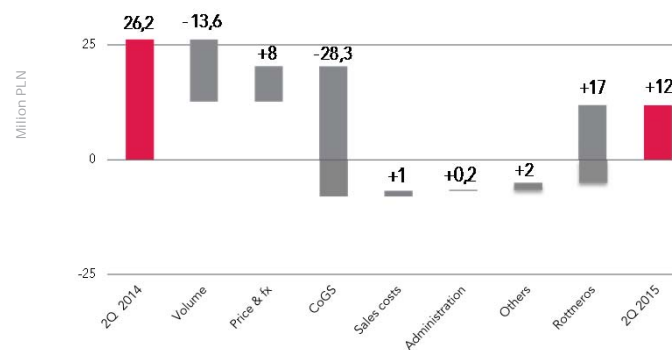
### ▶ Operating result for the Q2 2015 11,9 m PLN

- ▶ - 39,0 m PLN lower than Q1 2015
- ▶ - 14,3 m PLN lower than Q2 2014

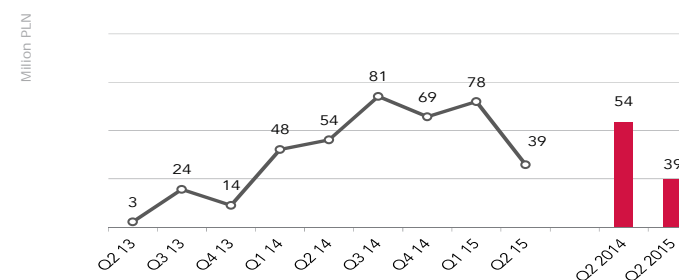
### ▶ Q2 2015 EBITDA 38,9m PLN

- ▶ - 39,1 m PLN lower than Q1 2015
- ▶ - 15,4 m PLN lower than Q2 2014

Q2 Operating result bridge



EBITDA evolution



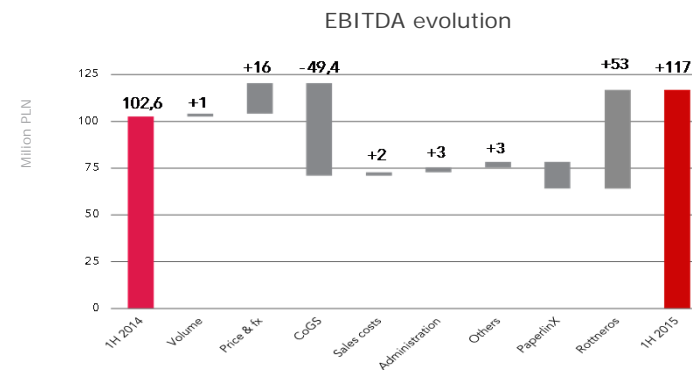
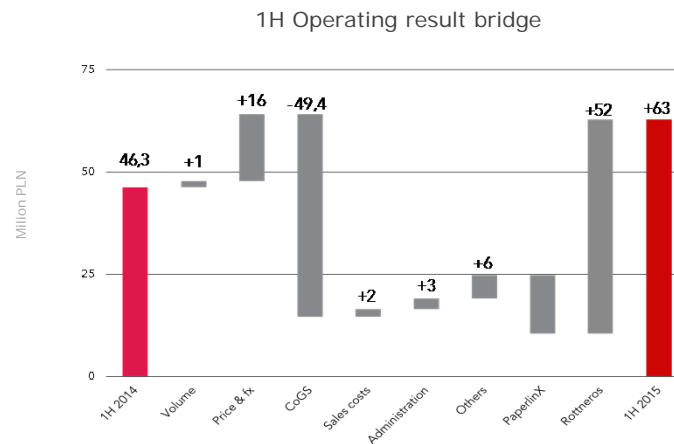
## 1H 2015 Consolidated operating result and EBITDA (including Rottneros)

### ▶ Operating result for the 1H 2015 62,8 m PLN

- ▶ 16,6 m PLN higher than 1H 2014

### ▶ 1H 2015 EBITDA 116,9m PLN

- ▶ 14,3 m PLN higher than 1H 2014



## Profit Improvement Program 2015/2016

### Background:

- Aim of the Program - to further increase the speed of our structural changes and thereby our profitability;
- Reasons of the Program:
  - The continued complicated paper market;
  - The dramatic strengthening of the US Dollar;

### Main pillars of Profit Improvement Program 2015/16:

- Total target is to lessen cost by 50 MPLN annually;
- Involves all units;
- Individual mill profitability improvements – thorough and complete analysis started;
- Complete company audit of external service costs;
- Enhanced shared service centres
  - To use our experience in creating cost-efficient centres, where synergies can be accumulated, in more fields than just logistics;
- Unification in all IT solutions;
- Specific and decisive moves concerning Arctic Paper Mochenwangen;
  - Two alternatives are being explored/negotiated - possible cease of production or sale of the mill;



# Summary for the 1H 2015

## Q2 2015 in brief

### Market environment:

- Very unfavourable level of EUR against USD, if compare to Q1 2015 change by – 1,8% but if compared to Q2 2014 change by – 19,5%;
- Graphical papers prices in Europe during Q2 2015 a little bit up for UWF segment but still down for CWF;
- Deliveries of high quality papers in Europe lower compared to Q1 2015, with average drop by approx. 3,8%;
- Unfavourable pulp prices changes (BHKP, short fibre + 4,2% and NBSK, long fibre – 5,6%, in USD);

### Arctic Paper Group:

- Negative impact on pulp costs due to strong USD especially if compare to Q2 2014;
- Q2 2015 EBIDTA of the Arctic Paper Group reached the amount of 38,9m PLN, due to excellent Rottneros result;
- Rottneros result was driven by favourable currency exchange rates and due to forceful internal actions;
- Production at the Arctic Paper Kostrzyn mill was stopped for 10 days because of the investment process carried out there;
- Implementation of the Profit Improvement Program 2015/2016, with the aim to lessen costs by about PLN 50m annually, including decisive moves concerning Arctic Paper Mochenwangen—possible cease of production or sale of the mill;

**Thank you!**

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

