

Arctic Paper Group  
**Results for Q3 2016**

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This Presentation should be read together with the 2015 consolidated and standalone annual report and report for Q3 2016.

## **Agenda**

- **Market environment**
- **Operations and financial results**
- **Summary for the Q3 2016**

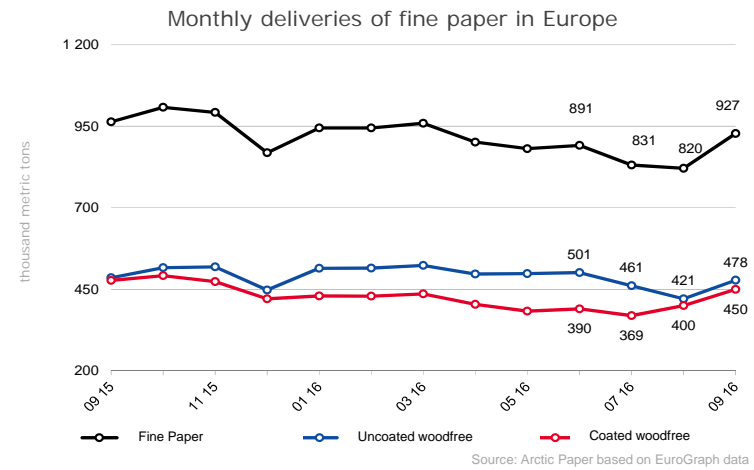
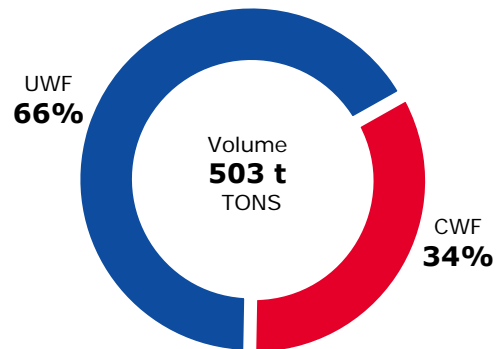
**Market environment**



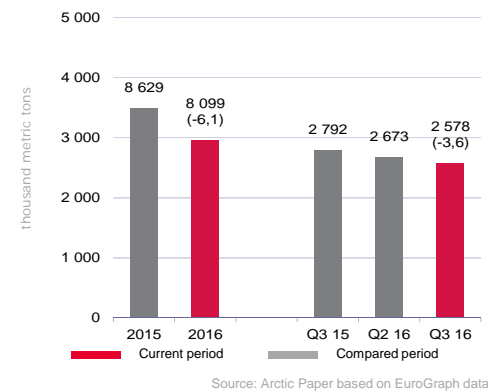
## Deliveries of fine paper

- ▶ **Q3 2016 vs. Q3 2015 -8.0%**
  - ▶ Uncoated woodfree down -9.3%
  - ▶ Coated woodfree down -6.5%
  - ▶ Arctic Paper volume up +2.2%
- ▶ **Q3 2016 vs. Q2 2016 -3.6%**
  - ▶ Uncoated woodfree down -9.1%
  - ▶ Coated woodfree up +3.5%
  - ▶ Arctic Paper volume up +7.2%

Arctic Paper YTD 2016 volume structure



Quarterly deliveries of fine paper in Europe



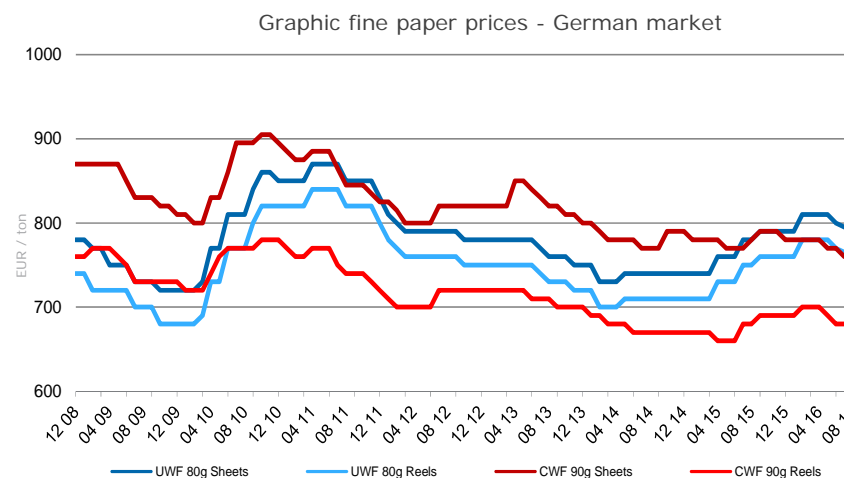
## Fine paper prices

### ► September 2016 vs. June 2016

- UWF segment average price change -1.3%  
(Arctic Paper: -0.6%)
- CWF segment average price change -1.2%  
(Arctic Paper: -1.9%)

### ► September 2016 vs. September 2015

- UWF segment average price change -0.8%  
(Arctic Paper: -2.1%)
- CWF segment average price change -2.6%  
(Arctic Paper: 0.6%)



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	09 16 vs. 06 16			09 16 vs. 09 15		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,3%	-1,3%	-1,3%	-0,6%	-0,8%	-0,9%
CWF	-1,1%	-1,2%	-1,2%	-2,4%	-2,6%	-2,6%

Source: Arctic Paper based on RISI data.

## Pulp prices

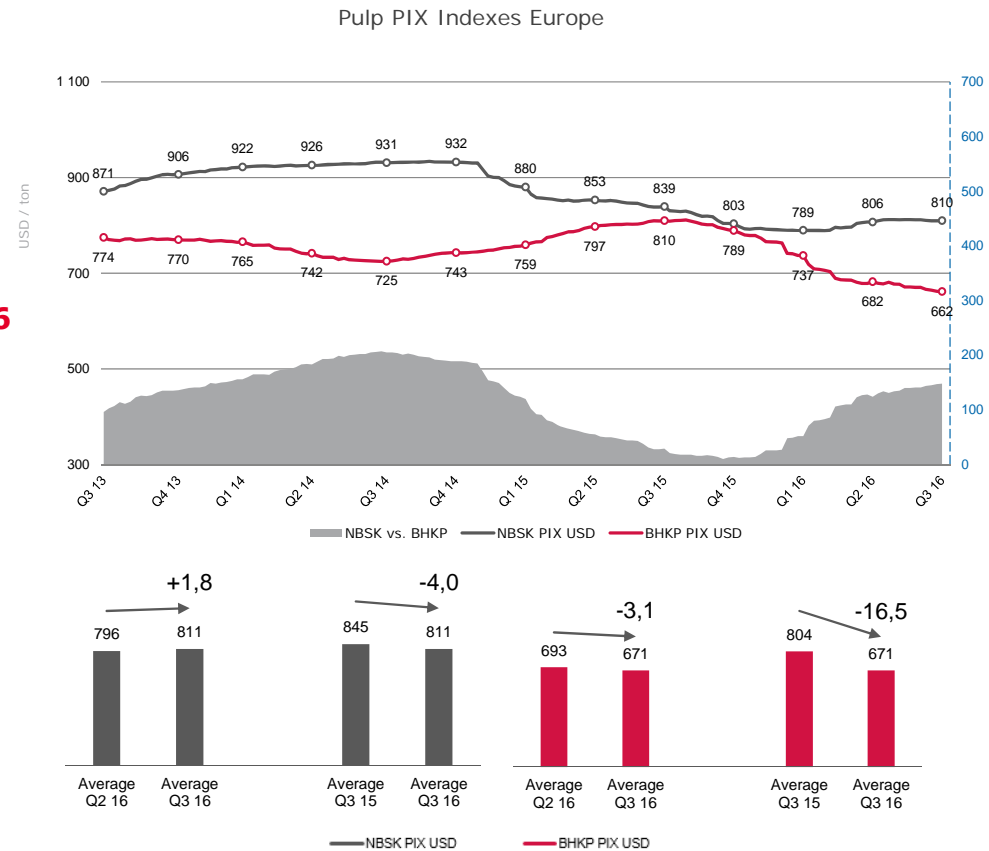
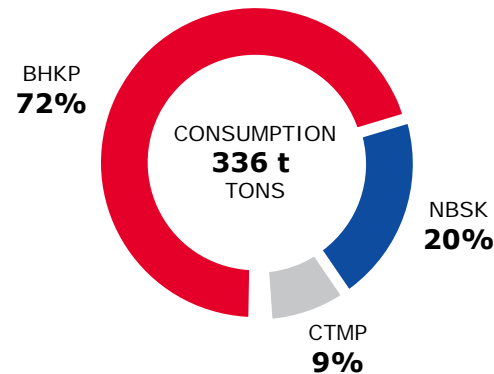
### ▶ Average price Q3 2016 compared to Q3 2015

- ▶ NBSK (long fibre): 4.1% lower
- ▶ BHKP (short fibre): 16.5% lower
- ▶ Arctic Paper costs 10.2% lower (measured in PLN)

### ▶ Average price Q3 2016 compared to Q2 2016

- ▶ NBSK (long fibre): 1.8% higher
- ▶ BHKP (short fibre): 3.1% lower
- ▶ Arctic Paper costs 3.2% lower (measured in PLN)

Arctic Paper YTD 2016 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

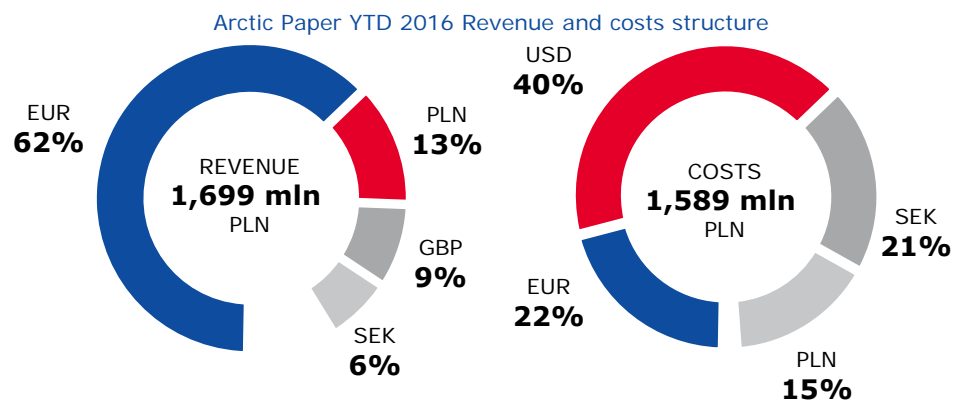
## Currency exposure

### ▶ Average exch. rate Q3 2016 compared to Q2 2016

- ▶ EUR/PLN -0.7%
- ▶ EUR/SEK +2.5%
- ▶ EUR/USD -1.1%

### ▶ Average exch. rate Q3 2016 compared to Q3 2015

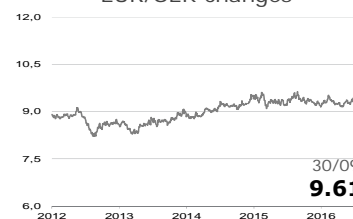
- ▶ EUR/PLN +3.6%
- ▶ EUR/SEK +0.9%
- ▶ EUR/USD +0.3%



EUR/PLN changes



EUR/SEK changes



EUR/USD changes





# Operations



## Production capacity and sales volume\*

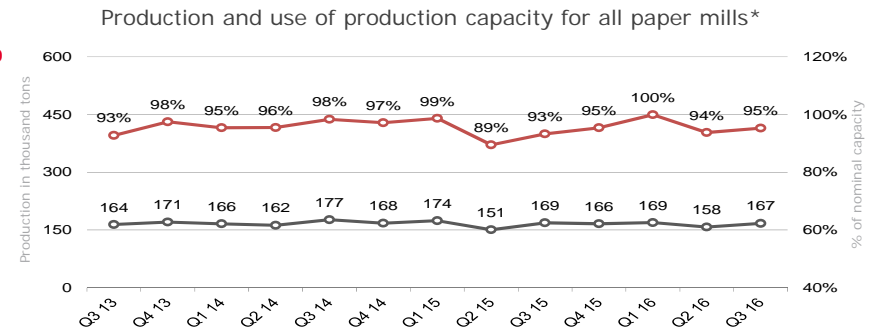
### ► Q3 2016 average use of production capacity : 95.3%

- ▶ 1.5% more than Q2 2016
- ▶ 2.0% more than Q3 2015

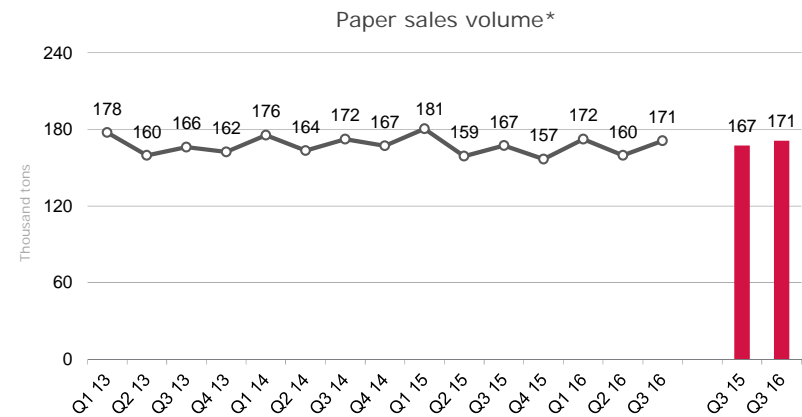
### ► Q3 2016 total production volume : 167' ton

- ▶ 6.0% more than Q2 2016
- ▶ 1.1% lower than Q3 2015

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



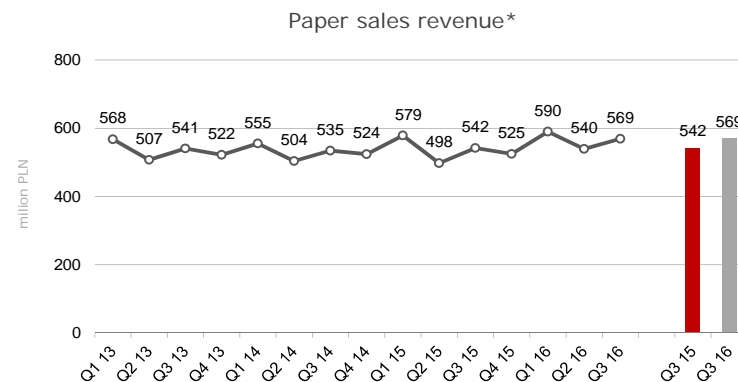
\* AP Mochenwangen excluded from production and capacity



\* AP Mochenwangen excluded from sales volume.

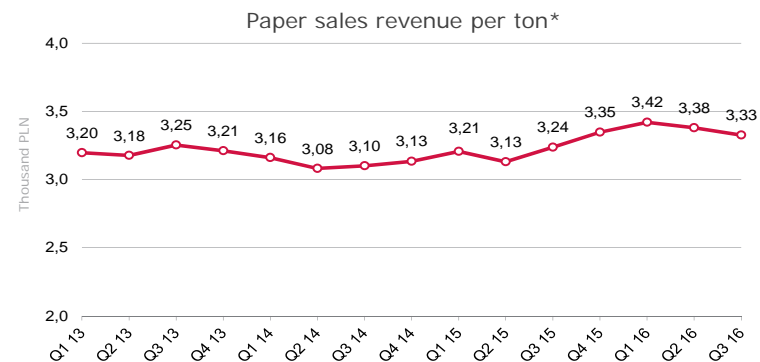
## Paper sales revenue and revenue per ton\*

- ▶ Q3 2016 (PLN 569m) up 5.5% compared to Q2 2016
- ▶ Q3 2016 up 5.1% compared to Q3 2015



\* AP Mochenwangen excluded from sales revenue

- ▶ Q3 2016 (PLN 3.33k) decrease by 1.6% compared to Q2 2016
- ▶ Q3 2016 increase by 2.8% compared to Q3 2015



\* AP Mochenwangen excluded from revenue per ton.

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

# Financial results

## Key consolidated figures

(PLN thousands)	Q3 2016	Q2 2016	Q3 2015	YTDSEP 2016	YTDSEP 2015
Paper sales volume (000' tonnes)	171	160	167	503	507
Pulp sales volume (000' tonnes)	96	93	95	281	281
Revenues	759 981	721 265	730 700	2 259 806	2 190 052
Gross profit on sales	121 732	106 823	113 269	346 589	334 820
% margin	16,0	14,8	15,5	15,3	15,3
<b>EBITDA</b>	<b>76 856</b>	<b>63 695</b>	<b>70 463</b>	<b>211 219</b>	<b>187 361</b>
% margin	10,1	8,8	9,6	9,3	8,6
EBIT	48 035	33 705	43 038	123 116	105 862
% margin	6,3	4,7	5,9	5,4	4,8
Net result	31 644	10 704	12 926	61 976	38 870
% margin	4,2	1,5	1,8	2,7	1,8
Net result from continuing operations	32 517	11 965	22 721	69 189	74 611
% margin	4,3	1,7	3,1	3,1	3,4
Net result from discontinued operations	-873	-1 261	-9 795	-7 213	-35 741
% margin	-0,1	-0,2	-1,3	-0,3	-1,6
Net operating cash flow	82 485	15 140	55 236	97 869	111 126
Capital expenditures	55 503	37 325	22 175	118 499	60 114
Cash and equivalents	211 923	124 219	196 012	211 923	196 012
Total assets	1 826 014	1 750 212	1 808 457	1 826 014	1 808 457
Capital employed	1 057 717	1 104 243	1 181 853	1 057 717	1 181 853
Total equity	728 986	704 158	741 916	728 986	741 916
Net debt	266 236	313 045	243 447	266 236	243 447
Earnings per share (PLN)	0,46	0,15	0,19	0,89	0,56
Equity / assets ratio (%)	40	40	41	40	41
Net debt / equity ratio (%)	37	44	33	37	33
Net debt / EBITDA (times)	1,13x	1,36x	0,97x	1,13x	0,97x

YTD SEP 2016 total revenues up +3.2% compared to YTD 2015 (+4.9% paper segment, -1.8% pulp segment revenue).

YTD SEP 2016 EBITDA up by PLN 23.9m compared to YTD SEP 2015 (109,3m PLN paper segment, +55.0m PLN, 101,9m PLN pulp segment, -31.2m PLN).

Cash on the level of 211,9m PLN (173,8m PLN paper segment, +77.6m PLN, 38.1m PLN pulp segment, -61.6m PLN).

Net debt on the level of 266,2m PLN (301,7m PLN paper segment, -28.9m PLN, -35.4m PLN pulp segment, +51.7m PLN).

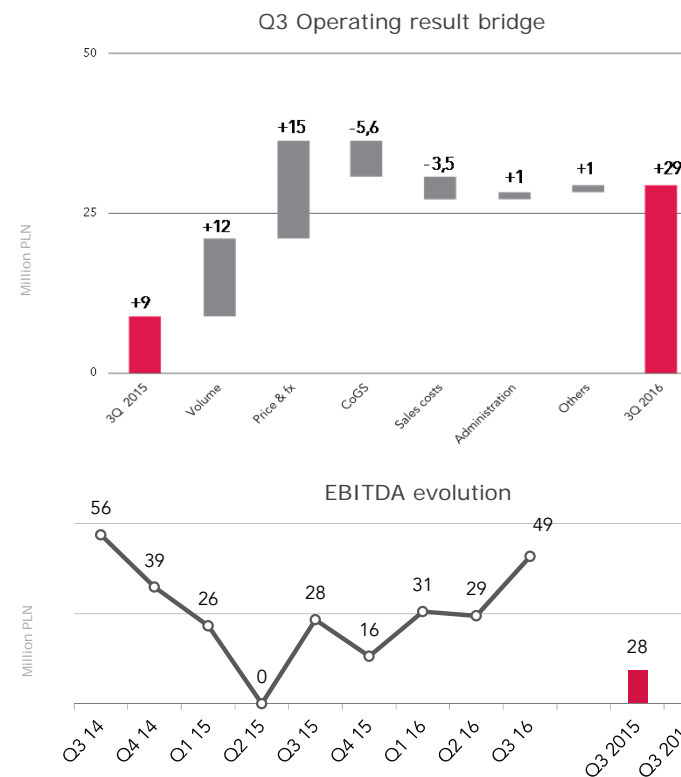
## Q3 2016 Operating result and EBITDA (excluding Rottneros)

### ▶ Operating result for the Q3 2016 29.4m PLN

- ▶ +20.1m PLN higher than Q2 2016
- ▶ +20.5m PLN higher than Q3 2015

### ▶ Q3 2016 EBITDA 49.1m PLN

- ▶ +19.7m PLN higher than Q2 2016
- ▶ +21.0m PLN higher than Q3 2015



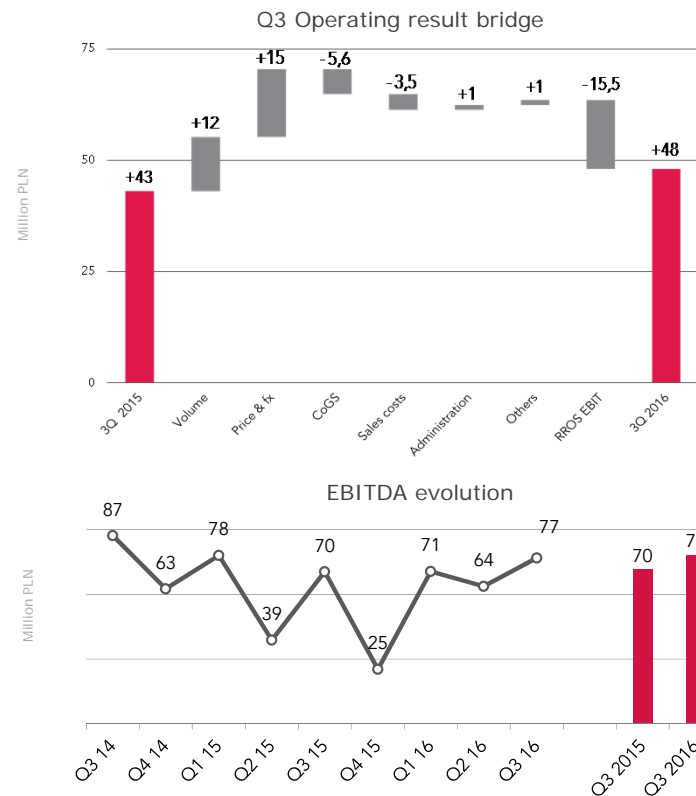
## Q3 2016 Consolidated operating result and EBITDA (including Rottneros)

### ▶ Operating result for the Q3 2016 48.0m PLN

- ▶ +14.3m PLN higher than Q2 2016
- ▶ +5.0m PLN higher than Q3 2015

### ▶ Q3 2016 EBITDA 76.8m PLN

- ▶ +13.2m PLN higher than Q2 2016
- ▶ +6.4m PLN higher than Q3 2015



# Summary of Q3 2016



## Q3 2016 in brief

### Market environment:

- Still favourable pulp prices market for paper segment, BHKP, short fibre - average Q3 2016 - 3.1% and NBSK, long fibre - average + 1.8% if compared to Q2 2016;
- Graphical paper prices in Europe end of SEP 2016 on slightly lower level -1.3% for UWF and -1.2% for CWF if compared to end of JUN 2016;
- The market for graphic paper continues to decline, significant change for uncoated -9.1% and for coated increase by +3.5% if compared to Q2 2016;
- The USD to the Euro remaining at low unfavourable for paper segment level;

### Arctic Paper Group:

- EBITDA without Rottneros on level of 49.1m PLN vs. 28.0m PLN in Q3 2015;
- EBITDA of Arctic Paper Group with Rottneros was 76.9m PLN vs. 70.5m PLN in Q3 2015 (paper segment up by 21.0m PLN, pulp segment down by -14.7m PLN);
- Sales revenue (excl. Rottneros) was 569,3m PLN almost 5.1% higher than in Q3 2015. Sales revenue (incl. Rottneros) were 760,0m PLN almost 4.0% higher than in Q3 2015;
- During Q3 the Arctic Paper Group successfully created a new improved structure for financing of its operations in the paper segment;

**Thank you!**

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

