



ARCTIC PAPER

PRESS RELEASE

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ARCTIC PAPER GROUP IN Q3 2015: EBITDA AND OPERATING PROFIT SIGNIFICANTLY HIGHER THAN IN Q2 2015 IN SPITE OF UNCHANGED TOUGH MARKET CHALLENGES

In the 3rd quarter of 2015 the financial results generated by the Arctic Paper Group from continued operations* were influenced by unchanged market challenges. EBITDA was PLN 70.5m (down 19.2% compared to Q3 2014), operating profit was slightly over PLN 43m (27.2% less than in Q3 2014), and net profit from continued operations was over PLN 22.7m (down 43.2% from the same period of 2014). Sales revenues were PLN 730.7m, that is at a similar level year-on-year.

The 3rd quarter results on EBITDA and operating profit level were significantly above those achieved in Q2 2015: EBITDA grew by 81.1% and operating profit by 262,7%, while revenues increased by 6.2% quarter-on-quarter. The cumulative year-to-date net result from continued operations was by 16.3% higher than achieved in the first three quarters of 2014. EBITDA was down 1.3% and operating profit slightly increased (by 0.5%) year on year. Revenues were by 1.2% higher in comparison to the first three quarters of last year.

All the above figures include the contribution of Rottneros AB (the majority of Rottneros AB was acquired by Arctic Paper Group in 2013), which posted very good financial results for both Q3 2015 and the first 9 months of 2015.

The Arctic Paper Group, excluding Rottneros, generated sales revenues of about PLN 541.9m in Q3 2015, which is 1.3% more than in Q3 2014. EBITDA was slightly over PLN 28m (a decline of 50.1% compared to the same period of 2014) and operating profit was almost PLN 8.9m (a 74.8% decrease year-on-year). Nevertheless, also in this case the Q3 2015 EBITDA and EBIT are much better than those of Q2 2015, when EBITDA was only PLN 151,000 and the company had an operating loss of over PLN 19.1m.

Arctic Paper CEO Wolfgang Lübbert commented: *"The situation on the graphical paper market is still tough, with just very small signs of improvement. During the 3rd quarter the dollar impact and pulp prices remained the governing factors. Paper prices, which have been low for a long time, have slowly risen, but with*



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reluctant market acceptance. The market situation strains the pace of reaching the full effect of our Profit Improvement Program, which includes the cease of production or sale of Arctic Paper Mochenwangen. The two alternatives are being carefully analysed to ensure progress and development of the three remaining Arctic Paper mills."

The Group's results in the paper segment were adversely affected by an increase in PLN pulp purchasing costs by 18.5% year-on-year (and 2.1% compared to Q2 2015). This situation remains unchanged and is caused mainly by the unfavourable euro to US dollar exchange rates, which were down by 16.1% compared to Q3 2014 (although slightly up, by 0.7%, compared to Q2 2015).

At the end of Q3 2015, the Arctic Paper Group kept a PLN 12.9m provision (out of PLN 15.3m created in Q1) motivated by the anticipated non-payment of trade receivables to Arctic Paper's mills by PaperlinX UK companies, which were placed in voluntary administration.

In September 2015, the average prices of high-quality graphic paper in Europe were 5.3% higher for uncoated wood-free paper and 1.7% higher for coated wood-free paper (year-on-year). As compared to June 2015, these prices were up 2.6% for uncoated wood-free paper and 2.5% for coated wood-free paper (all data based on RISI).

The Group paper sales revenue in Q3 2015 was up 2.1% year-on-year and 9.1% in comparison to Q2 of this year. Sales revenue per tonne rose by 4.9% and 3.8% respectively.

Total Arctic Paper Group production volume in Q3 2015 was 189,000 tonnes, which is up 10,4% in comparison to Q2 2015 and down 4.1% compared to Q3 2014.

Arctic Paper CEO Wolfgang Lübbert summarized: *"In unchanged conditions on the paper market we clearly see significant benefits from our majority ownership of Rottneros. This makes it easier to sustain and enforce the promotion of the outstanding products from our mills, and to implement our Profit Improvement Program."*

**Selected financial results of the Arctic Paper Group (including Rottneros)
in the third quarter of 2015**

PLN'000	Q3 2015	Q3 2014	Change	1-Q3 2015	1-Q3 2014	Change
Sales revenues	730,700	728,242	+0.3%	2,190,052	2,164,304	+1.2%
EBITDA	70,463	87,191	-19.2%	187,361	189,753	-1.3%
EBIT	43,038	59,107	-27.2%	105,862	105,364	+0.5%
Net result*	22,721	39,993	-43.2%	74,611	64,171	+16.3%
Net result	12,926	34,382	-62.4%	38,870	56,765	-31.5%

PLN'000	Q3 2015	Q2 2015	Change
Sales revenues	730,700	688,249	+6.2%
EBITDA	70,463	38,899	+81.1%
EBIT	43,038	11,865	+262.7%
Net result*	22,721	25,200	-9.8%
Net result	12,926	13,098	-1.3%



**Selected financial results of the Arctic Paper Group (excluding Rottneros
in the third quarter of 2015**

PLN'000	Q3 2015	Q3 2014	CHANGE	1-Q3 2015	1-Q3 2014	CHANGE
Sales revenues	541,871	534,696	+1.3%	1,618,573	1,593,585	+1.6%
EBITDA	28,046	56,259	-50.1%	54,235	120,927	-55,2%
EBIT	8,894	35,300	-74.8%	-3,360	58,811	-
Net result*	-2,948	21,934	-	-5,437	29,098	-
Net result	-12,743	16,323	-	-41,178	21,692	-

PLN'000	Q3 2015	Q2 2015	CHANGE
Sales revenues	541,871	497,969	+8.8%
EBITDA	28,046	151	-
EBIT	8,894	-19,116	-
Net result*	-2,948	4,699	-
Net result	-12,743	-7,403	-

**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, AP-Tec, Arctic, G-Print, Munken, L-Print and Pamo.

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

- Arctic Paper Munkedals, Sweden
- Arctic Paper Grycksbo, Sweden
- Arctic Paper Kostrzyn, Poland
- Arctic Paper Mochenwangen, Germany

The total production capacity of the company is approximately 800,000 tonnes of paper per year.

Arctic Paper Kostrzyn has a production capacity of 275,000 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, maps and 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 Mochenwangen has a production capacity of 95,000 tonnes of paper and 55,000 tonnes of ground-wood pulp per year. The mill produces mainly uncoated mechanical paper used for book production and also speciality papers, such as flooring and wallpaper.

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 1450 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 the NASDAQ OMX in Stockholm.

More information to be found at www.arcticpaper.com

