



ARCTIC PAPER

PRESS RELEASE

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ARCTIC PAPER GROUP IN Q3 2016: EXCELLENT RESULTS IN THE PAPER SEGMENT AND STABLE FINANCIAL CONDITION

The financial results of the Arctic Paper Group in Q3 2016 were decisively better than those generated in the same period of the prior year. Revenues rose by 4.0% (to nearly PLN 760m), EBITDA by 9.1% (to PLN 76.9m), and net profit on continuing operations by 43.1% (to PLN 32.5m).

The excellent results achieved in the paper segment should be stressed. Despite the continuing difficult market environment, an increase in sales volumes was achieved. This, combined with the results of the Profit Improvement Program 2015/2016 and favourable prices of short-fibre pulp, 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 was PLN 569.3m, up 5.1% from Q3 2015. EBITDA rose above PLN 49.1m, an increase of 75% year-on-year, and operating profit rose to PLN 29.4m, up 230.3% compared to the same period last year. Net profit on continuing activity* was PLN 17.9m, whereas in Q3 2015 the Group recorded a loss of nearly PLN 3.0m.

In Q3 of this year the market for fine graphical papers continued to shrink, noting a decline of 6.5% in the case of coated papers and 9.3% in the uncoated segment (compared to Q3 2015, according to EuroGraph in 9/2016). The Arctic Paper Group succeeded in reinforcing its market position in this declining market with sales volume up 2.2% compared to Q3 2015 and 7.2% compared to Q2 2016.

Per Skoglund, acting CEO of Arctic Paper S.A., commented on the recently completed quarter: *"It is with satisfaction I view the financial results achieved in the 3rd quarter of 2016. Achievement of such good results was influenced by a number of factors, among others the successful collaboration with our customers, resulting in strong sales despite difficult market conditions. At the same time, continuation of the measures pursued in the Profit Improvement Program 2015/2016 translated into growth in efficiency in the paper segment. Another factor was the decline in the cost of short-fibre pulp, the most important raw material used in our manufacturing."*

Revenue from paper sales in Q3 of this year was 5.1% higher year-on-year and 5.5% higher than in the 2nd quarter. Revenue per tonne of product also rose year-on-year in Q3, by 2.8%. But compared to the 2nd quarter this figure was down slightly, at -1.6%.

Production volume in Q3 2016 was 167,000 tonnes, down 1.1% from the same period of 2015. The average use of production capacity in the last 3 months was over 95.3%, 2% higher than in Q3 2015.

Results including Rottneros

The results of Rottneros in Q3 2016 were very solid, despite a decline in prices of the long-fibre pulp produced by Rottneros (NBSK) of 4.1% (compared to Q3 2015). For the quarter, the underlying market was stable as a whole. In a historical perspective, the level of earnings and profitability remained good.

In effect, the Arctic Paper Group's sales revenues steadily increased in comparison to both Q3 2015 and Q2 2016, by 4.0% and 5.4% respectively. The EBITDA and EBIT results were PLN 76.9m (+9.1% y/y) and PLN 48.0m (+11.6% y/y) respectively. The Group's net result from continued operations* was PLN 32.5m (+43.1% y/y).

New financing structure

During Q3 2016 the Arctic Paper Group successfully created a new, improved structure for financing of its operations in the paper segment.

Arctic Paper S.A. signed a term and revolving credit agreement for PLN 31.3m and EUR 52.4m with a consortium of banks including Bank BGŻ BNP Paribas, Bank Zachodni WBK (Santander Group), and EBRD.

At the same time, Arctic Paper S.A. signed agreements with Haitong Bank S.A. connected with a bond issue program of up to PLN 150m, pursuant to which on 30 September 2016 it issued bonds worth PLN 100m. Repayment of the prior indebtedness, and thus full implementation of the new financing structure, occurred on 25 October 2016.

"Putting the new financing structure of the Arctic Paper Group in place was a very important event in the 3rd quarter," said Per Skoglund, acting CEO of Arctic Paper S.A. *"By this type of structure we improve the financial stability of our Group and have greater flexibility in the sources of financing, thereby increasing our ability to respond to market changes"* added Per Skoglund.

**Selected financial results of the Arctic Paper Group
(including Rottneros) in Q3 2016**

PLN '000	3Q 2016	3Q 2015	Change	1-3Q 2016	1-3Q 2015	Change
Sales revenues	759,981	730,700	+4.0%	2,259,806	2,190,052	+3.2%
EBITDA	76,856	70,463	+9.1%	211,219	187,361	+12.7%
EBIT	48,035	43,038	+11.6%	123,116	105,862	+16.3%
Net result*	32,517	22,721	+43.1%	69,189	74,611	-7.3%
Net result	31,644	12,926	+144.8%	61,976	38,870	+59.4%

PLN '000	3Q 2016	2Q 2016	Change
Sales revenues	759,981	721,265	+5.4%
EBITDA	76,856	63,695	+20.7%
EBIT	48,035	33,705	+42.5%
Net result*	32,517	11,965	+171.8%
Net result	31,644	10,704	+195.6%

**Selected financial results of the Arctic Paper Group
(excluding Rottneros) in Q3 2016**

PLN '000	3Q 2016	3Q 2015	Change	1-3Q 2016	1-3Q 2015	Change
Sales revenues	569,288	541,871	+5.1%	1,698,689	1,618,573	+4.9%
EBITDA	49,092	28,046	+75.0%	109,273	54,235	+101.5%
EBIT	29,375	8,894	+230.3%	49,505	-3,360	-
Net result*	17,894	-2,948	-	31,133	-5,437	-
Net result	17,021	-12,743	-	23,920	-41,178	-

PLN '000	3Q 2016	2Q 2016	Change
Sales revenues	569,288	539,552	+5.5%
EBITDA	49,092	29,394	+67.0%
EBIT	29,375	9,286	+216.3%
Net result*	17,894	11,697	+53.0%
Net result	17,021	10,437	+63.1%

**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