

Arctic Paper Group  
**Results for Q1 2017**

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ARCTIC PAPER

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This Presentation should be read together with the 2017 consolidated and standalone report and report for the 2016.

## **Agenda**

- **Market environment**
- **Operations and financial results**
- **Summary for the Q1 2017**

**Market environment**



## Deliveries of fine paper

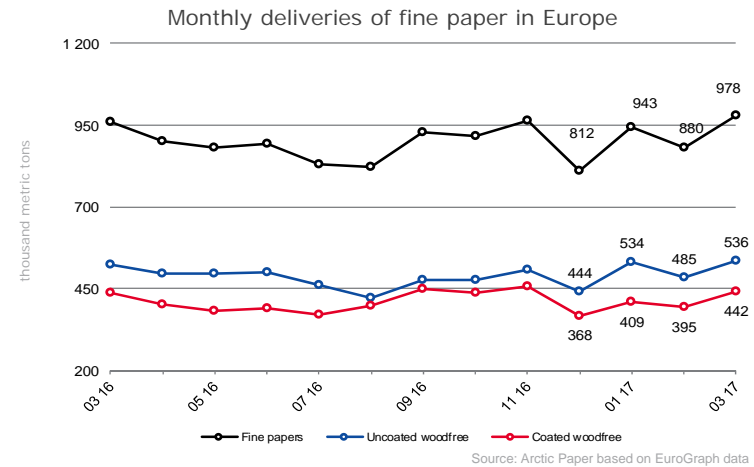
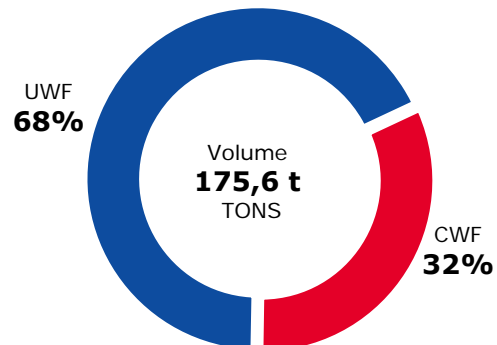
### ► Q1 2017 vs. Q1 2016 -1,7%

- Uncoated woodfree up +0,2%
- Coated woodfree down -3,8%
- Arctic Paper volume up +1,8%

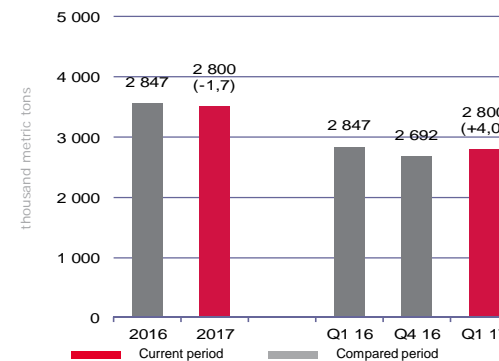
### ► Q1 2017 vs. Q4 2016 +4,0%

- Uncoated woodfree up 8,8%
- Coated woodfree down -1,5%
- Arctic Paper volume up +11,3%

Arctic Paper YTD Q1 2017 volume structure



Quarterly deliveries of fine paper in Europe



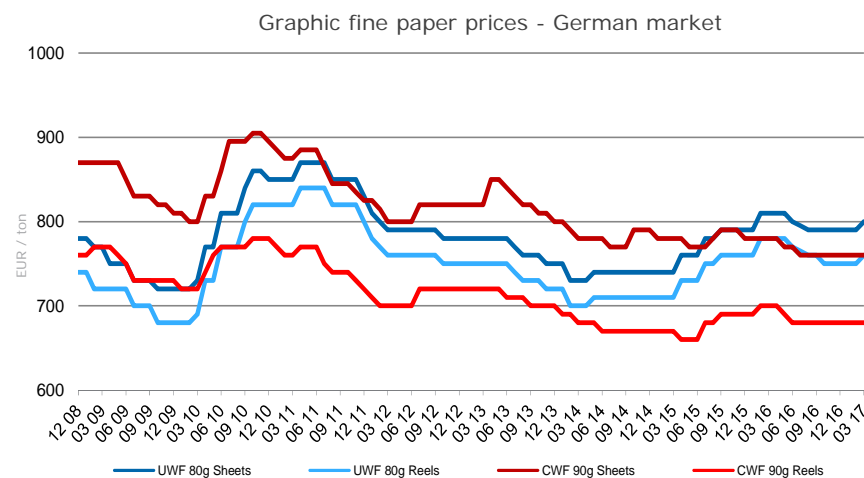
## Fine paper prices

### ► Mar 2017 vs. Dec 2016

- UWF segment average price change +1,6%  
(Arctic Paper: +1,9%, measured in PLN)
- CWF segment average price change +0,8%  
(Arctic Paper: -1,0%, measured in PLN)

### ► Mar 2017 vs. Mar 2016

- UWF segment average price change -1,4%  
(Arctic Paper: -3,7%, measured in PLN)
- CWF segment average price change -3,2%  
(Arctic Paper: -4,9%, measured in PLN)



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	03 17 vs. 12 16			03 17 vs. 03 16		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	0,9%	1,6%	2,5%	-2,1%	-1,4%	-0,3%
CWF	0,7%	0,8%	1,0%	-3,4%	-3,2%	-2,4%

Source: Arctic Paper based on RISI data.

## Pulp prices

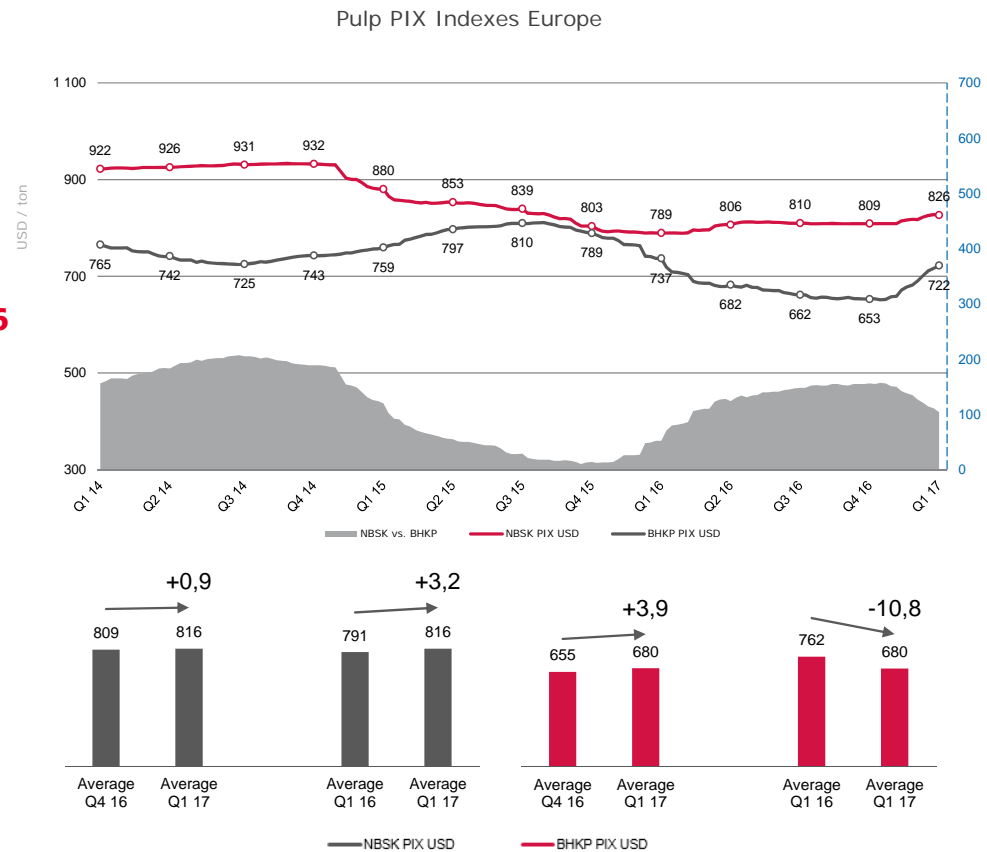
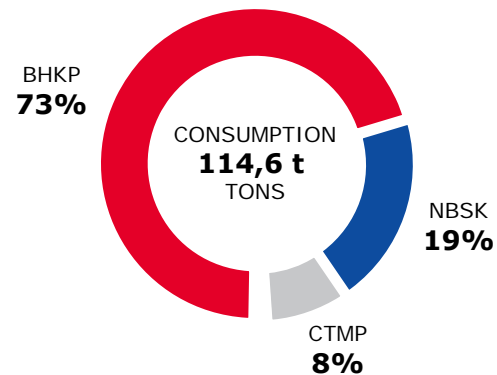
### ▶ Average price Q1 2017 compared to Q1 2016

- ▶ NBSK (long fibre): 3,2% higher
- ▶ BHKP (short fibre): 10,8% lower
- ▶ Arctic Paper costs 12,6% lower (measured in PLN)

### ▶ Average price Q1 2017 compared to Q4 2016

- ▶ NBSK (long fibre): 0,9% higher
- ▶ BHKP (short fibre): 3,9% higher
- ▶ Arctic Paper costs 0,7% higher (measured in PLN)

Arctic Paper YTD Q1 2017 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

## Currency exposure

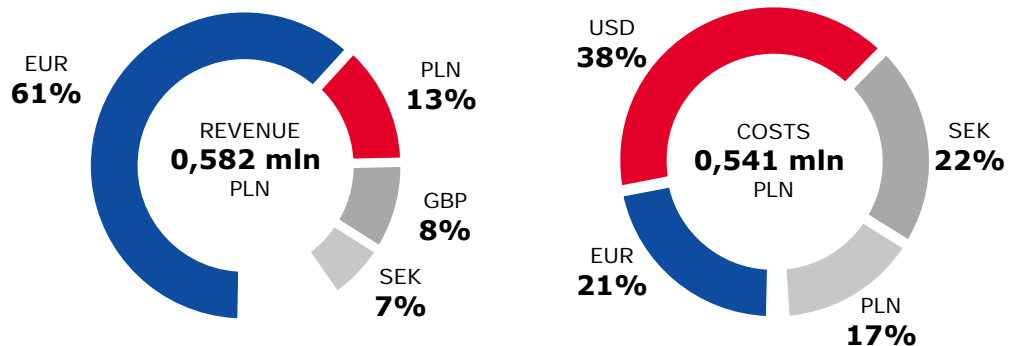
### ▶ Average exch. rate Q1 2017 compared to Q4 2016

- ▶ EUR/PLN -1,3%
- ▶ EUR/SEK -2,5%
- ▶ EUR/USD -1,3%

### ▶ Average exch. rate Q1 2017 compared to Q1 2016

- ▶ EUR/PLN -1,0%
- ▶ EUR/SEK +1,9%
- ▶ EUR/USD -3,4%

Arctic Paper YTD Q1 2017 Revenue and costs structure



EUR/PLN changes



EUR/SEK changes



EUR/USD changes





# Operations



## Budget production capacity and sales volume\*

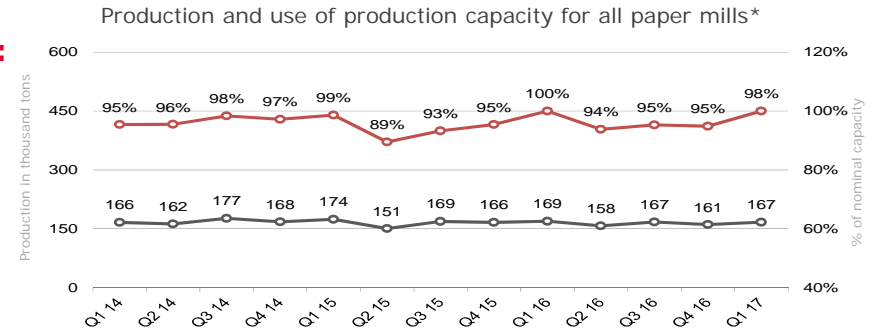
▶ **Average Q1 2017 use of budget production capacity : 98%**

▶ 5,1% higher than Q4 2016

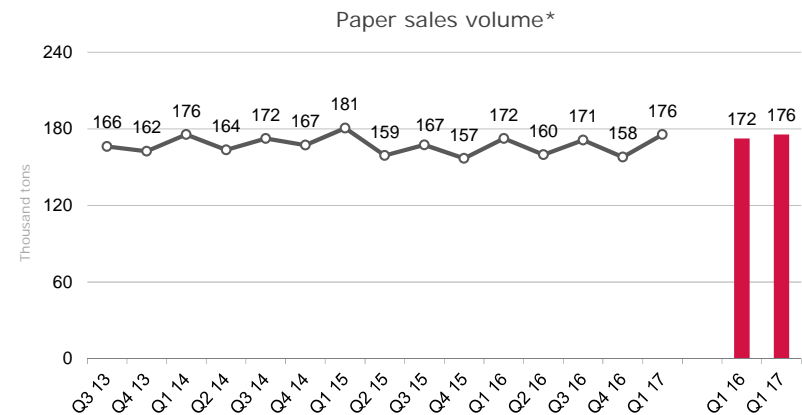
▶ **Total Q1 2017 total production volume : 166,7k ton**

▶ 3,8% higher than Q4 2016

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



\* AP Mochenwangen excluded from production and capacity



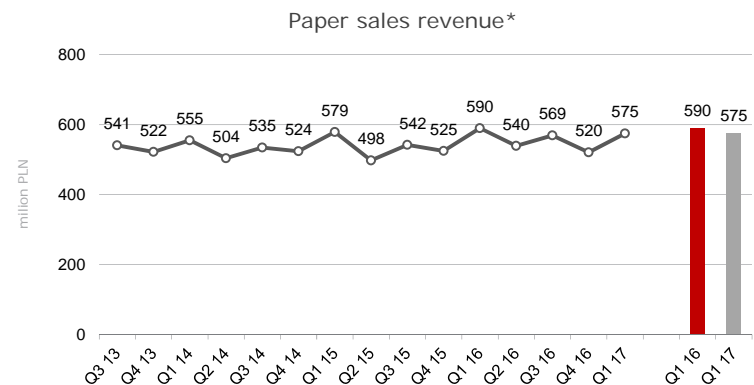
\* AP Mochenwangen excluded from sales volume.

## Paper sales revenue and revenue per ton\*

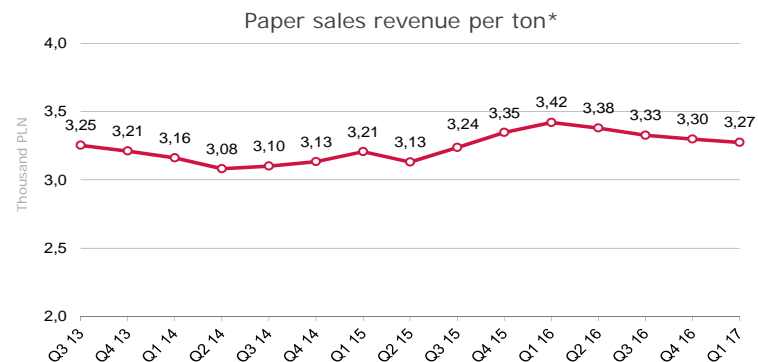
- ▶ Q1 2017 (PLN 575m) down 2,5% compared to Q1 2016
- ▶ Q1 2017 up 10,5% compared to Q4 2016

- ▶ Q1 2017 (PLN 3,27k) decrease by 4,3% compared to Q1 2016
- ▶ Q1 2017 decrease by 0,7% compared to Q4 2016

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



\* AP Mochenwangen excluded from sales revenue



\* AP Mochenwangen excluded from revenue per ton.

# Financial results

## Key consolidated figures

(PLN thousands)	Q1 2017	Q4 2016	Q1 2016
Paper sales volume (000' tonnes)	176	158	172
Pulp sales volume (000' tonnes)	101	69	93
Revenues	773 902	707 166	778 560
Gross profit on sales	121 165	77 072	118 034
% margin	15,7	10,9	15,2
<b>EBITDA</b>	<b>75 498</b>	<b>38 384</b>	<b>70 669</b>
% margin	9,8	5,4	9,1
EBIT	44 121	1 924	41 376
% margin	5,7	0,3	5,3
Net result	32 934	-950	19 628
% margin	4,3	-0,1	2,5
Net result from continuing operations	35 082	-10 361	24 707
% margin	4,5	-1,5	3,2
Net result from discontinued operations	-2 148	9 411	-5 079
% margin	-0,3	1,3	-0,7
Net operating cash flow	21 935	87 089	245
Capital expenditures	30 872	58 655	25 670
Cash and equivalents	101 595	130 157	168 237
Total assets	1 706 908	1 770 081	1 793 672
Capital employed	968 538	1 027 179	1 100 006
Total equity	738 370	742 902	693 665
Net debt	267 464	257 442	274 962
Earnings per share (PLN)	0,48	-0,01	0,28
Equity / assets ratio (%)	43	42	39
Net debt / equity ratio (%)	36	35	40
Net debt / EBITDA (times)	1,05x	1,03x	1,30x

Q1 2017 total revenues down -0,6% compared to Q1 2016 (-2,5% paper segment, +5,4% pulp segment revenue)

Q1 2017 EBITDA up by PLN 4,8m compared to Q1 2016 (39,0m PLN paper segment: +8,3 PLN, 36,4m PLN pulp segment: -3,4m PLN)

Net result from continuing operations: + PLN 10,4m compared to Q1 2016 (17,0m PLN paper segment: +15,5 PLN, 18,0m PLN pulp segment: -5,1m PLN)

CAPEX on the level of 30,9m PLN (11,8m PLN paper segment: +0,8m PLN, 19,1m PLN pulp segment: +4,4m PLN)

Cash on the level of 101,6m PLN (94,0m PLN paper segment: -15,9m PLN, 7,5m PLN pulp segment: -50,7m PLN)

Net debt on the level of 267,4 PLN vs 274,9 PLN in MAR 2016

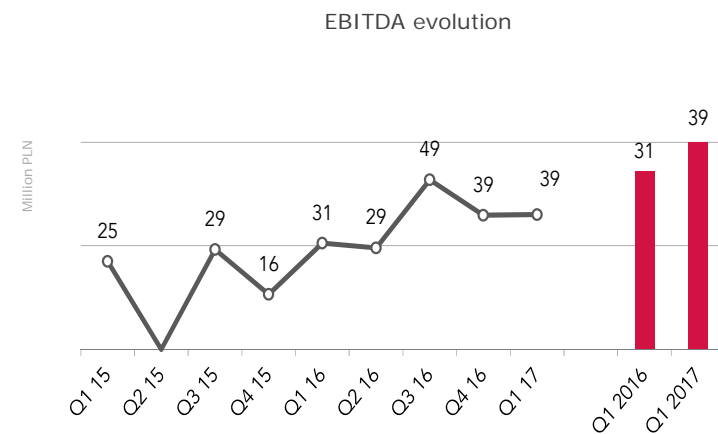
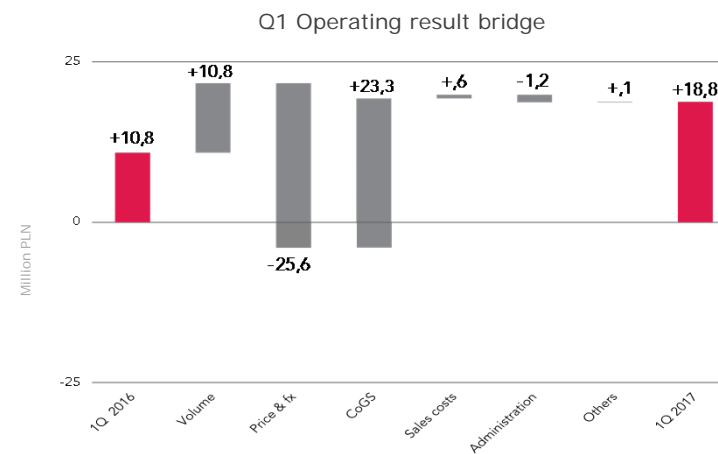
## Q1 2017 Operating result and EBITDA (excluding Rottneros)

### ▶ Operating result for the Q1 2017 18,8m PLN

- ▶ +1,4m PLN higher than Q4 2016
- ▶ +7,9m PLN higher than Q1 2016

### ▶ Q1 2017 EBITDA 39,0m PLN

- ▶ +0,2m PLN higher than Q4 2016
- ▶ +8,3m PLN higher than Q1 2016



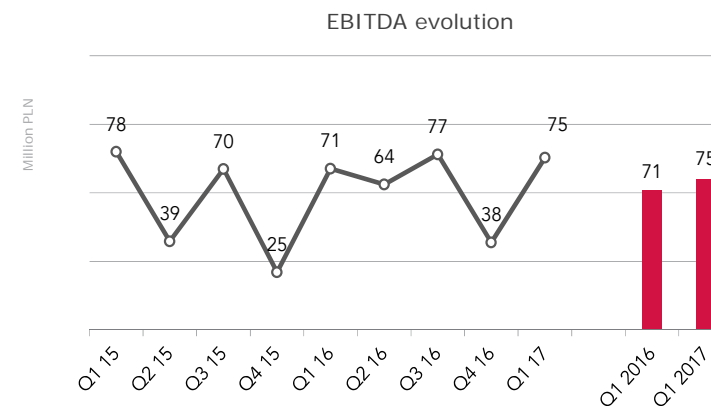
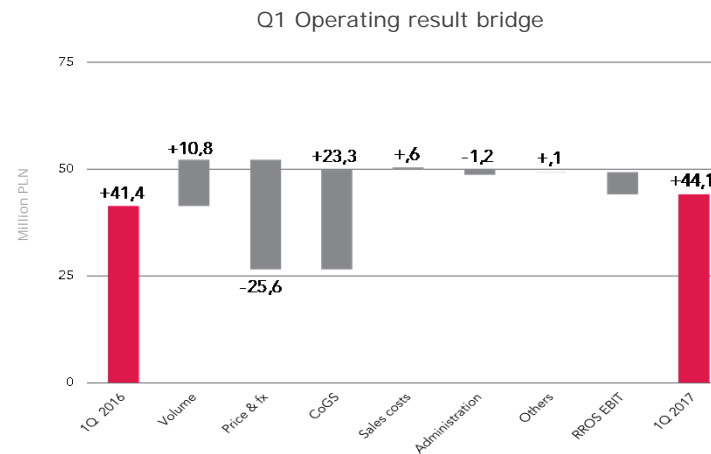
## Q1 2017 Consolidated operating result and EBITDA (including Rottneros)

### ▶ Operating result for the Q1 2017 44,1m PLN

- ▶ +42,2m PLN higher than Q4 2016
- ▶ +2,7m PLN higher than Q1 2016

### ▶ Q1 2017 EBITDA 75,5m PLN

- ▶ +37,1m PLN higher than Q4 2016
- ▶ +4,8m PLN higher than Q1 2016



# Summary of Q1 2017





## Q1 2017 in brief

### Market environment:

- Still favourable pulp prices market in Q1 for paper segment, BHKP, short fibre average Q1 2017 -10,8% and NBSK, long fibre average Q1 2017 + 3,2% if compared to Q1 2016, but in the end of Q1 2017 growth trends were observed and market shows clear signals of pulp prices significant increases in next coming months;
- The market for fine graphical papers developed in two directions: while the uncoated market remained on a stable level (increasing by 0.2%), the coated market continued to decline by 3,8% (compared to Q1 2016, according to EuroGraph data). During the same period Arctic Paper increased its sales volume by 1.8%;
- The USD to the Euro remaining at low unfavourable for paper segment level;

### Arctic Paper Group:

- EBITDA for Q1 2017 without Rottneros on level of 39,0m PLN vs. 31,0m PLN in Q1 2016;
- EBITDA for Q1 2017 of Arctic Paper Group with Rottneros was 75,5m PLN vs. 71,0m PLN in Q1 2016 (paper segment up by 8,3m PLN, pulp segment down by -3,4m PLN);
- Sales revenues in the paper segment in the Q1 2017 were over 575m PLN, down 2.5% compared to the same period of 2016, sales revenues (incl. Rottneros) were on the level of 774m PLN, down 0,6% compared to Q1 2016;

**Thank you!**

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