

Arctic Paper Group Results for Q3 2017

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This Presentation should be read together with the 2016 consolidated and standalone report and report for the Q3 of 2017.

Agenda

- **Market environment**
- **Operations and financial results**
- **Summary for the Q3 2017**

Market environment



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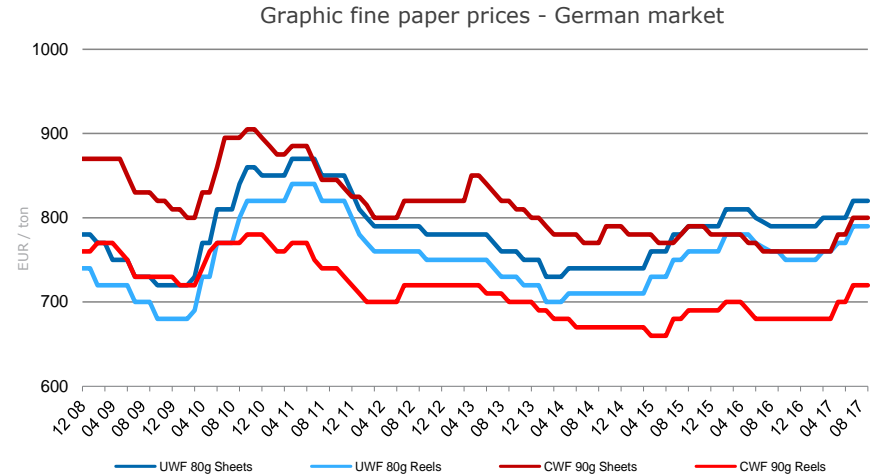
Fine paper prices

▶ SEP 2017 compared to JUN 2017

- ▶ UWF segment average price change +2.2%
- ▶ CWF segment average price change +2.5%

▶ SEP 2017 compared to SEP 2016

- ▶ UWF segment average price change +4.8%
- ▶ CWF segment average price change +5.5%



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

	09 17 vs. 06 17			09 17 vs. 09 16		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	2,8%	2,2%	2,6%	5,3%	4,8%	6,1%
CWF	3,9%	2,5%	2,9%	6,6%	5,5%	7,0%

Source: Arctic Paper based on RISI data.

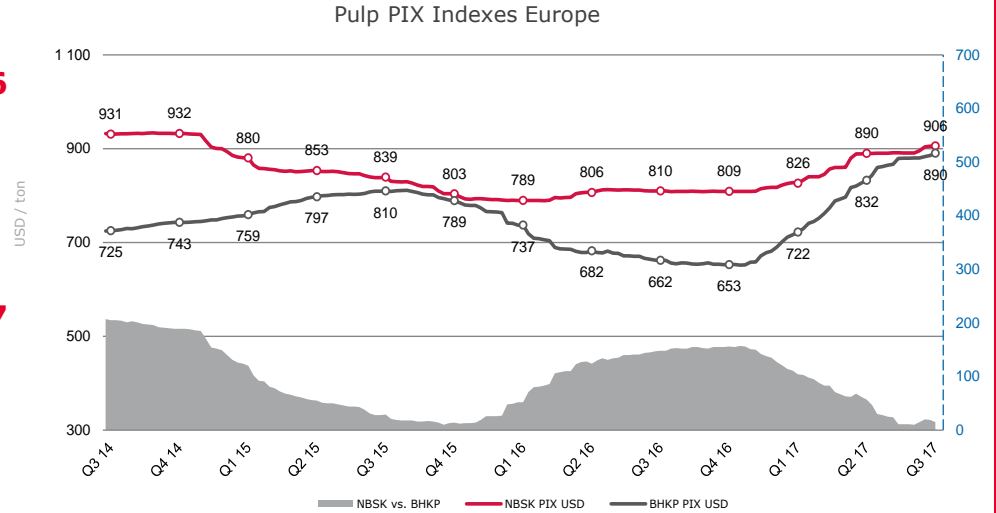
Pulp prices

▶ Average price Q3 2017 compared to Q3 2016

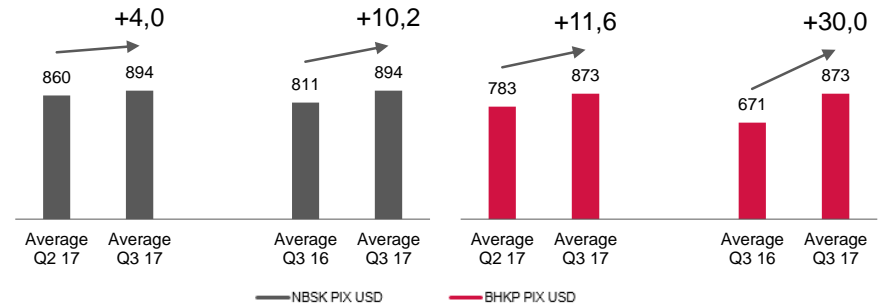
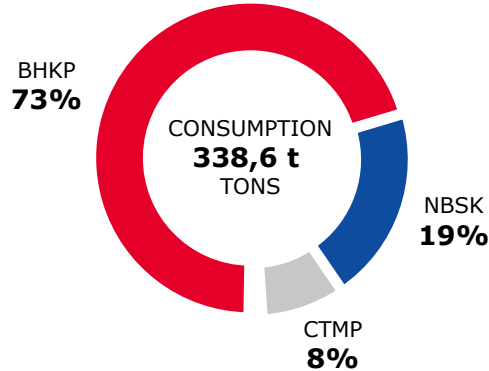
- ▶ NBSK (long fibre): 10.2% higher
- ▶ BHKP (short fibre): 30.0% higher

▶ Average price Q3 2017 compared to Q2 2017

- ▶ NBSK (long fibre): 4.0% higher
- ▶ BHKP (short fibre): 11.6% higher



Arctic Paper YTD Q3 2017 Structure of pulp consumption



Source: Arctic Paper based on Foex data.

Currency exposure

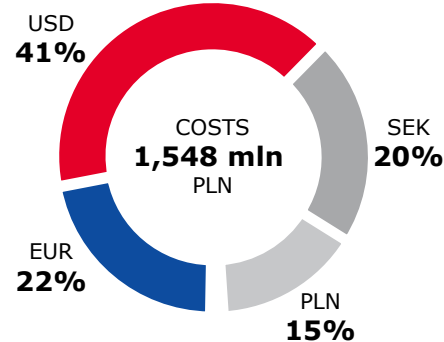
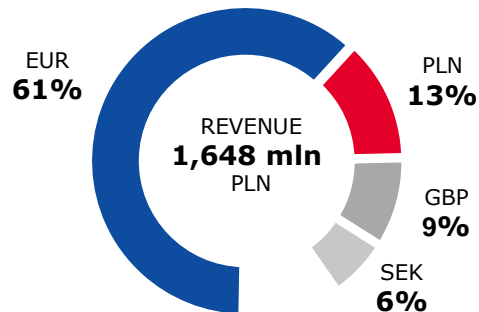
▶ Average exchange rate Q3 2017 compared to Q2 2017

- ▶ EUR/PLN 1.0%
- ▶ EUR/SEK -1.3%
- ▶ EUR/USD +6.7%

▶ Average exchange rate Q3 2017 compared to Q3 2016

- ▶ EUR/PLN -1.9%
- ▶ EUR/SEK +0.5%
- ▶ EUR/USD +5.2%

Arctic Paper YTD Q3 2017 Revenue and costs structure



EUR/PLN changes



EUR/SEK changes



EUR/USD changes



Operations



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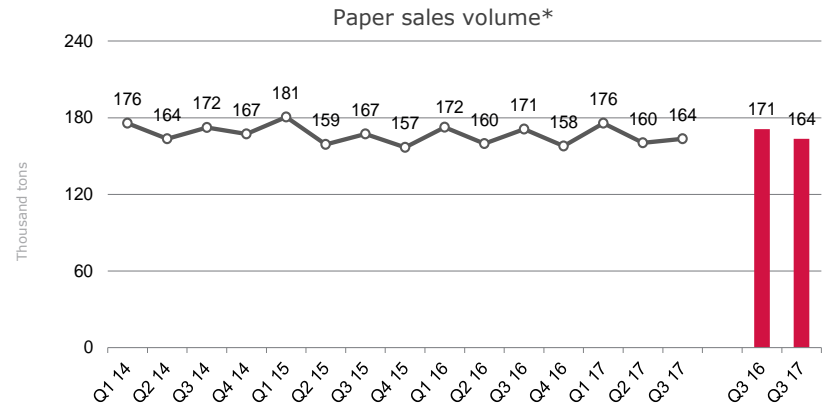
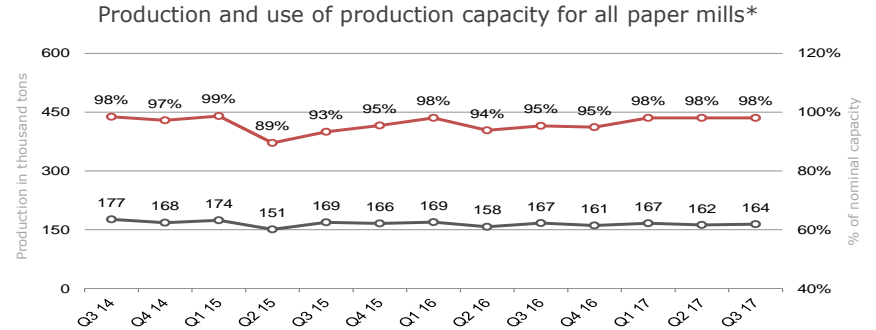
Budget production capacity and sales volume*

► Q3 2017 average use of budgeted production capacity: 98%

- On the same level as in Q3 2017
- 2.7% higher than in Q3 2016

► Q3 2017 total production volume: 164k tons

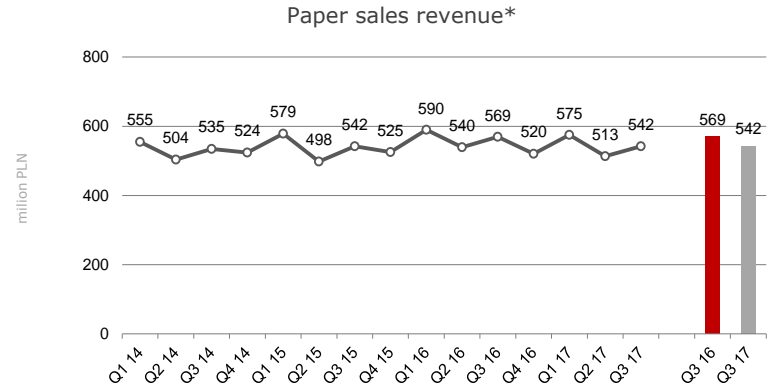
- 1.3% higher than in Q2 2017
- 1.7% lower than in Q3 2016



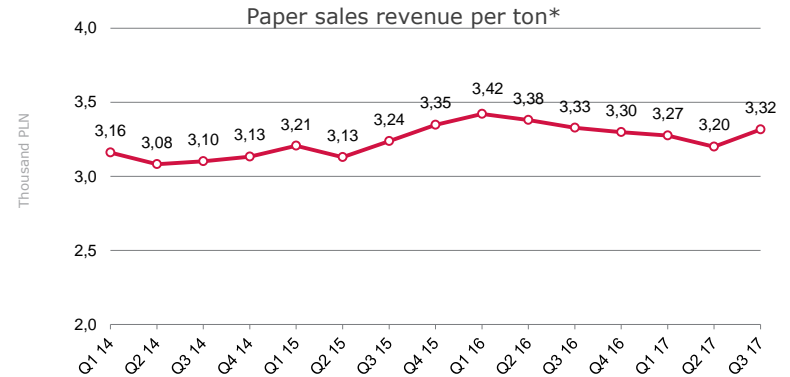
* AP Mochenwangen excluded from sales volume.

Paper sales revenue and revenue per ton*

- ▶ Q3 2017 (PLN 542m) down by 4.7% compared to Q3 2016
- ▶ Q3 2017 up by 5.7% compared to Q2 2017



- ▶ Q3 2017 (PLN 3.32k) decrease by 0.3% compared to Q3 2016
- ▶ Q3 2017 increase by 3.6% compared to Q2 2017



* AP Mochenwangen excluded from revenue per ton.

Financial results



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Key consolidated figures

(PLN thousands)	Q3 2017	Q2 2017	Q3 2016	YTDSEP 2017	YTDSEP 2016
Paper sales volume (000' tonnes)	164	160	171	499	503
Pulp sales volume (000' tonnes)	96	99	96	296	281
Revenues	735 866	703 087	759 981	2 212 855	2 259 806
Gross profit on sales	138 809	141 503	152 418	434 950	441 642
% margin	18,9	20,1	20,1	19,7	19,5
EBITDA	70 780	64 561	76 856	210 838	211 219
% margin	9,6	9,2	10,1	9,5	9,3
EBIT	38 515	33 026	48 035	115 662	123 116
% margin	5,2	4,7	6,3	5,2	5,4
Net result	23 786	12 963	31 644	69 682	61 976
% margin	3,2	1,8	4,2	3,1	2,7
Net result from continuing operations	25 634	14 818	32 517	75 534	69 189
% margin	3,5	2,1	4,3	3,4	3,1
Net result from discontinued operations	-1 849	-1 855	-873	-5 852	-7 213
% margin	-0,3	-0,3	-0,1	-0,3	-0,3
Net operating cash flow	58 181	81 838	82 485	161 955	97 869
Capital expenditures	51 447	44 843	55 503	127 163	118 499
Cash and equivalents	222 736	100 821	211 923	222 736	211 923
Total assets	1 930 327	1 692 704	1 826 014	1 930 327	1 826 014
Capital employed	1 374 506	1 178 958	1 057 717	1 374 506	1 057 717
Total equity	790 448	739 265	728 986	790 448	728 986
Net debt	253 617	249 599	266 236	253 617	266 236
Earnings per share (PLN)	0,34	0,19	0,46	1,01	0,89
Equity / assets ratio (%)	41	44	40	41	40
Net debt / equity ratio (%)	32	34	37	32	37
Net debt / EBITDA (times)	1,02x	0,98x	1,13x	1,02x	1,13x

YTD SEP 2017 total revenues down -2.1% compared to YTD SEP 2016 (-4.0% paper segment, +3.8% pulp segment revenue)

YTD SEP 2017 EBITDA down by PLN 0.4m compared to YTD SEP 2016 (104.7 PLN paper segment: -4.6m PLN, 106.2m PLN pulp segment: +4.2m PLN)

YTD SEP 2017 Net result from continuing operations: + PLN 6.3m compared to YTD SEP 2016 (38.9m PLN paper segment: -10.1m PLN, 36.6m PLN pulp segment: +16.5m PLN)

CAPEX on the level of 127.2m PLN (60.8m PLN paper segment: +27.3m PLN, 66.4m PLN pulp segment: -18.6m PLN)

Cash on the level of 222.7m PLN (70.0m PLN paper segment: -103.7m PLN, 152.7m PLN pulp segment: +114.6m PLN)

Net debt on the level of 253.6m PLN vs 266.2 PLN in SEP 2016

Q3 2017 Operating result and EBITDA (excluding Rottneros)

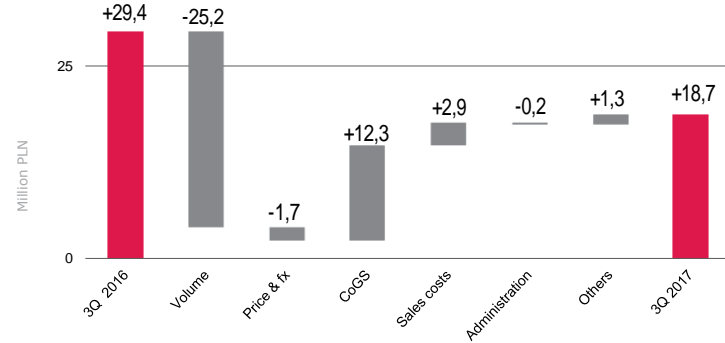
▶ Operating result for the Q3 2017 18.7m PLN

- ▶ 11.8m PLN higher than Q2 2017
- ▶ -10.7m PLN lower than Q3 2016

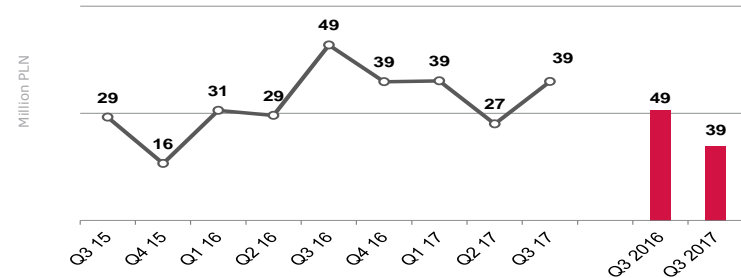
▶ Q3 2017 EBITDA 38.9m PLN

- ▶ 12.1m PLN higher than Q2 2017
- ▶ -10.2m PLN lower than Q3 2016

Q3 Operating result bridge



EBITDA evolution



Q3 2017 Consolidated operating result and EBITDA (including Rottneros)

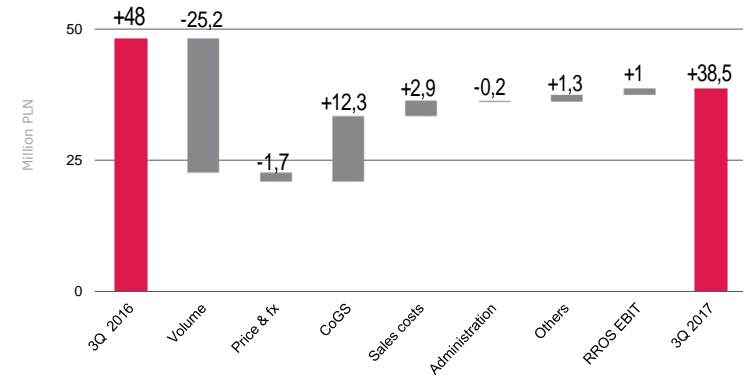
▶ Operating result for the Q3 2017 38,5m PLN

- ▶ 5.5mPLN higher than Q2 2017
- ▶ -9.5m PLN lower than Q3 2016

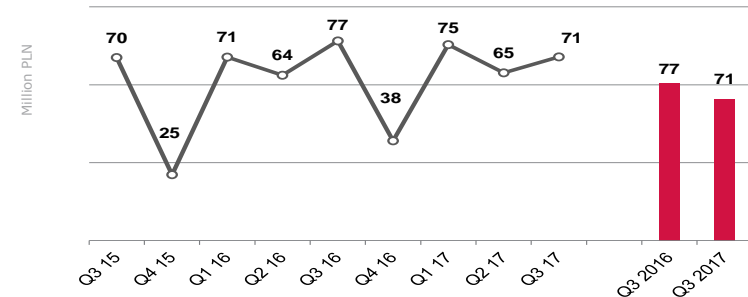
▶ Q3 2017 EBITDA 70,8m PLN

- ▶ 6.2m PLN higher than Q2 2017
- ▶ -6.1m PLN lower than Q3 2016

Q3 Operating result bridge



EBITDA evolution



Summary of 3Q 2017



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Q3 2017 in brief

Market environment:

- Still unfavourable pulp prices market development in Q3 2017 for paper segment, BHKP, short fibre average Q3 2017 +30% and NBSK, long fibre average Q3 2017 +10.2% if compared to Q3 2016, accordingly BHKP +11.6% and NBSK +4.0% if compared average Q3 2017 to Q2 2017;
- The EUR/USD exchange rate on more favourable for paper segment level in Q3 2017;
- Fine paper prices slightly up in Q3 2017;

Arctic Paper Group:

- The weaker results of Arctic Paper in the 3rd quarter were due primarily to the effect of a further increase in pulp prices which has not been fully offset yet by higher paper prices;
- Planned investment stoppage in Arctic Paper Kostrzyn, **connected with an investment to increase the production efficiency at the plant**, affected sales and profit during the period;
- The Group's results in the pulp segment in the 3rd quarter of 2017 were still solid, and profit and margins remained at a good level;
- EBITDA for Q3 2017 without Rottneros on level of 38.9m PLN vs. 49m PLN in Q3 2016;
- EBITDA for Q3 2017 of Arctic Paper Group with Rottneros was 70.8m PLN vs. 76.9m PLN in Q3 2016 (paper segment down by 10.2m PLN, pulp segment up by +4.2m PLN);

Thank you!

Per Skoglund, CEO
Göran Eklund, CFO