

Per Skoglund – CEO Arctic Paper | Warsaw, 10.04.2018

Göran Eklund – CFO Arctic Paper

Arctic Paper S.A. 2017

A future in paper



ARCTIC PAPER

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This Presentation should be read together with the 2017 consolidated and standalone report and report for the Q4 of 2017.

Content

1. 2017 in brief
2. New strategy
3. Market environment
4. Operations and financial results
5. Summary

2017 in brief

Important events

2017

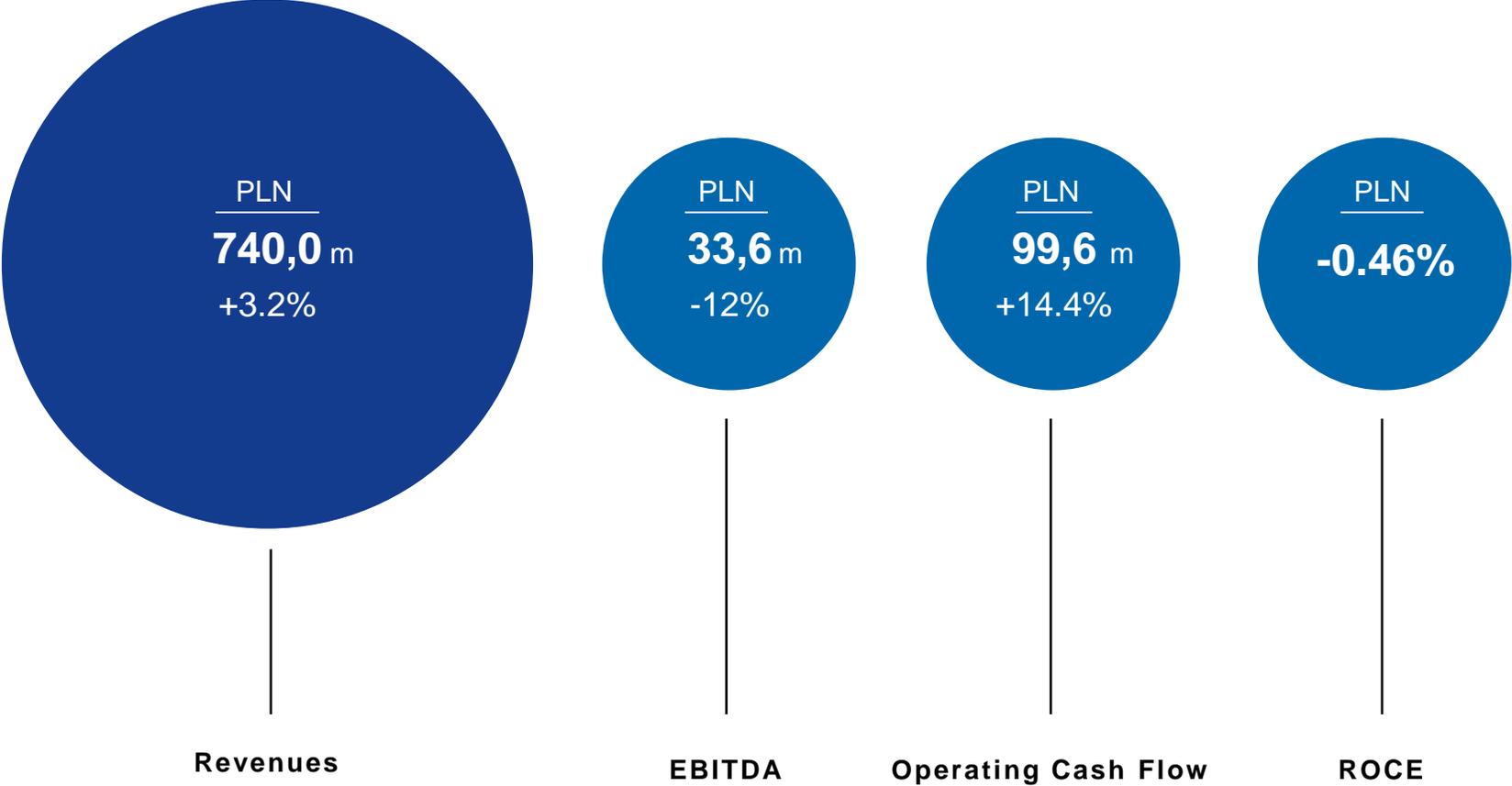
- Developed new strategy
- Decision to increase capacity in APK
- Continued high pulp prices
- New CFO

2018

- Implementation of new strategy
- Decision to invest in hydro power in APM

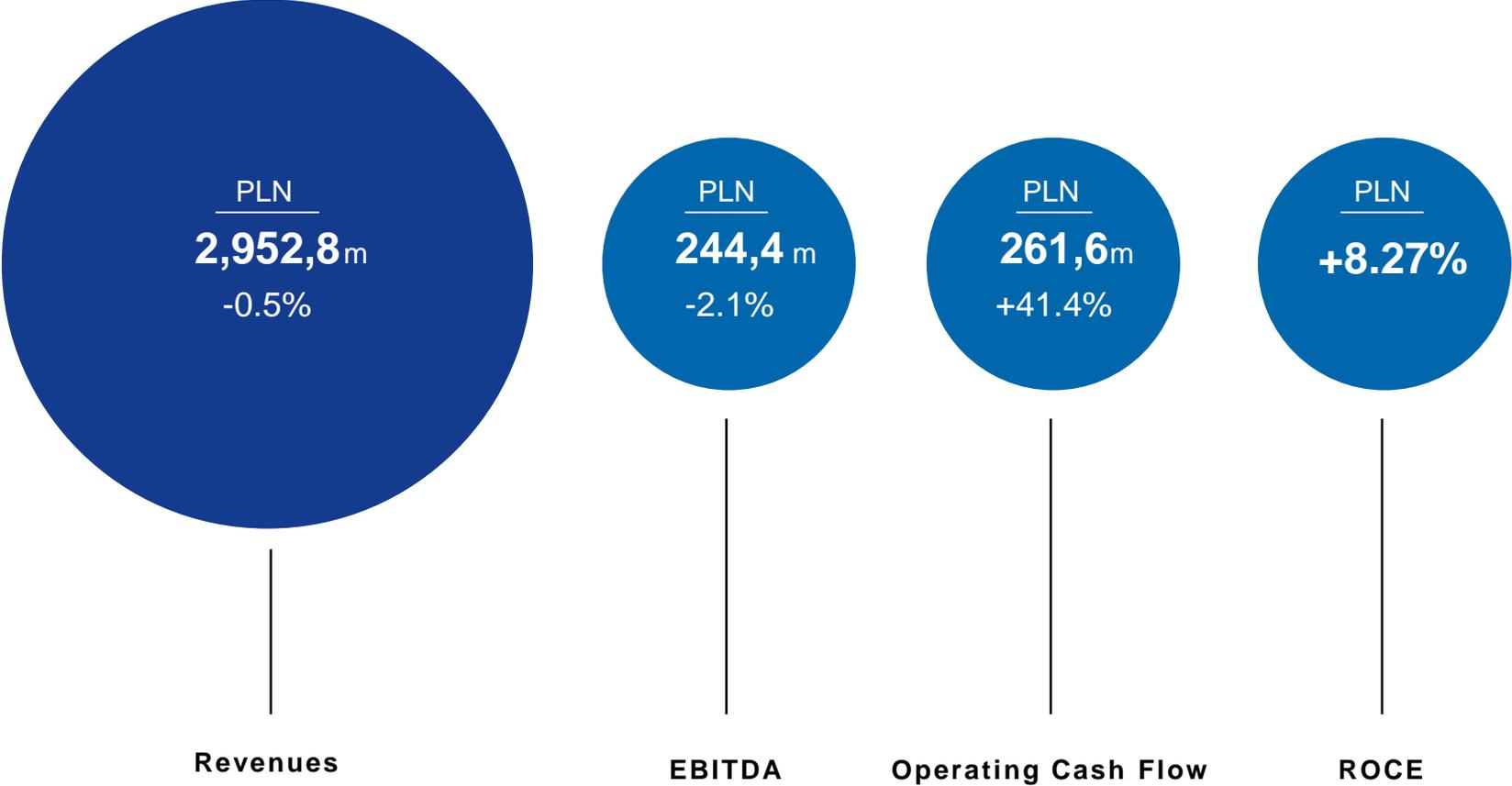
Financial Summary Q4: A strong final quarter of 2017

Arctic Paper Group Q4 2017 vs. Q4 2016



Financial Summary 2017: Stable results in a tough market

Arctic Paper Group FY, 2017 vs. FY, 2016



The Management Board proposes a dividend of PLN 0.2 per share

643788-1	1	14
ROI	170	46
900 * 640	250	3680
L		
	328876	

643975-1	2	10
ROW	120	46
640 * 900	250	2980
L		

New strategy – A future in paper

Our vision

Turning ideas into experiences.

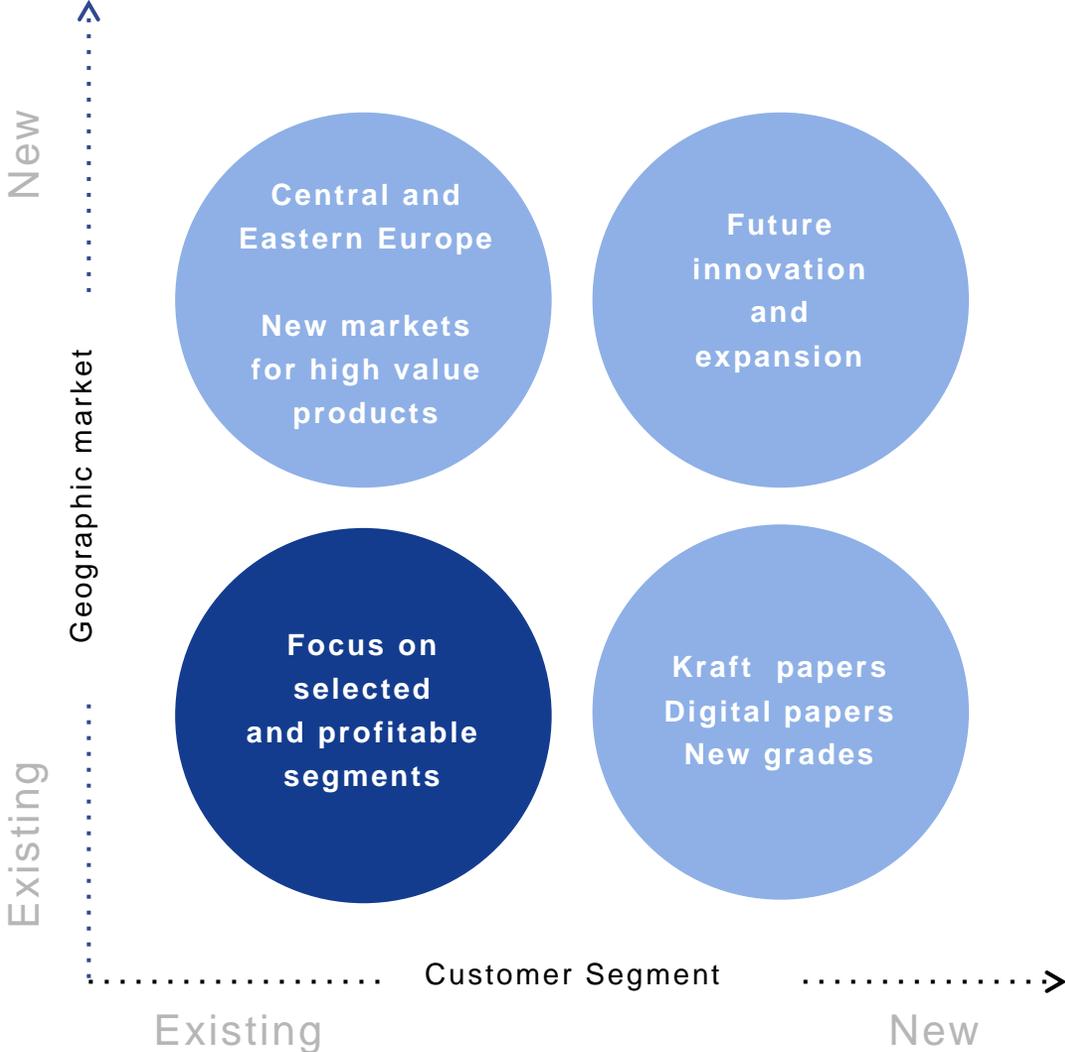


A future in paper – The new strategic agenda 2022

Strategic initiatives



We go for growth

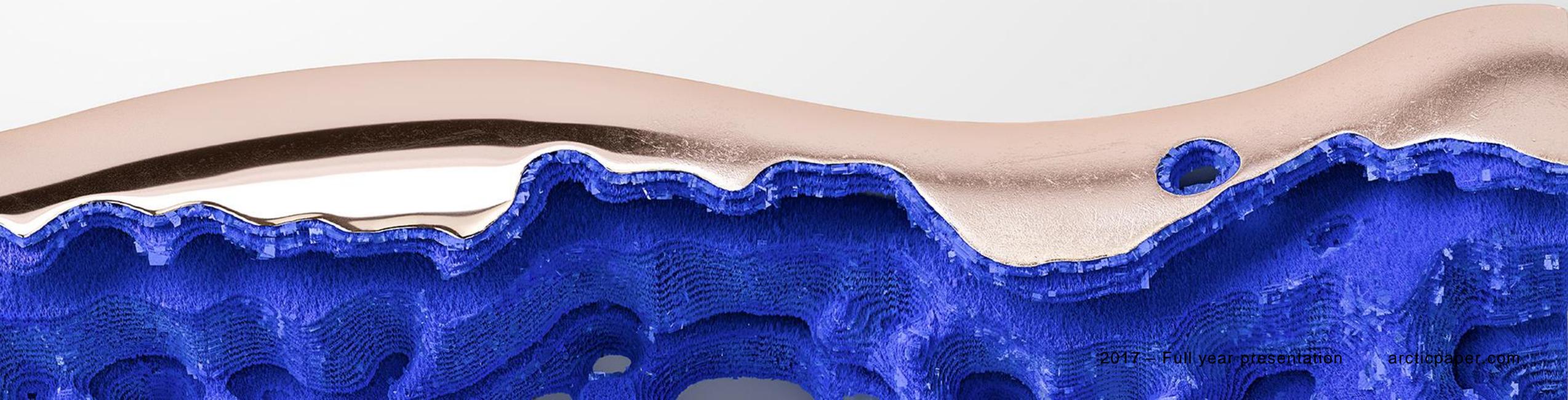


We focus on innovation

Improved service offer

Develop new grades and surfaces

Optimize the R&D organization



We build on our brands

Premium Brands

Munken	Arctic Volume
	

Brands

Amber	G-Print	Arctic
		

Building strong brands = higher profit per tonne



We optimize our operations

A lean company

Productivity improvements

Cost optimizations



1687

102

5104
1687
132

1674
120
106
1356

5156
74

44.014
mitlytning

We strive for a performance culture

Performance management

Leadership and employmentship

A common project process



We care for people and the environment

Zero injuries

Setting KPI:s for progress

Communication



Market environment

Fine paper prices are increasing

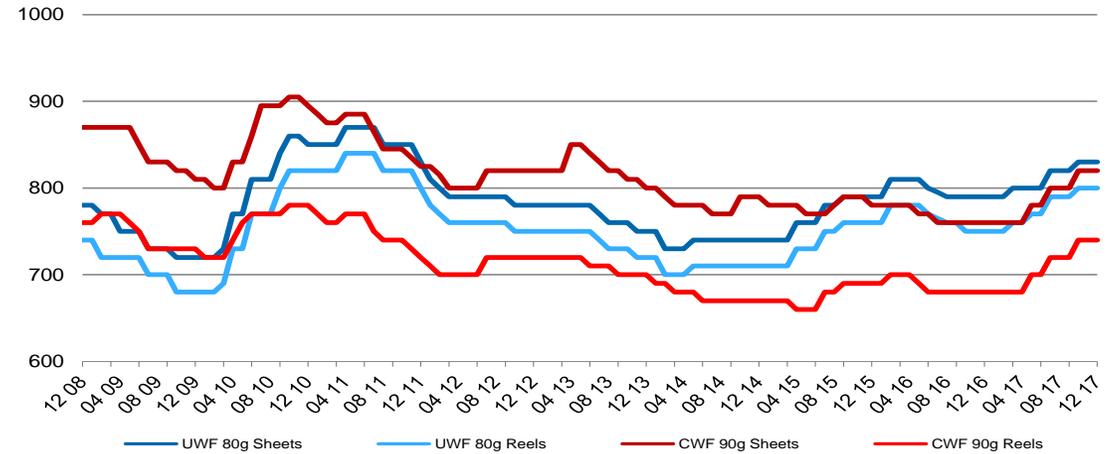
DEC 2017 compared to SEP 2017

- UWF segment average price change +2.1%
- CWF segment average price change +2.1%

DEC 2017 compared to DEC 2016

- UWF segment average price change +8.3%
- CWF segment average price change +9.4%

Graphic fine paper prices – German market



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR – Western Europe

	12 17 vs. 09 17			12 17 vs. 12 16		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	2.1%	2.1%	2.0%	8.4%	8.3%	8.6%
CWF	1.7%	2.1%	2.5%	9.5%	9.4%	9.8%

Source: Arctic Paper based on RISI data.

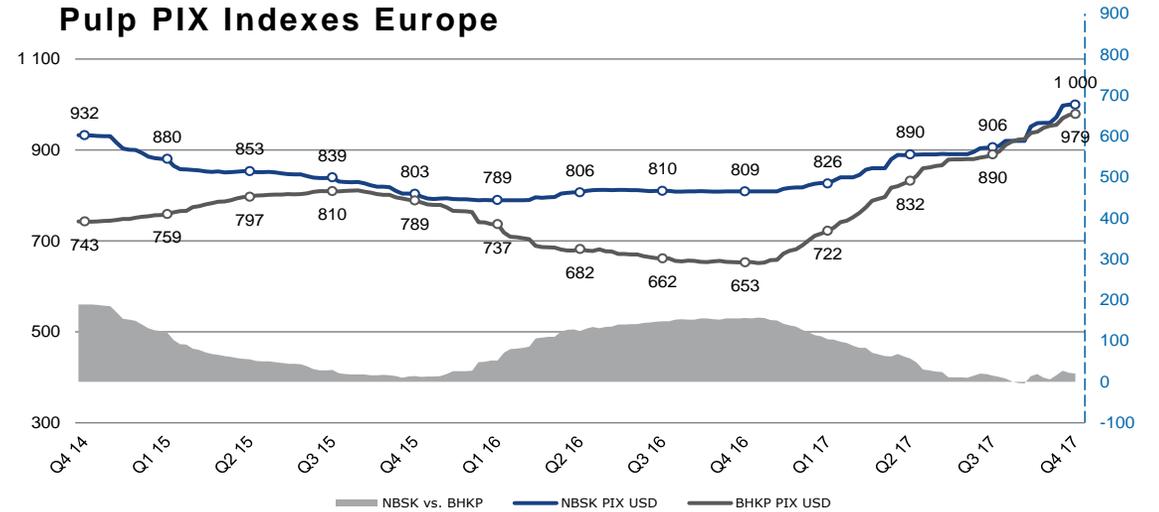
Pulp prices remains a challenge

Average price Q4 2017 compared to Q4 2016

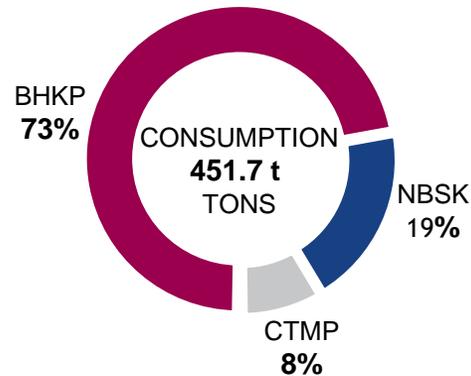
- NBSK (long fibre): 17.8% higher
- BHKP (short fibre): 43.7% higher

Average price Q4 2017 compared to Q3 2017

- NBSK (long fibre): 6.6% higher
- BHKP (short fibre): 7.8% higher



Arctic Paper YTD DEC 2017 Structure of pulp consumption



Currency exchange rates

Average exchange rate Q4 2017 compared to Q3 2017

- EUR/PLN -0.6%
- EUR/SEK +2.4%
- EUR/USD +0.2%

Average exchange rate Q4 2017 compared to Q4 2016

- EUR/PLN -3.3%
- EUR/SEK +0.4%
- EUR/USD +9.1%

EUR/PLN changes



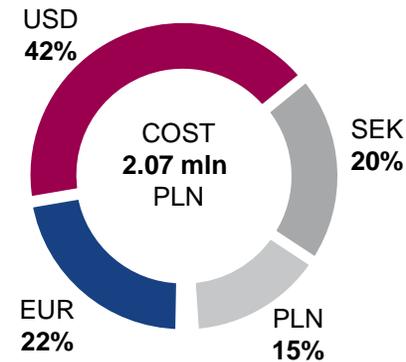
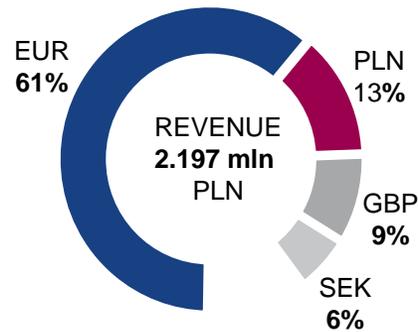
EUR/SEK changes



EUR/USD changes



Arctic Paper YTD 2017 Revenue and costs structure



Operations and financial results

Stable output from production

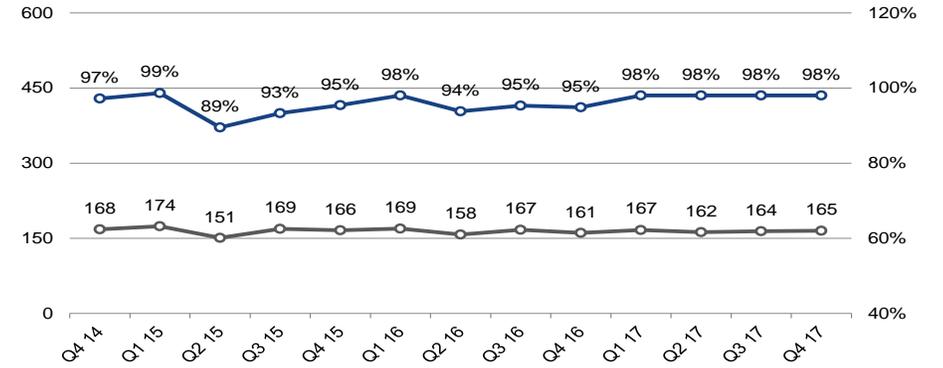
Average 2017 use of budget production capacity: 98%

- 2.0% higher than in 2016

2017 total production volume: 663k tonne

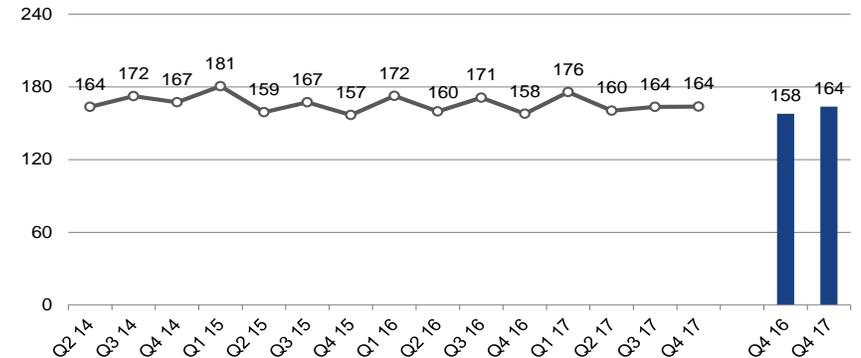
- 0.3% higher than in 2016

Production and use of production capacity for all paper mills*



* AP Mochenwangen excluded from sales revenue

Paper sales volume*

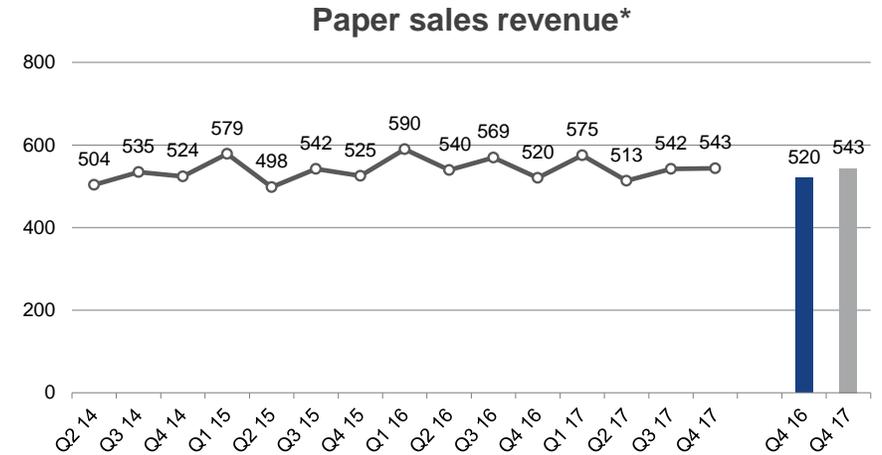


* AP Mochenwangen excluded from revenue per tonne.

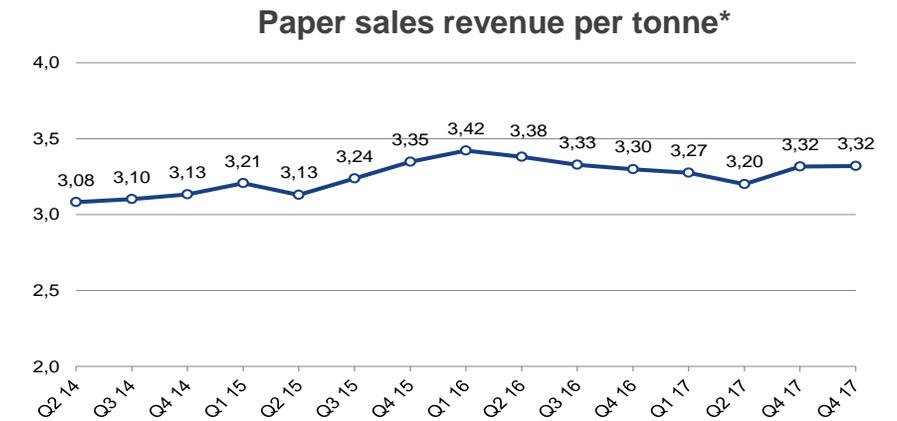
Paper sales revenue and revenue per tonne

Total 2017 (PLN 2,174m) down 2.1% compared to 2016

Average 2017 (PLN 3,28k) decreased by 2.4% compared to average in 2016



* AP Mochenwangen excluded from sales revenue



* AP Mochenwangen excluded from revenue per tonne.

Key consolidated figures

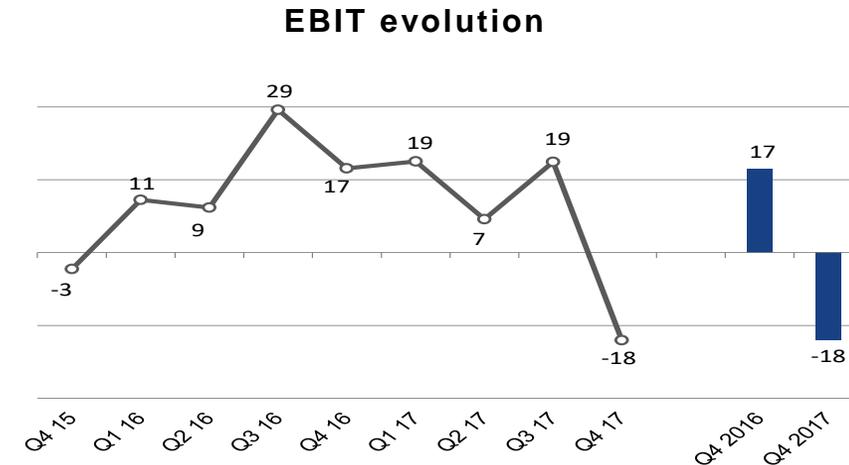
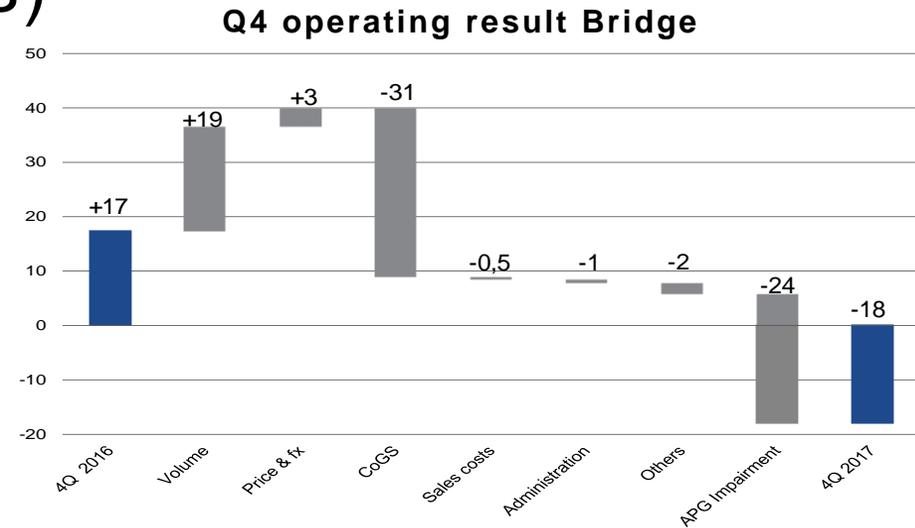
- YTD DEC 2017 total revenues down -0.5% compared to YTD DEC 2016 (-2.1% paper segment, +4.2% pulp segment revenue)
- YTD DEC 2017 EBITDA down by PLN 5,2m compared to YTD DEC 2016 (131m PLN paper segment: -17,1m PLN; 113,4m PLN pulp segment: +11,9m PLN)
- YTD DEC 2017 Net result from continuing operations: -3,7m PLN compared to YTD DEC 2016 (26m PLN paper segment: -8,1m PLN, 44m PLN pulp segment: +4,3m PLN)
- CAPEX on the level of 181,4m PLN (73,8m PLN paper segment: +24,9m PLN; 107,7 PLN pulp segment: -20,6m PLN)
- Cash on the level of 241.4m PLN (103m PLN paper segment: -19,6m PLN; 138,3m PLN pulp segment: +130,9m PLN)
- Net debt on the level of 207,7m PLN vs 257,4 PLN in DEC 2016

Q4 2017 EBIT

Arctic Paper (excluding Rottneros)

Q4 2017 operating result -18m PLN

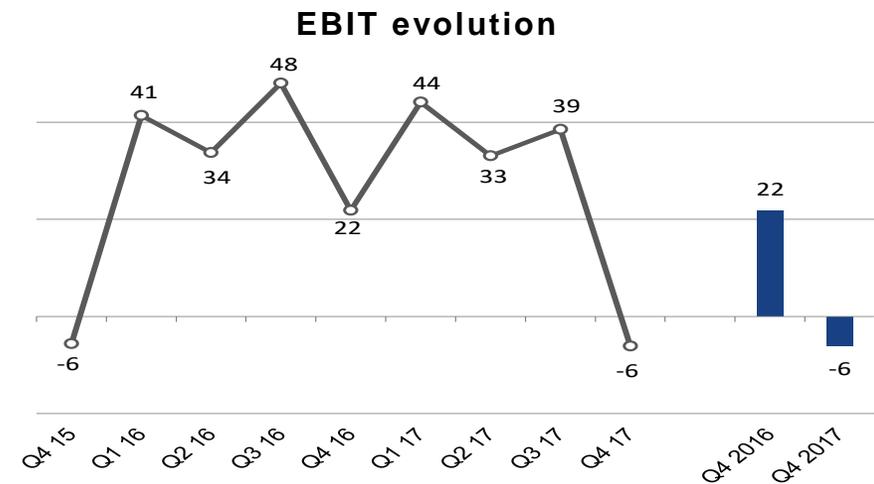
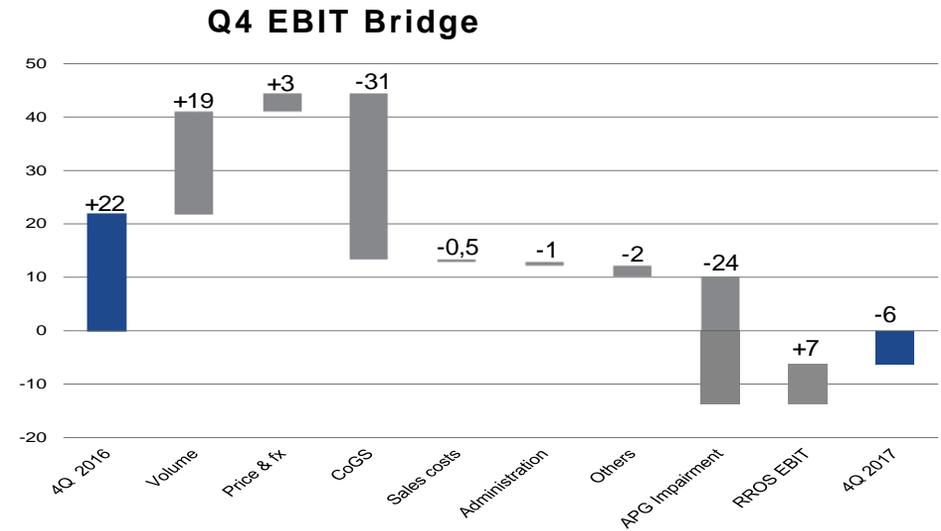
- -36,7m PLN less than Q3 2017
- -35,3m PLN less than Q4 2016



Q4 2017 EBIT Arctic Paper Group – total

Q4 2017 EBIT -6m PLN

- -44.6m PLN less than Q3 2017
- -8m PLN less than Q4 2016



Overview of Q4 2017

Market environment

- Still unfavourable pulp prices development in Q4 2017 for paper segment, BHKP, short fibre average Q4 2017 +43.7% and NBSK, long fibre average Q4 2017 +17.8% if compared to Q4 2016, accordingly BHKP +7.8% and NBSK +6.6% if compared average Q4 2017 to Q3 2017;
- The EUR/USD exchange rate on more favourable for paper segment level in Q4 2017;
- Fine paper prices slightly up in Q4 2017;

Arctic Paper Group

- Continued high pulp prices affected the result of the period Q4 2017;
- EBITDA for Q4 2017 without Rottneros was 26,3m PLN vs. 38,8m PLN in Q4 2016;
- EBITDA for Q4 2017 of Arctic Paper Group with Rottneros was 31,4m PLN vs. 38,4m PLN in Q4 2016 (paper segment down by 12,5m PLN, pulp segment up by +4,6 m PLN)
- The Management Board propose a dividend of PLN 0.2 per share

Summary

Summary

- Capacity increase in Kostrzyn
- Investing in hydro power in Munkedal
- New strategy – A future in paper
- Financial target 10% EBIT

Thank you



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