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# Arctic Paper S.A.

## Financial results Q1 2019



ARCTIC PAPER

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This Presentation should be read together with the Q1 2019 consolidated and standalone report.

## Content

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# Summary of Q1 2019

# Financial Summary Q1 2019

## Arctic Paper Group Q1 2019 vs. Q1 2018



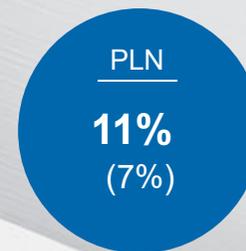
**Net sales**



**EBIT**



**Operating Cash Flow**



**ROCE\***

\* Rolling 12 months

# Q1 2019 in brief

## Arctic Paper Group

- The results of the paper segment below our expectations, EBITDA fell to PLN 16,3mn (PLN 31,1mn in Q12018).
- Pulp prices are still 40-45 percent higher than Q1, 2017, leading to higher raw material costs, increased paper prices and – as a result – lower demand for paper.
- Appointment of new EVP Sales in March in order to revitalise the sales organisation.
- Decision to implement a profit improvement program for the paper business, with the ambition to generate annual cost savings of PLN 40mn with full effect 2020.
- Launch of Munken Kraft, a new product aimed at the sustainably growing packaging segment.
- The Q1 result for the paper segment resulted in a breach in the covenants of the segment's financing agreement, which the banks have already waived. In a separate process, we plan to convene a bond holders' meeting in order to obtain their waiver.

# Market Environment & Operation

# Fine paper prices

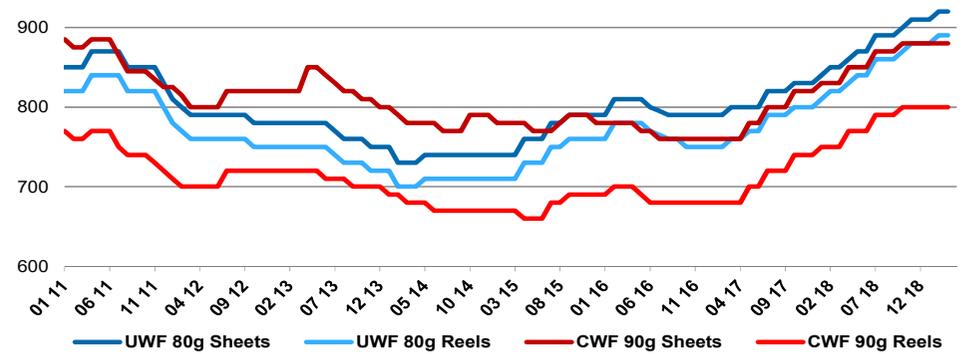
## MAR 2019 compared to DEC 2018

- UWF segment average price change +1.0%
- CWF segment average price change +0.6%

## MAR 2019 compared to MAR 2018

- UWF segment average price change +8.4%
- CWF segment average price change +7.2%

Graphic fine paper prices – German market



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR – Western Europe

	03 19 vs. 12 18			03 19 vs. 03 18		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	1,2%	1,0%	0,9%	9,2%	8,4%	7,7%
CWF	1,3%	0,6%	0,0%	8,3%	7,2%	6,2%

Source: Arctic Paper based on RISI data.

# Pulp prices started to decrease

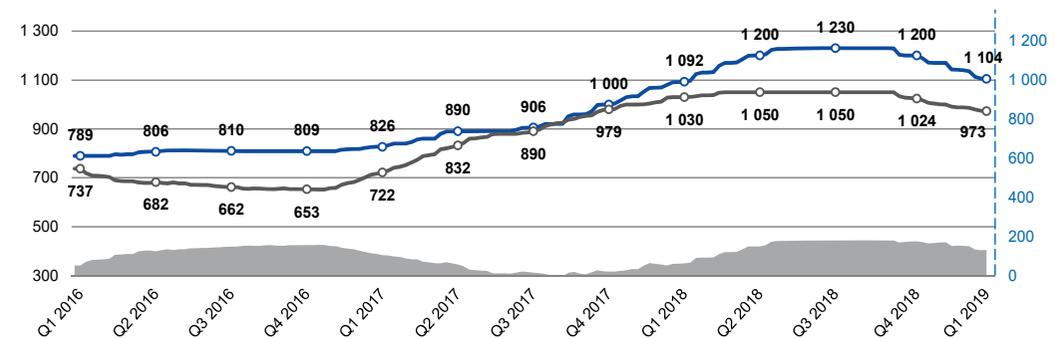
## Average price Q1 2019 compared to Q1 2018

- NBSK (long fibre): 8.5% higher
- BHKP (short fibre): -1.7% lower

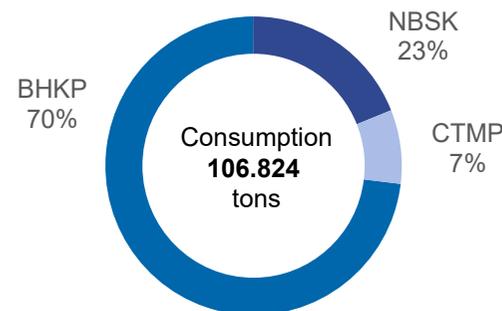
## Average price Q1 2019 compared to Q4 2018

- NBSK (long fibre): -1.8% lower
- BHKP (short fibre): -4.3% lower

Pulp PIX Indexes Europe



Arctic Paper YTD MAR 2019 Structure of pulp consumption



# Output from production

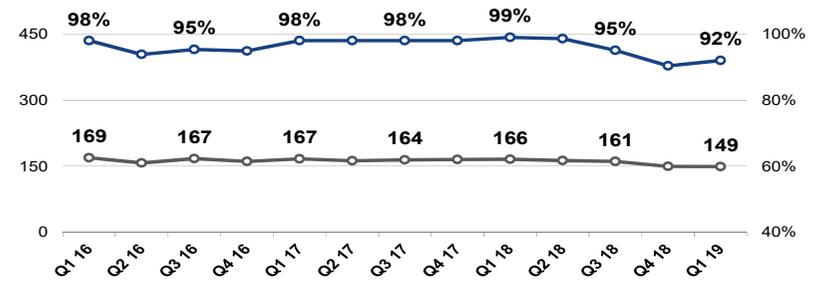
**Average Q1 2019 use of budget production capacity: 92%**

- 1.6% higher than in Q4 2018

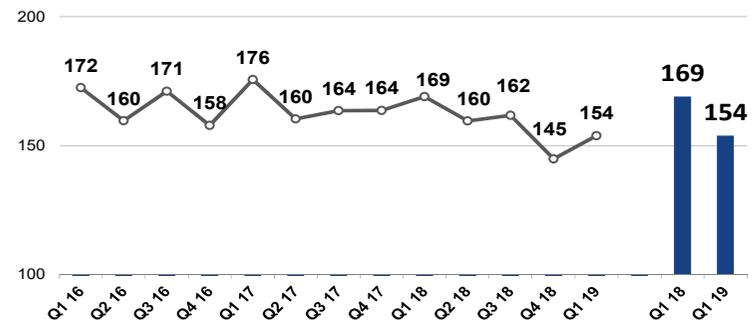
**Q1 2019 total production volume: 149k tonne**

- 0.5% lower than in Q4 2018

Production and use of production capacity for all paper mills



Paper sales volume



# Financial results

# Currency exchange rates

## Average exchange rate Q1 2019 compared to Q1 2018

- EUR/PLN +2.9%
- EUR/SEK +4.5%
- EUR/USD -7.6%

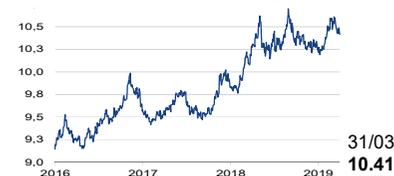
## Average exchange rate Q1 2019 compared to Q4 2018

- EUR/PLN +0.1%
- EUR/SEK +0.9%
- EUR/USD -0.5%

**EUR/PLN changes**



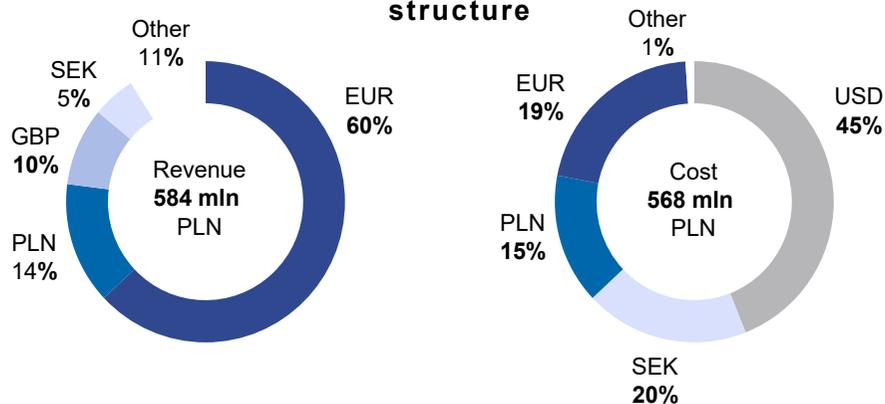
**EUR/SEK changes**



**EUR/USD changes**

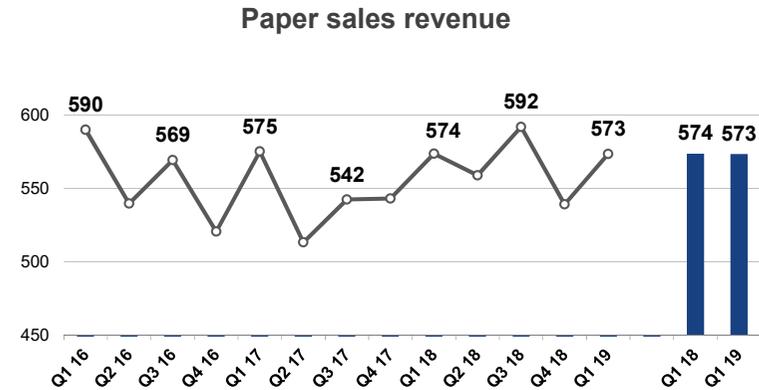


**Arctic Paper YTD MAR 2019 Revenue and costs structure**

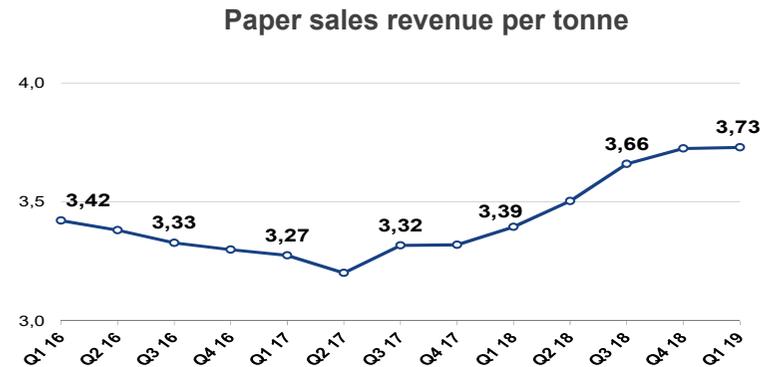


# Paper sales revenue and revenue per tonne

**Total Q1 2019 (PLN 573mn) almost on the same level as in Q1 2018**



**Average Q1 2019 (PLN 3.73k) increased by 9.8% compared to average in Q1 2018**



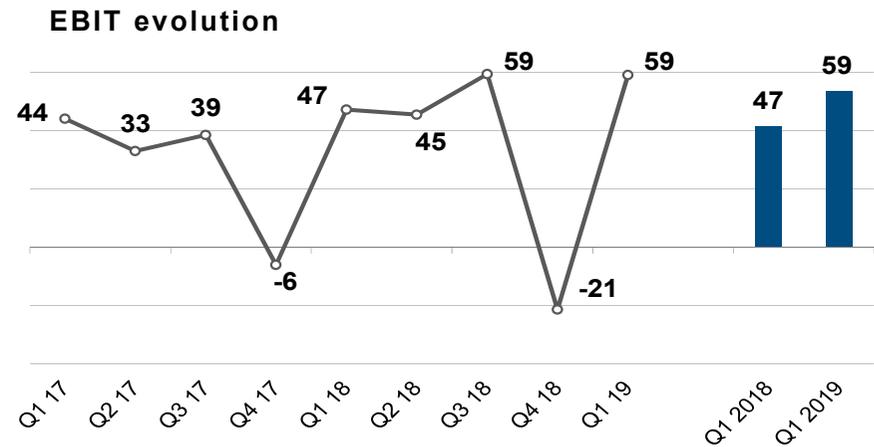
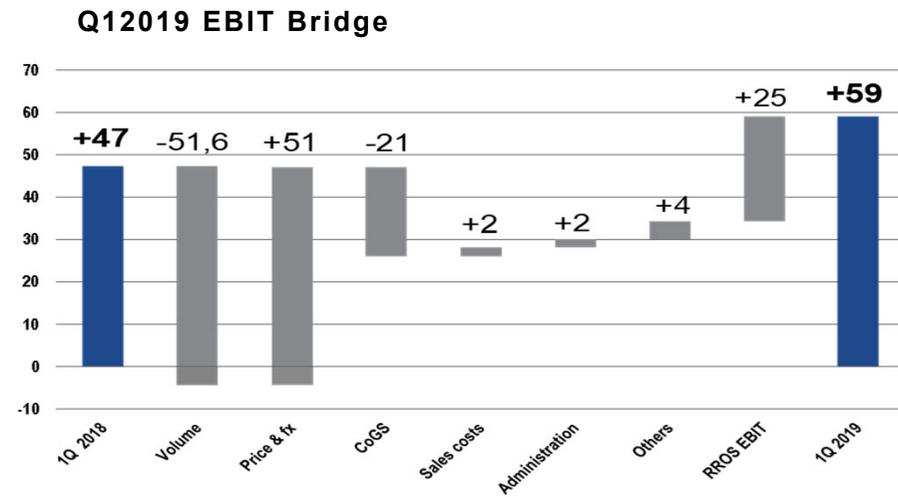
# Key consolidated figures

- YTD MAR 2019 total revenues up +4.1% compared to YTD MAR 2018 (the same level paper segment, +15.3% pulp segment revenue);
- YTD MAR 2019 EBITDA up by PLN 10,9mn compared to YTD MAR 2018 (PLN 16mn paper segment: PLN -15,0mn; PLN 66,0mn pulp segment: PLN +25,7mn);
- YTD MAR 2019 Net result from continuing operations: PLN +8,5mn compared to YTD MAR 2018 (PLN -8,3mn paper segment: PLN -11,7mn, PLN 46,5mn pulp segment: PLN +20,2mn);
- CAPEX on the level of PLN 19,4mn (PLN 10,1mn paper segment: PLN -9,9mn; PLN 9,4mn pulp segment: PLN -3,6mn);
- Cash on the level of PLN 208.6mn (PLN 58,3mn paper segment: PLN -32,3mn; PLN 150,3mn pulp segment: PLN +35,6mn);
- Net debt on the level of PLN 280,8mn vs PLN 258,7mn in MAR 2018;

# Q1 2019 EBIT Arctic Paper Group – total

## Q1 2019 EBIT PLN 59,1mn

- PLN 80,9mn higher than Q4 2018
- PLN 11,5mn higher than Q1 2018

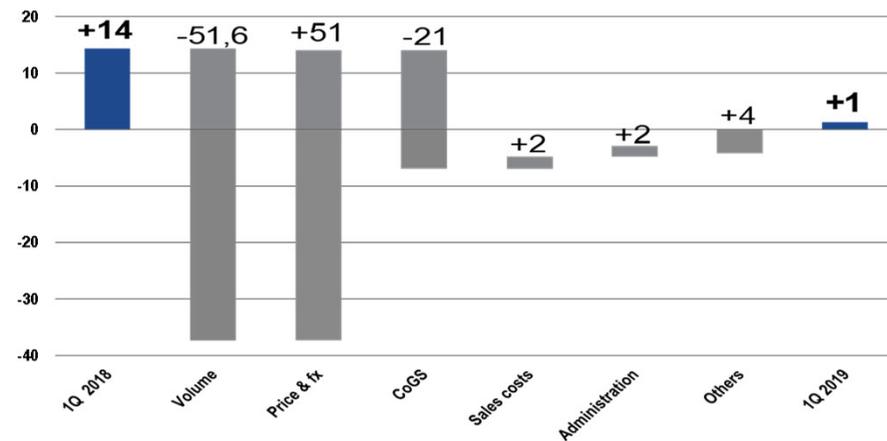


# Q1 2019 EBIT Arctic Paper (excluding Rottneros AB)

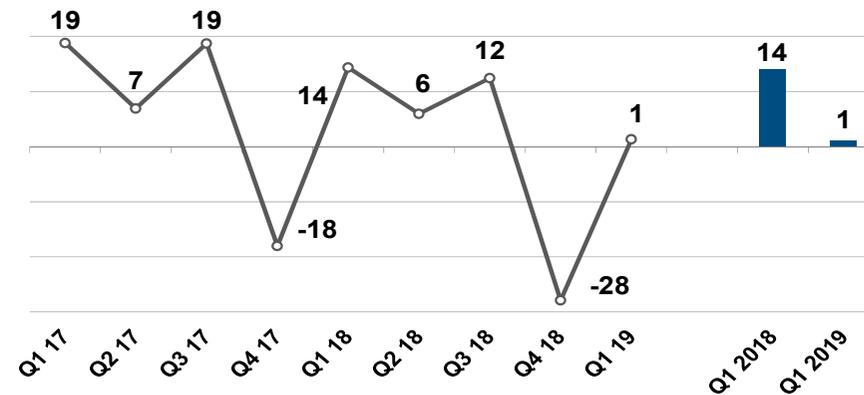
## Q1 2019 operating result PLN 1,3mn

- PLN 29,2mn higher than Q4 2018
- PLN 13,0mn less than Q1 2018

Q12019 EBIT Bridge



EBIT evolution



# Summing-up

# Cost & structure optimizing – profit improvement program

1. Slim organisation adjusted to changing market's needs:
  - a. Share service centers – HR & IT
  - b. Some back office functions concentrated at mills
  - c. Closing of Poznan HQ office
2. Improvement of logistic setup
  - a. Key numbers:
    - I. 38 730 truck/year
    - II. 70 620 deliveries/year
    - III. 10 warehouses
3. Expected annual cost savings of PLN 40 mn with full effect 2020

# Summing-up Q1 2019

## Arctic Paper Group

- Paper segment, EBITDA fell to PLN 16,3 mn (PLN 31,1 mn in Q1 2018).
- Decision to implement a profit improvement program for the paper business, with the ambition to generate annual cost savings of PLN 40 mn with full effect 2020.
- Launch of Munken Kraft, a new product aimed at the sustainably growing packaging segment.
- The Q1 result for the paper segment resulted in a breach in the covenants of the segment's financing agreement, which the banks have already waived. In a separate process, we plan to convene a bond holders' meeting in order to obtain their waiver.

## Market environment

- The graphic paper market is changing rapidly, demand for premium and speciality products remain stable.
- Unfavourable USD/PLN and USD/SEK exchange rates compared to Q1 2018.
- Pulp prices started to decrease, but still on higher levels, 40-45% higher than in Q1 2017.

Arctic Paper Vision:

Turning ideas into experiences.

