

Michał Jarczyński – CEO Arctic Paper

Göran Eklund – CFO Arctic Paper

Arctic Paper S.A.

Financial results Q2 2019



ARCTIC PAPER

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This Presentation should be read together with the Q2 2019 consolidated and standalone report.

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2. Market environment & operations
3. Financial results
4. Summary

Summary of Q2 2019

Financial Summary Q2 2019

Arctic Paper Group Q2 2019 vs. Q2 2018



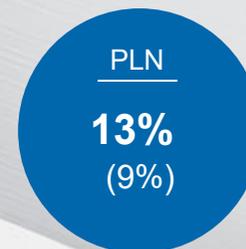
Net sales



EBIT



Operating Cash Flow



ROCE*

* Rolling 12 months

Financial Summary 1H 2019

Arctic Paper Group 1H 2019 vs. 1H 2018



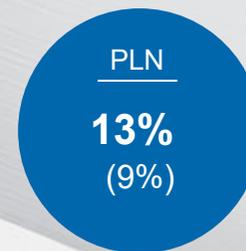
Net sales



EBIT



Operating Cash Flow



ROCE*

* Rolling 12 months

Q2 2019 in brief

Arctic Paper Group

- Arctic Paper Group reached a turnover of PLN 762,5 mn (784,1 mn in Q2 2018) with an EBITDA of PLN 90,5 mn (65,9 mn in Q2 2018).
- The paper segment generated a turnover of PLN 537,6 mn (558,8 mn in Q2 2018) with an EBITDA of PLN 35,4 mn (19,7 mn in Q2 2018).
- Paper business is still operating in a challenging and highly competitive environment.
- Rottneros AB reached record-high in pulp production with a 9 percent profit growth.
- Decrease in pulp prices, but demand for graphical paper remains on low levels.
- Sale of Mochenwangen mill land resulted in one-off revenue of PLN 18mn.
- Kostrzyn mill investment in increased capacity and greater flexibility for PM1 finalized and fully operational, which opens for a wider range of graphic and kraft paper products.

Market Environment & Operation

Fine paper prices

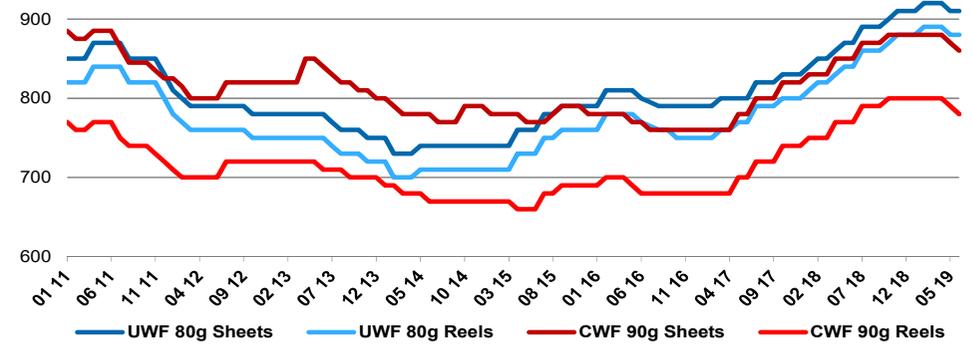
JUN 2019 compared to MAR 2019

- UWF segment average price change -1.4%
- CWF segment average price change -2.6%

JUN 2019 compared to JUN 2018

- UWF segment average price change +4.4%
- CWF segment average price change +1.6%

Graphic fine paper prices – German market



Change in price for graphic paper in EUR – Western Europe

	06 19 vs. 03 19			06 19 vs. 06 18		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,4%	-1,4%	-1,3%	4,7%	4,4%	4,1%
CWF	-2,8%	-2,6%	-2,5%	2,4%	1,6%	0,9%

Source: Arctic Paper based on RISI data.

Pulp prices

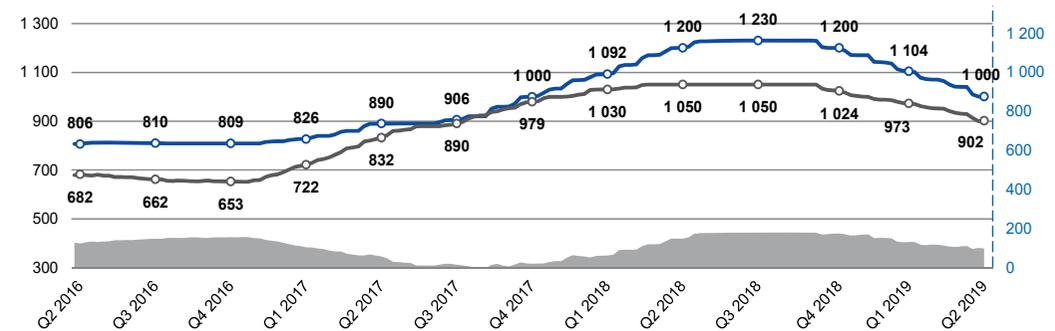
Average price Q2 2019 compared to Q2 2018

- NBSK (long fibre): 9.5% lower
- BHKP (short fibre): 10.2% lower

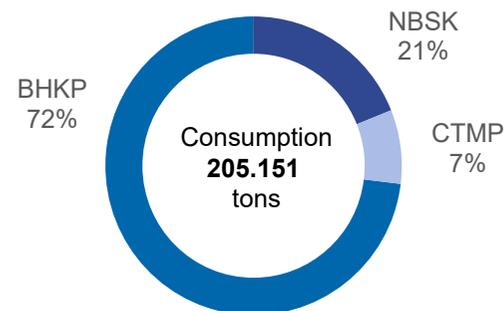
Average price Q2 2019 compared to Q1 2019

- NBSK (long fibre): 8.4% lower
- BHKP (short fibre): 5.4% lower

Pulp PIX Indexes Europe



Arctic Paper YTD JUN 2019 Structure of pulp consumption



Output from production

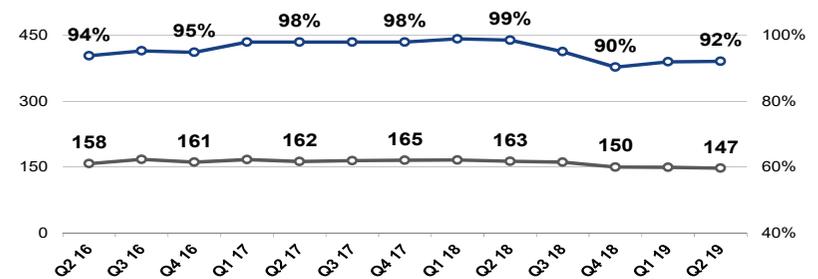
Average Q2 2019 use of budget production capacity: 92%

- 0.1% higher than in Q1 2019

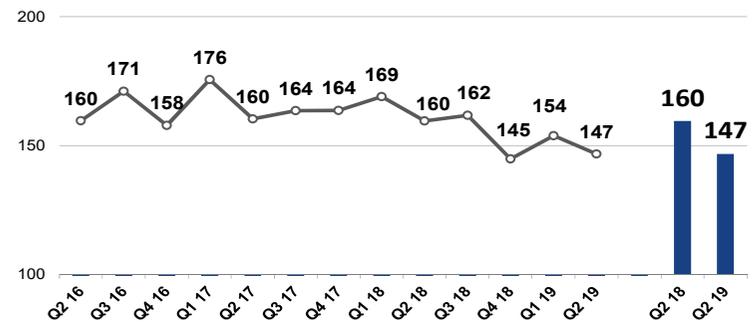
Q2 2019 total production volume: 147k tonne

- 1.4% lower than in Q1 2019

Production and use of production capacity for all paper mills



Paper sales volume



Financial results

Currency exchange rates

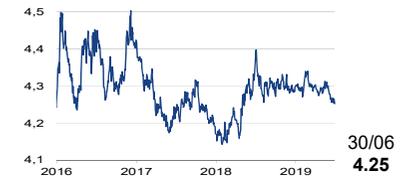
Average exchange rate Q2 2019 compared to Q2 2018

- EUR/PLN +0.5%
- EUR/SEK +2.7%
- EUR/USD -5.7%

Average exchange rate Q2 2019 compared to Q1 2019

- EUR/PLN -0.4%
- EUR/SEK +1.9%
- EUR/USD -1.1%

EUR/PLN changes



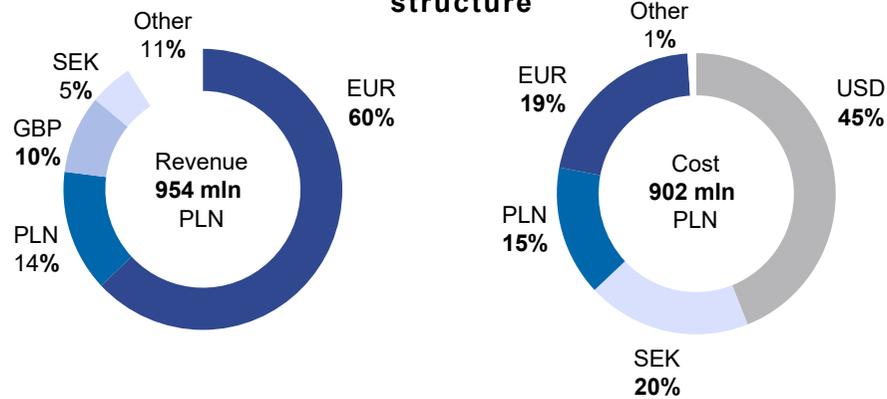
EUR/SEK changes



EUR/USD changes



Arctic Paper YTD JUN 2019 Revenue and costs structure

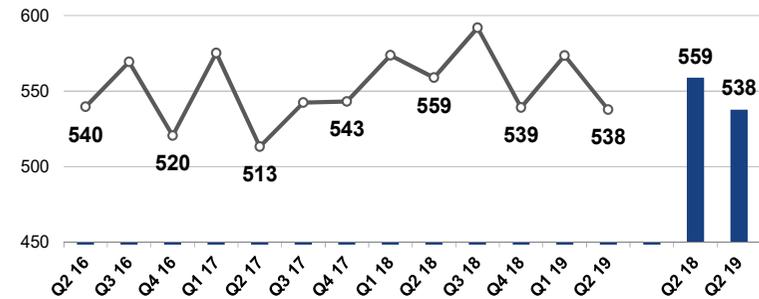


Paper sales revenue and revenue per tonne

Total Q2 2019 (PLN 538mn) down 3.8% compared to Q2 2018

Average Q2 2019 (PLN 3.67k) increased by 4.6% compared to average in Q2 2018

Paper sales revenue



Paper sales revenue per tonne



Key consolidated figures

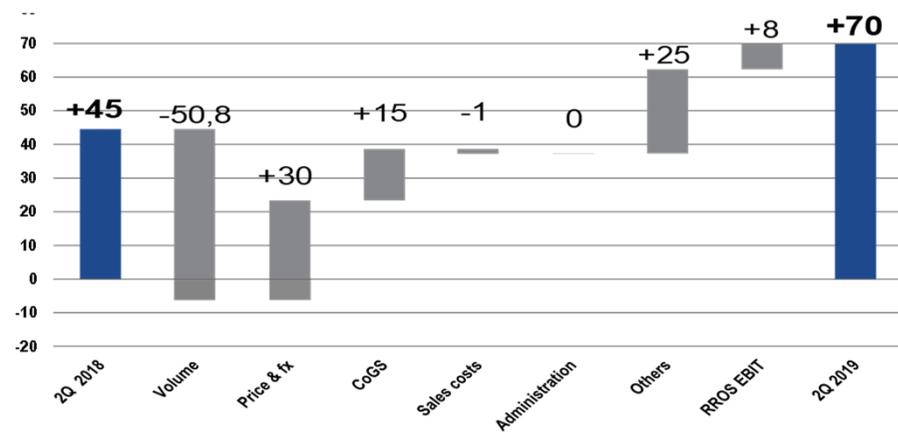
- YTD JUN 2019 total revenues up +0.7% compared to JUN 2018 (-1.9% paper segment, +7.3% pulp segment revenue);
- YTD JUN 2019 EBITDA up by PLN 35,2mn compared to YTD JUN 2018 (PLN 51,7mn paper segment: PLN +0,8mn; PLN 120,0mn pulp segment: PLN +34,5mn);
- YTD JUN 2019 Net result: PLN +36,2mn compared to YTD JUN 2018 (PLN +27,0mn paper segment: PLN +24,7mn, PLN 57,5mn pulp segment: PLN +11,4mn);
- CAPEX on the level of PLN 39,7mn (PLN 23,9mn paper segment: PLN -10,4mn; PLN 15,8mn pulp segment: PLN -16,0mn);
- Cash on the level of PLN 206,4mn (PLN 70,6mn paper segment: PLN +27,5mn; PLN 135,8mn pulp segment: PLN +35,7mn);
- Net debt on the level of PLN 273,5mn vs PLN 337,8mn in JUN 2018;

Q2 2019 EBIT Arctic Paper Group – total

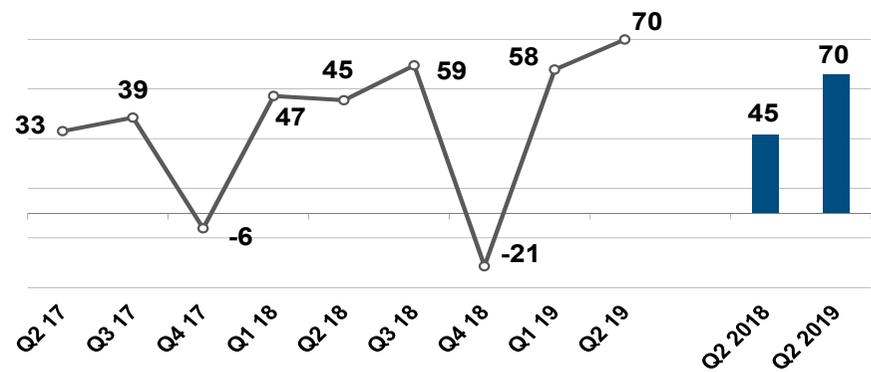
Q2 2019 EBIT PLN 69,9mn

- PLN 12,1mn higher than Q1 2019
- PLN 25,3mn higher than Q2 2018

Q22019 EBIT Bridge



EBIT evolution

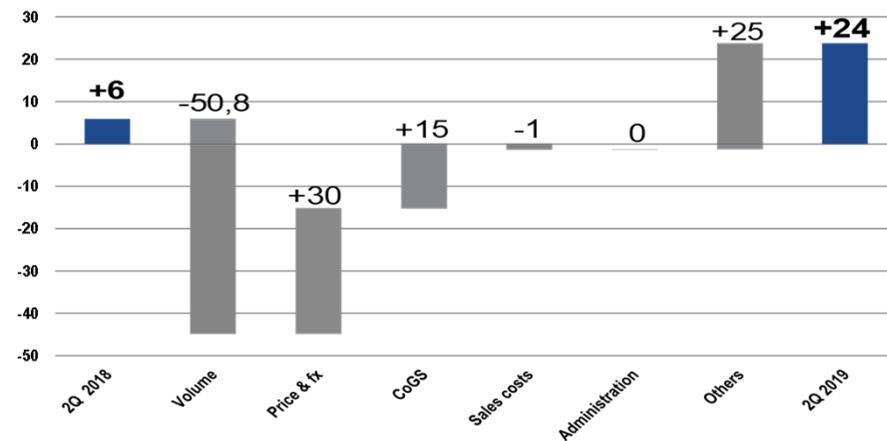


Q2 2019 EBIT Arctic Paper (excluding Rottneros AB)

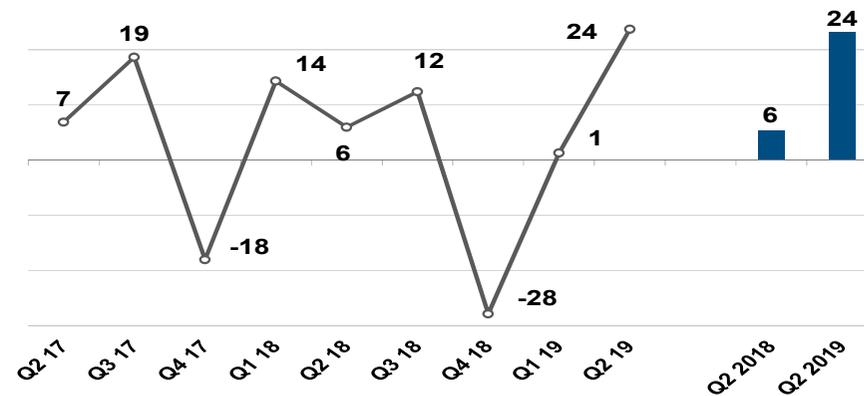
Q2 2019 operating result PLN 23,8mn

- PLN 22,4mn higher than Q1 2019
- PLN 17,8mn higher than Q2 2018

Q22019 EBIT Bridge



EBIT evolution



Summing-up

Summing-up Q2 2019

Arctic Paper Group

- Paper segment, EBITDA on the level of PLN 35,4 mn (PLN 19,7 mn in Q2 2018).
- Investment in expanded capacity at Kostrzyn mill was finalized during Q2 and the modernized PM1 is now in production.
- Sale of Mochenwangen mill land resulted in one-off revenue of PLN 18mn.
- Kraft paper have resulted in 3 000 tonnes of new volumes during the first half of 2019. We have plan to expand in packaging papers – alone or in joint venture.
- The paper profit improvement program runs as planned, new shared services center for Group supporting functions has started in Kostrzyn mill.

Market environment

- Paper business is still operating in a challenging and highly competitive environment.
- Pulp prices have decreased by ten percent on average in comparison to Q2 2018.
- Demand for graphical paper remains on low level.

PM 1 after rebuild – Kostrzyn mill



Munken Kraft Samples



Arctic Paper Vision:

Turning ideas into experiences.

