

Arctic Paper Group

Results for the third quarter of 2013



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ARCTIC PAPER

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This Presentation should be read together with the 2012 consolidated and standalone annual report as well as the report for the third quarter of 2013.



Agenda

- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary of the third quarter of 2013

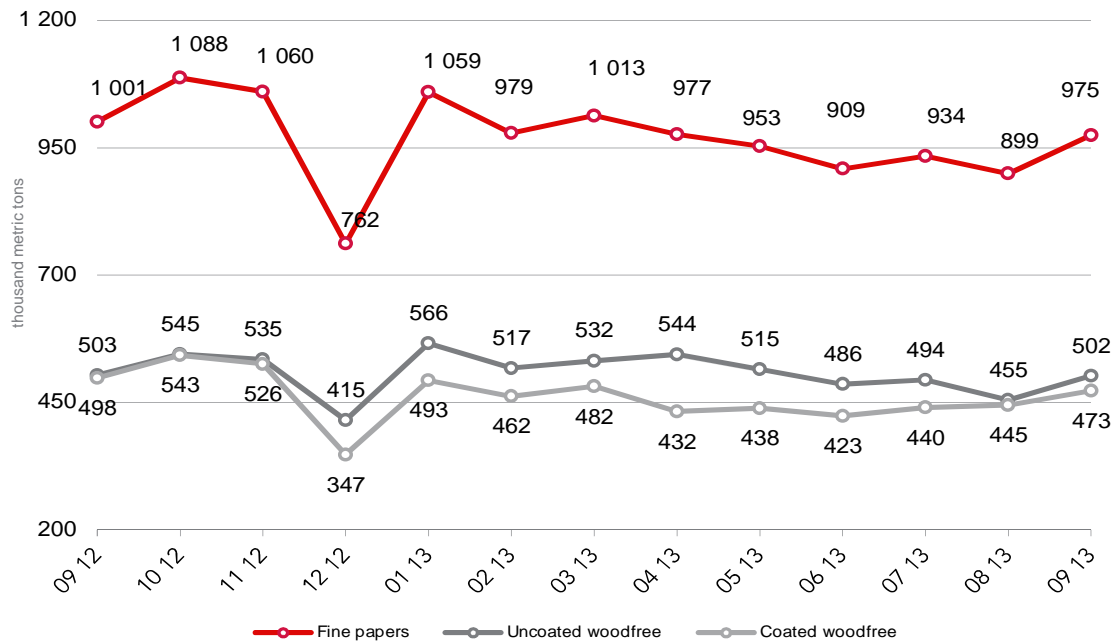




Market environment

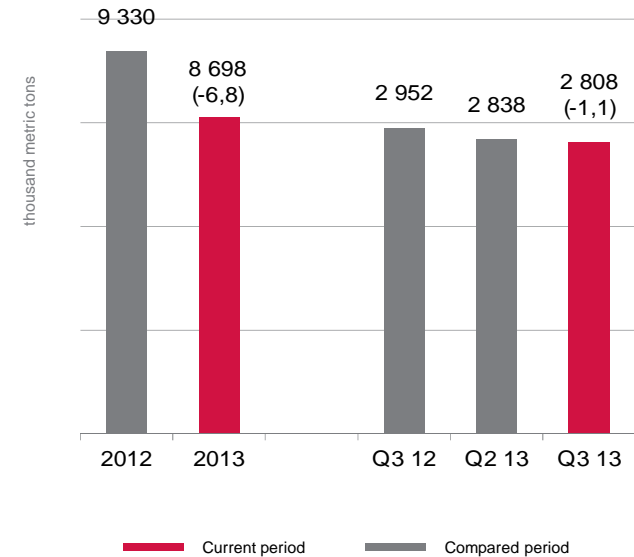
Deliveries of fine paper

Monthly deliveries of fine paper in Europe



Source: Arctic Paper based on EuroGraph data.

Quarterly and YTD deliveries of fine paper in Europe



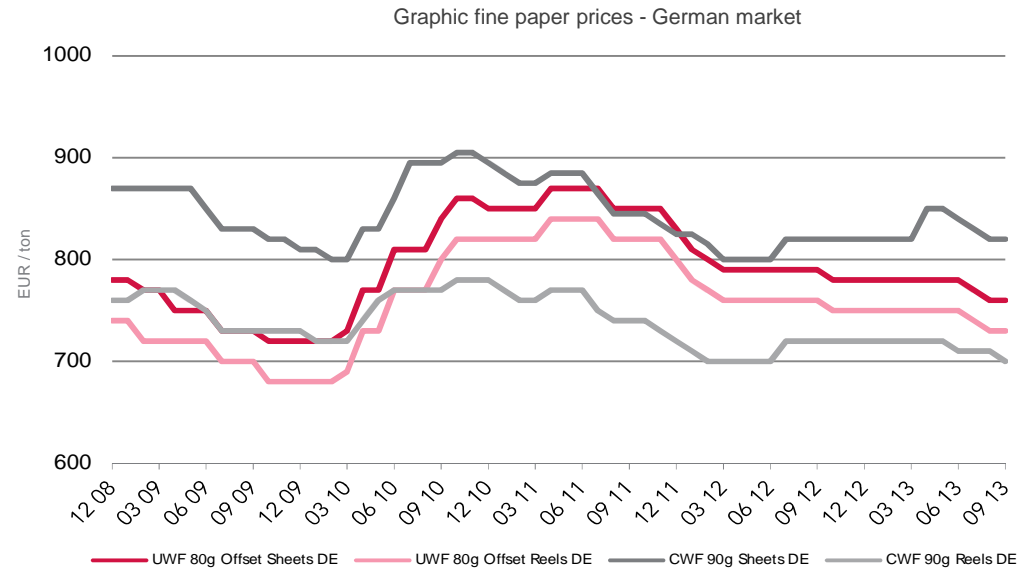
Source: Arctic Paper based on EuroGraph data.

- ▶ YTD September 2013 deliveries of fine paper in Europe reached the level of 8.698 thousand tons. This means 6,8% decline compared to 2012. Deliveries in the uncoated wood-free (UWF) segment were down by 5,4% and in the coated wood-free (CWF) segment down by 8,3%.
- ▶ In Q3 2013 deliveries of fine paper in Europe were lower by 1,1% compared to Q2 2013 while approx. 4,9% lower than in Q3 2012. Deliveries in the uncoated wood-free (UWF) segment were down by 6,1% compared to Q2 2013 and down by 4,3% compared to Q3 2012. In the coated wood-free (CWF) segment accordingly up by 4,9% and down by 5,5%.

▶ In Q3 2013 Arctic Paper sales volume was 8,8% below the corresponding period of 2012. On the YTD basis the volumes in 2013 were down by 4,1%. This means that Arctic Paper volumes decreased less than tonnage delivered on the market in Europe.

Fine paper prices

- ▶ At the end of September 2013 the average prices for UWF decreased by -1,9% and for CWF decreased by -1,7% compared to June 2013.
- ▶ Fine paper prices as at the end of Q3 2013 were lower compared to the end of Q3 2012 for UWF and for CWF. The average price decrease was -3,4% for UWF and -1,9% for CWF.



Source: Arctic Paper based on RISI data.

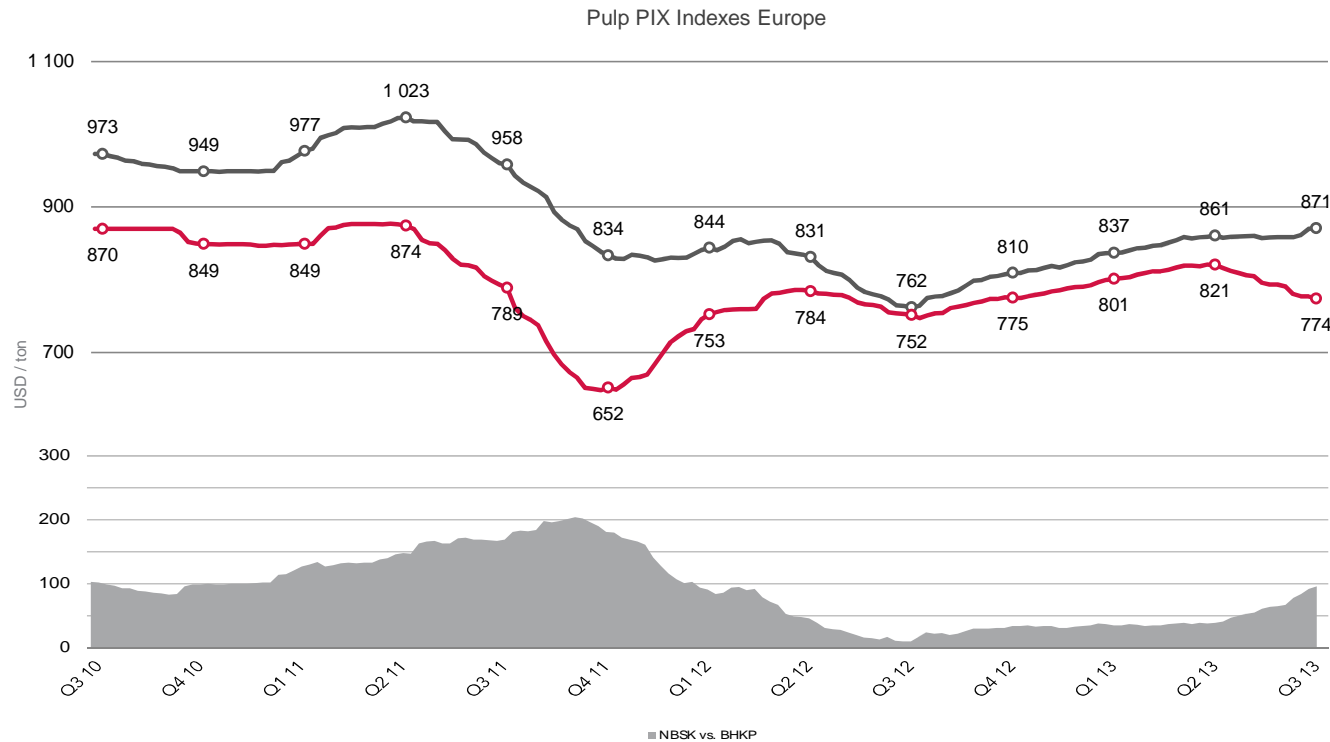
Change in price for graphic paper in EUR - Western Europe

	09 13 vs. 06 13			09 13 vs. 09 12		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,4%	-1,9%	-2,4%	-3,3%	-3,4%	-3,5%
CWF	-1,6%	-1,7%	-1,7%	-0,3%	-1,9%	-0,8%

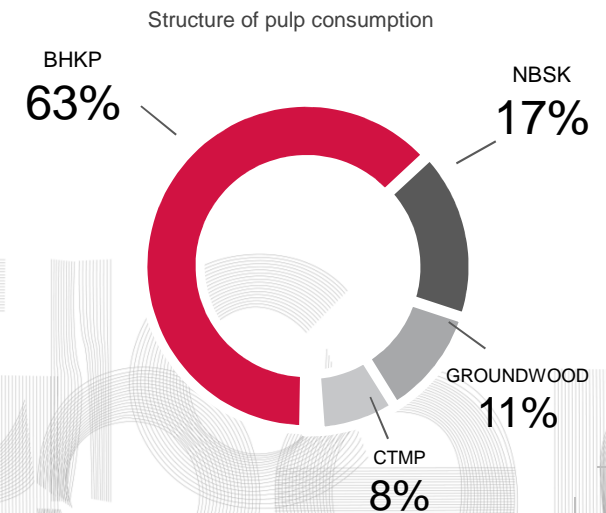
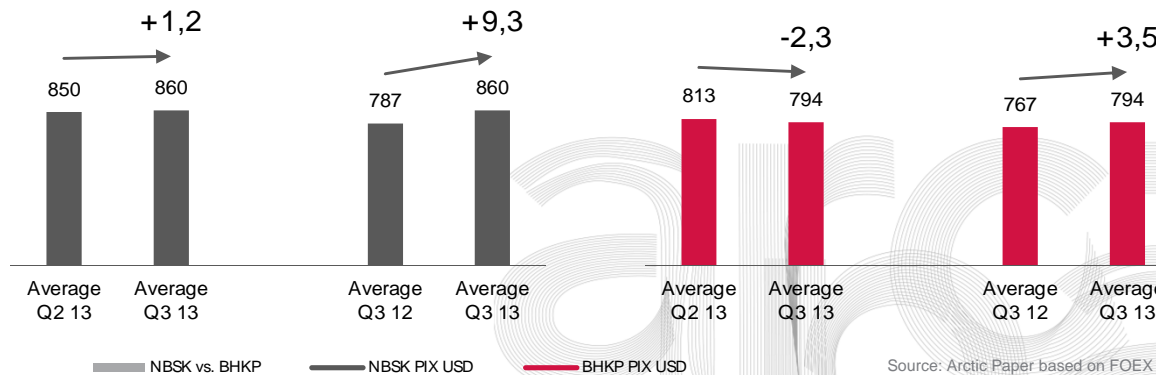
Source: Arctic Paper based on RISI data

- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from June 2013 to September 2013 within the range of -3,3% to -1,1%, while in the CWF segment from -4,7% to +0,8%.

Pulp prices



- ▶ As at the end of September pulp prices were at USD 871 per ton for NBSK and USD 774 per ton for BHKP. The average price for NBSK in Q3 2013 was 9,3% higher than in the corresponding period of 2012, while BHKP was up by 3,5%. In Q3 2013 average NBSK pulp price was 1,2% higher while BHKP pulp price was 2,3% lower than in Q2 2013.
- ▶ The average cost of pulp per ton for AP Group in Q3 2013, expressed in PLN, was up by 2,2% compared to Q2 2013 and up by 0,2% compared to Q3 2012.



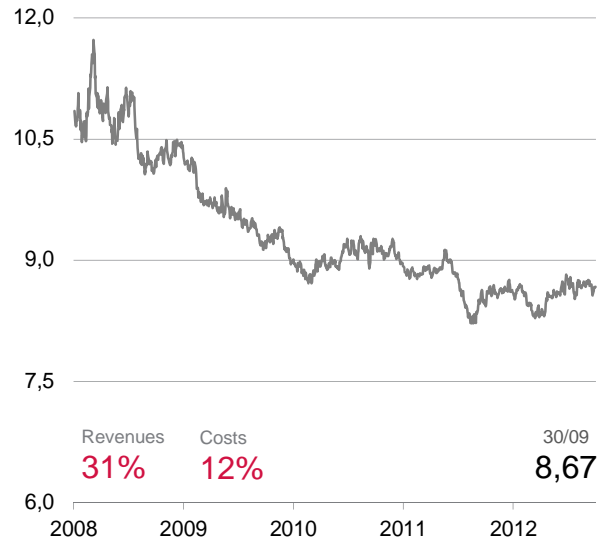
Source: Arctic Paper based on FOEX data.

Currency exposure

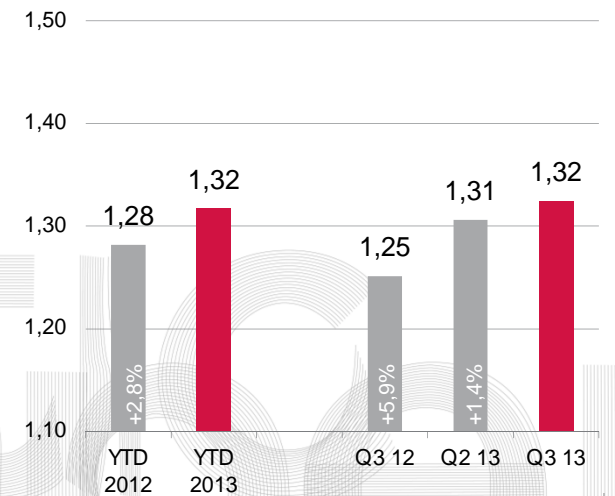
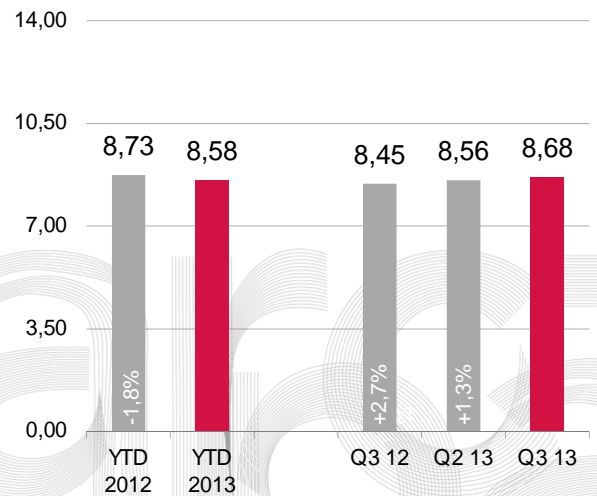
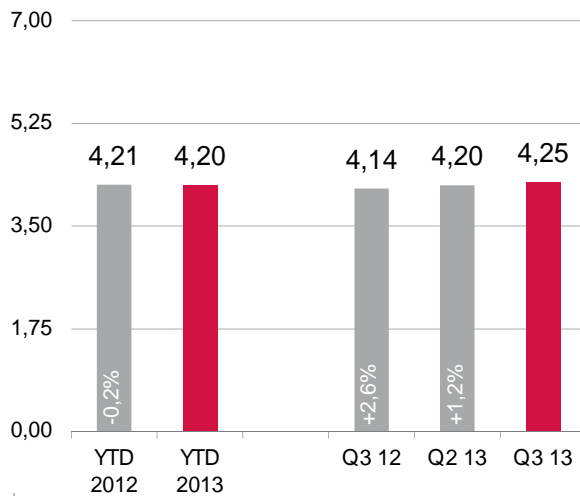
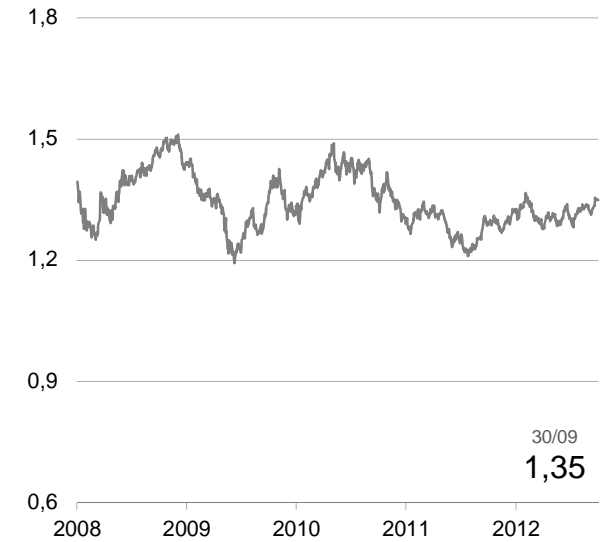
EUR/PLN changes



EUR/SEK changes



EUR/USD changes

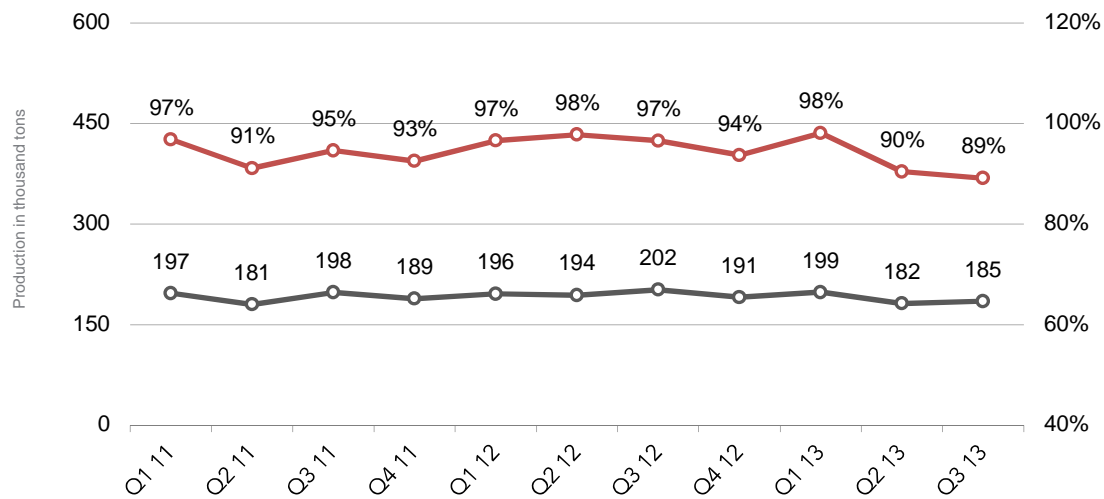




Operating and financial results

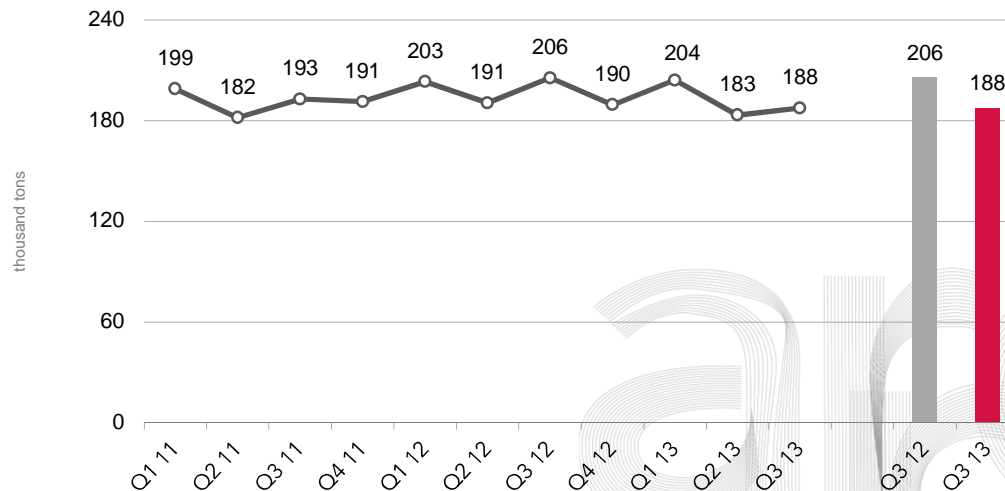
Production capacity and sales volume

Production and use of production capacity for all paper mills



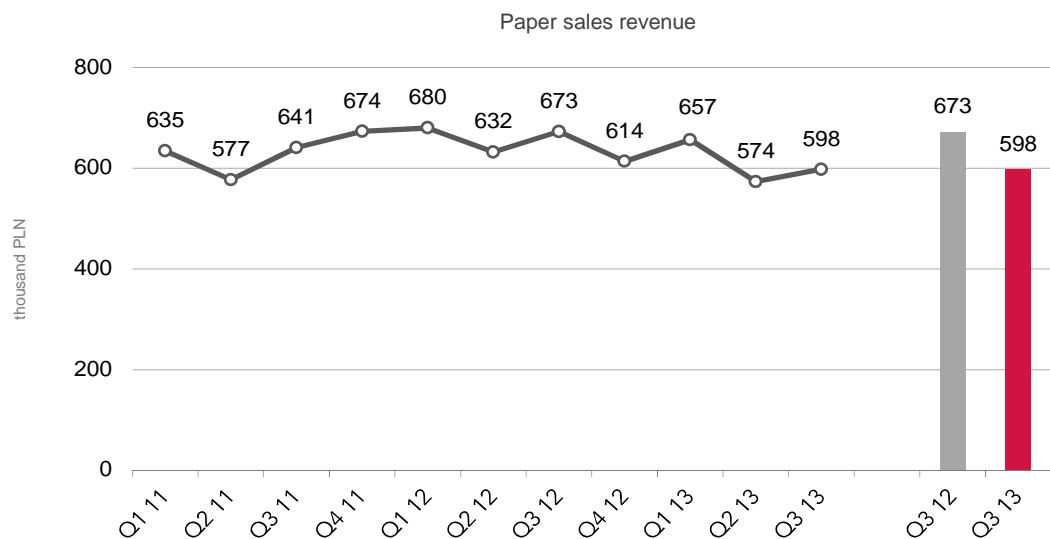
- ▶ In Q3 2013 use of production capacity for all Group paper mills was 89% and -1,3 p.p. lower than in Q2 2013 and -7,4 p.p. lower than in the corresponding period of 2012. The average use of production capacity in the last 12 months was 93%.
- ▶ In Q3 2013 production volume for all Group mills was 185 thousand tons and +1,8% higher than in Q2 2013 and -8,5% lower than corresponding period of 2012.

Paper sales volume

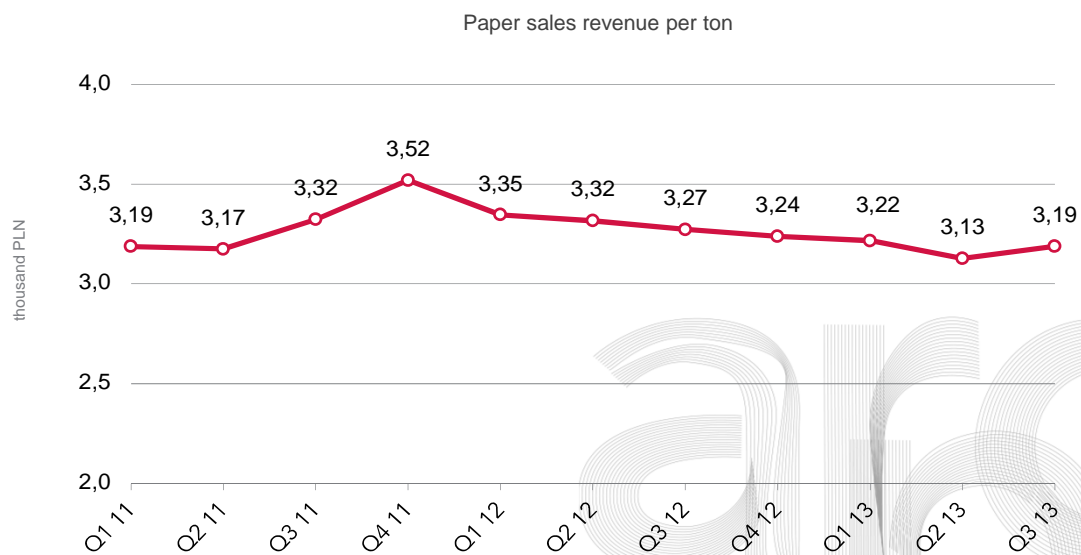


- ▶ In Q3 2013 the Arctic Paper Group noted decrease in sales volume compared to 2012 of -8,8% and on the YTD basis by -4,1%. Sales volume in Q3 2013 was 188 thousand tons and in the 9 months 575 thousand tons.

Paper sales revenue and revenue per ton



- ▶ Arctic Paper Group paper sales revenue in Q3 2013 was PLN 598m, representing increase of +4,3% compared to Q2 2013 and decrease of -11,1% compared to Q3 2012. On the YTD basis our revenues reached the level of PLN 1.829m and were lower than 2012 figures by -7,9% .



- ▶ In Q3 2013 paper revenue per tonne, expressed in PLN, was PLN 3,19k, which represents increase of +2,0% compared to the result achieved in Q2 2013 and decrease of -2,6% compared to Q3 2012. On the YTD basis revenue per ton reached PLN 3,18k and was 4,0% lower than in 2012.

Key consolidated figures

(PLN thousands)	Q3 2013	Q3 2012	Q2 2013	YTD Q3 2013	YTD Q3 2012
Paper sales volume (000' tonnes)	188	206	183	575	600
Pulp sales volume (000' tonnes)	83	0	88	256	0
Revenues	784 000	680 723	763 668	2 370 007	2 009 584
Gross profit on sales	79 910	104 777	-7 812	161 965	317 897
% margin	10,2	15,4	-1,0	6,8	15,8
EBITDA	23 549	41 845	3 346	59 263	133 618
% margin	3,0	6,1	0,4	2,5	6,6
EBIT	-7 046	10 501	-95 148	-101 881	41 562
% margin	-0,9	1,5	-12,5	-4,3	2,1
Net result	-15 291	-1 483	-91 852	-113 223	16 168
% margin	-2,0	-0,2	-12,0	-4,8	0,8
Net operating cash flow	28 167	9 015	22 407	-24 478	71 500
Capital expenditures	26 913	14 631	24 406	76 521	35 231
Cash and equivalents	103 884	134 872	134 578	103 884	134 872
Total assets	1 869 263	1 811 222	1 959 916	1 869 263	1 811 222
Capital employed	952 555	996 641	958 441	952 555	996 641
Total equity	724 333	676 931	736 030	724 333	676 931
Net debt	391 044	317 734	405 885	391 044	317 734
Earnings per share (PLN)	-0,22	-0,03	-1,33	-1,63	0,29
Equity / assets ratio (%)	39	37	38	39	37
Net debt / equity ratio (%)	54	47	55	54	47
Net debt / EBITDA (times)	5,33x	1,71x	4,43x	5,33x	1,71x

Q3 2013 paper sales volume higher than in Q2 2013 (+2,3%) and revenues higher by +2,7% (of which -5,4% is Rottneros revenue decrease and +5,2% the paper segment revenue increase).

Q3 2013 gross profit margin on higher level in comparison to negative Q2 2013 and lower by -24% comparing to Q3 2012.

Q3 2013 EBITDA higher by PLN 22,2m compared to Q2 2013 and lower by PLN -18,3m compared to Q3 2013.

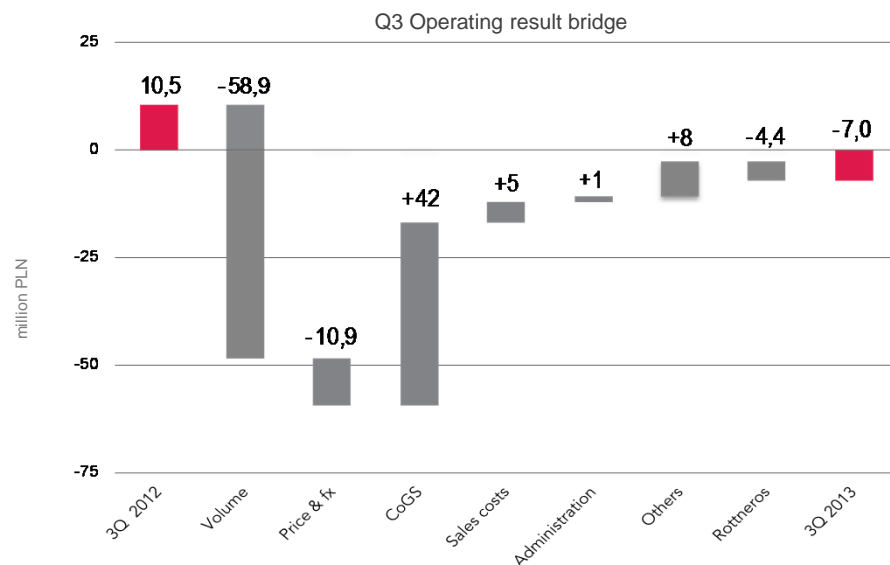
Positive operating cash flow in the Q3 2013.

Capex under control.

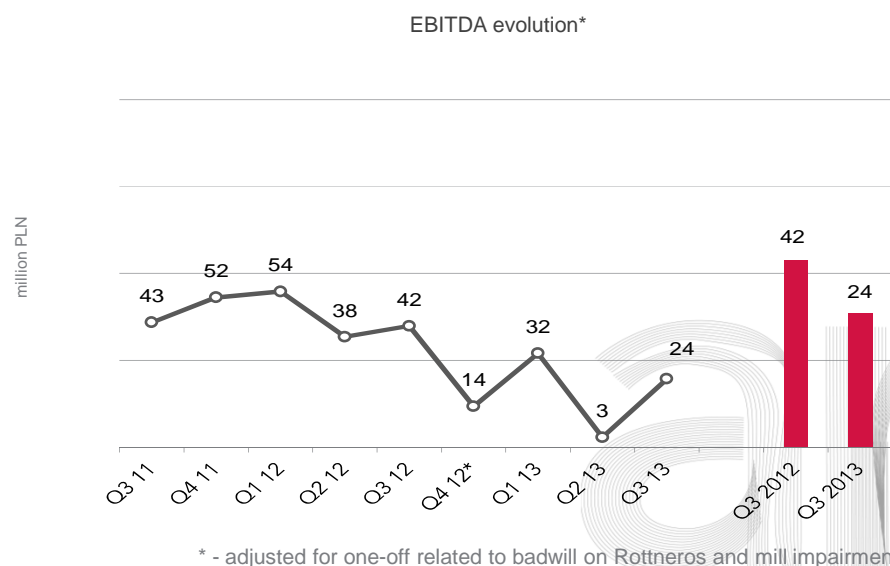
Cash lower by PLN 30,7m comparing to Q2 2013.

Net debt decreased compared to Q2 2013 by PLN -14,8m (-3,7%).

Operating result and EBITDA



- ▶ Operating result for the Q3 2013 reached level of PLN -7,0m compared to PLN 10,5m in the corresponding period of 2012. Main contributor to such a decrease was lower volume (PLN -58,9m) and price&fx effect (PLN -10,9m). Part of that was offset by a positive effect from CoGS 42% (mainly due to lower volume). Sales costs, administration and others in total gave positive effect of PLN +14,2m. Rottneros impact on the operating results for that period was negative PLN -4,4m.



- ▶ In Q3 2013 EBITDA of Arctic Paper Group noted significant increase compared to Q2 2013, mainly due to higher sales volume than in Q2 2013 and higher average sales price. Comparing to Q3 2012 achieved EBITDA was lower by PLN -18,3m, mainly due to lower sales volume (-9%).



Summary
of the third quarter
of 2013

The third quarter of 2013 in brief

Market environment

- ▶ Continued weak demand for fine papers in Europe in Q3 2013 (-1,1% compared to Q3 2012 and -6,8% on the YTD basis).
- ▶ Continued decline of market paper prices in the third quarter of 2013 for UWF (-1,9% compared to Q2 2013) and for CWF (-1,7% compared to Q2 2013).
- ▶ Further increase of pulp prices in Q3 2013 compared to the previous quarter for NBSK (+1,2%) and decrease for BHKP (-2,3%).
- ▶ Unfavorable influence of exchange rate, still very strong SEK compared to 2012.

Arctic Paper Group

- ▶ In the three quarters of 2013 Arctic Paper lost 4,1% compared to decline of graphical markets in Europe of about minus 6,8%. Arctic Paper gained market shares all over Europe.
- ▶ The demand situation was reflected in lower prices, Arctic Paper average price expressed in PLN was PLN 3,19k, which represents increase of +2,0% compared to the result achieved in Q2 2013.
- ▶ Use of production capacity for all Group paper mills in the three quarters of 2013 on the level of 93% (565,7 thousand tons).
- ▶ Higher EBITDA result in comparison to Q2 2013 mainly due to higher sales volume and sales prices.



Thank you

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