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Arctic Paper results
for 4th quarter of 2010

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Warsaw, 2 March 2011



ARCTIC PAPER

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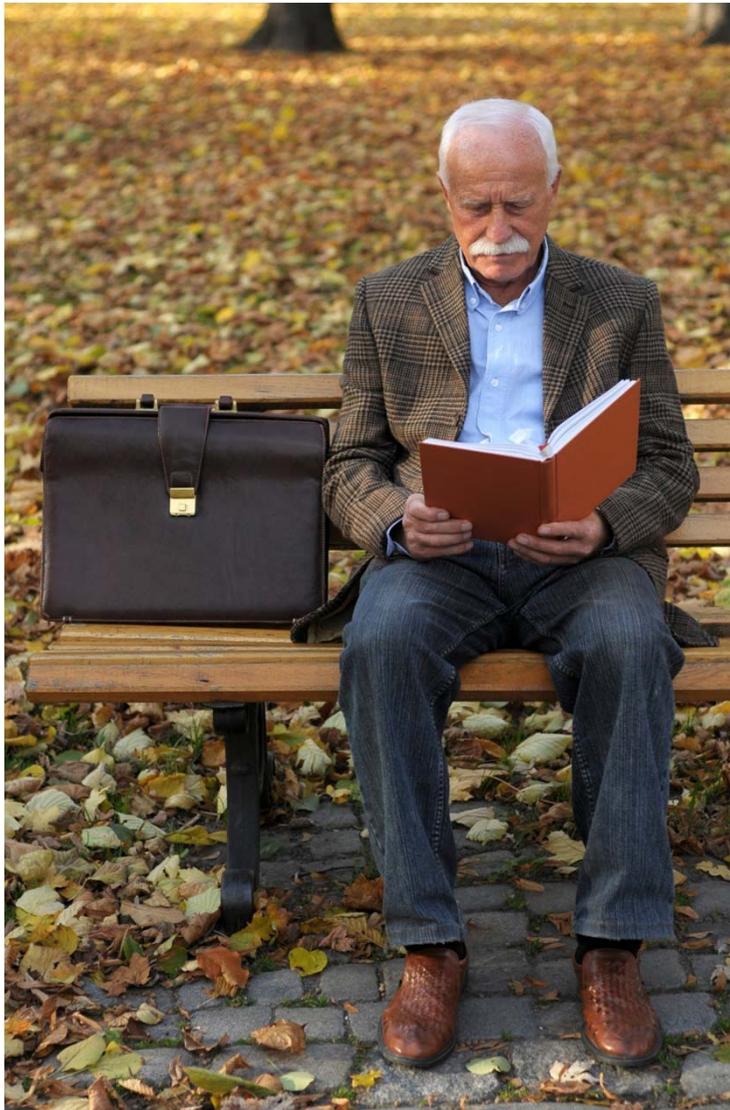
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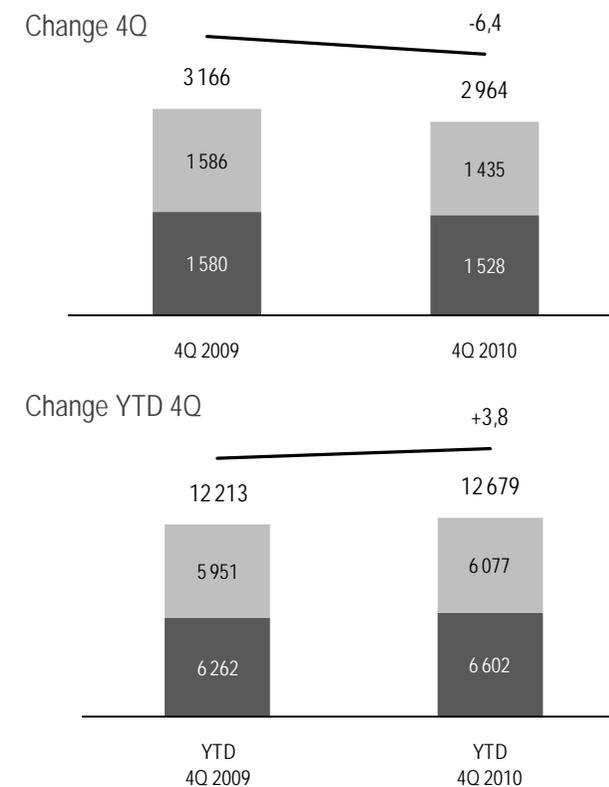
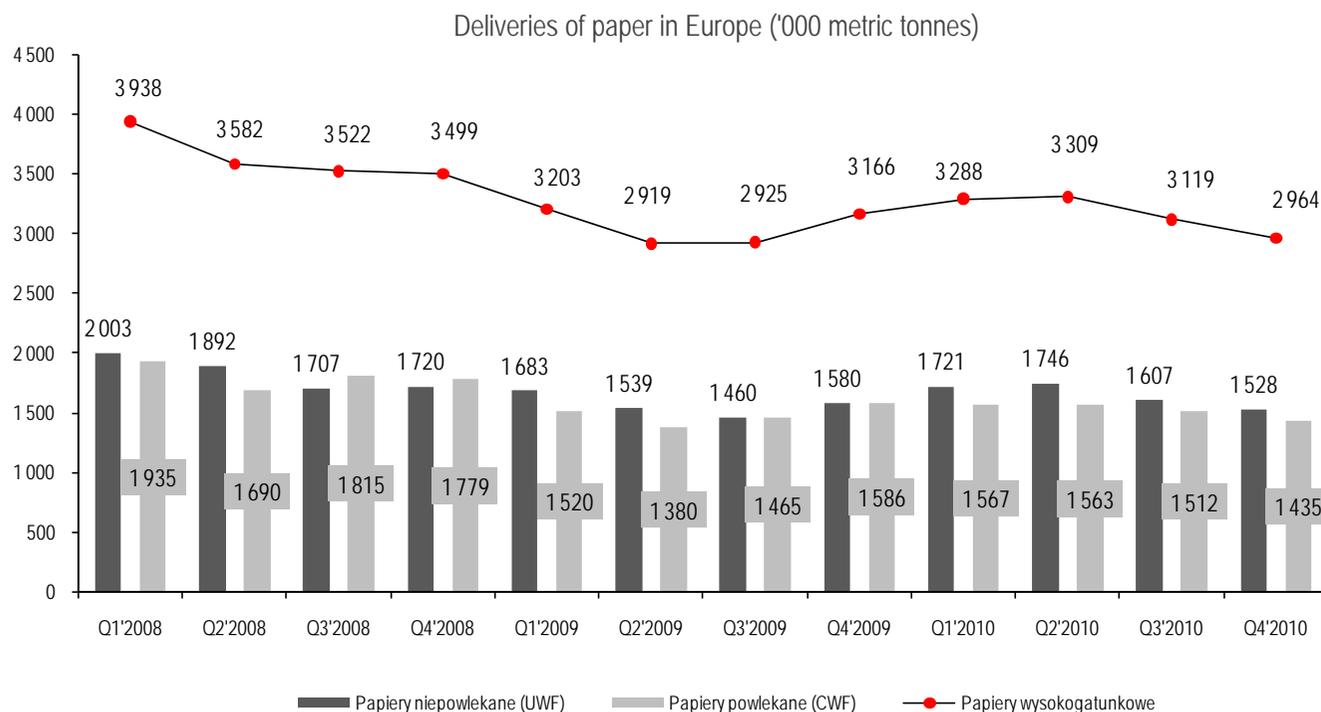
Agenda



- Market environment
- Financial results
- Summary
- Additional slides

Market environment

Deliveries of fine paper in Europe



- ▶ Deliveries of fine paper on the European market in 2010 were about 3.8% higher than in 2009. During this period, deliveries in the uncoated wood-free (UWF) segment were up 5.4%, and in the coated wood-free (CWF) segment up 2.1%.
- ▶ Deliveries of fine paper in 4Q 2010 were 6.4% lower than in 4Q 2009 and 5% lower than in 3Q 2010.
- ▶ Arctic Paper Group did not observe a significant decline in the influx of orders, but sales volume in 4Q 2010 was down 3.8% from 3Q 2010 and down 4.2% from 4Q 2009 (LFL, excluding AP Grycksbo).

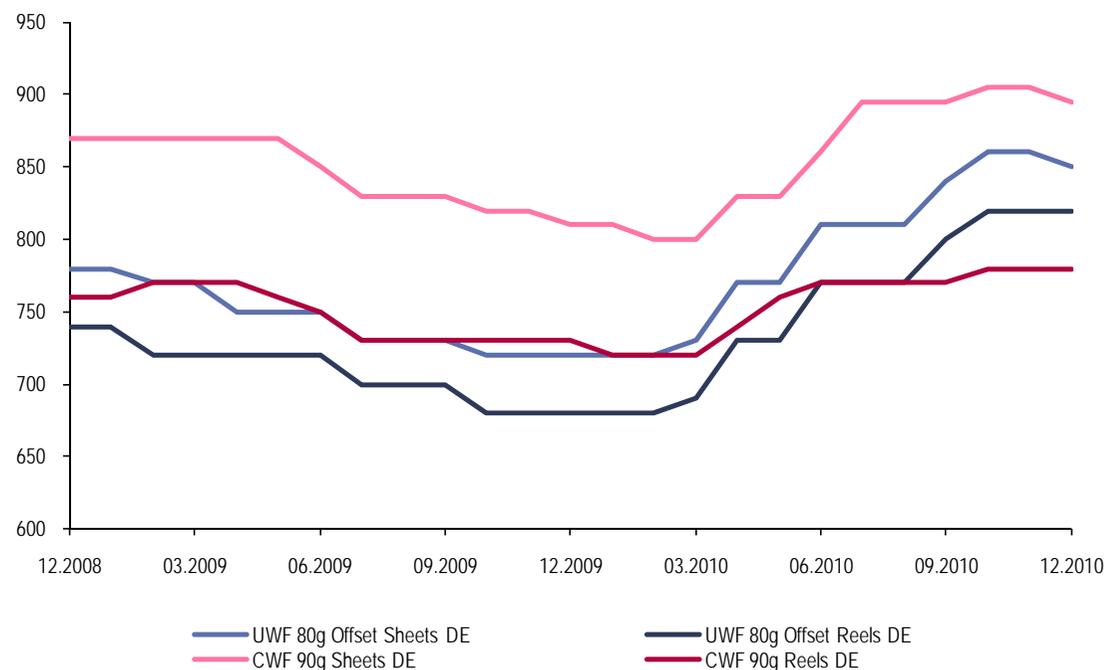


Market environment

Fine paper prices

- ▶ In 4Q 2010 there was a stabilization in prices of fine paper, although modest declines in paper prices were noted for selected markets and paper types.
- ▶ From March through December 2010 the prices declared by producers of uncoated wood-free paper (UWF) for selected markets – France, Germany, Italy, Spain and the UK – expressed in EUR and GBP, rose by an average of 15% to 17%.
- ▶ During the same period prices of coated wood-free paper (CWF) rose by an average of 11%.
- ▶ Arctic Paper Group continued to implement increases in paper prices for both segments produced, UWF and CWF.
- ▶ The prices invoiced by Arctic Paper in EUR for comparable products in the UWF segment rose from March through December 2010 by an average of c. 17%, and in the CWF segment by an average of 11 – 14%.
- ▶ Beginning from the second half of March 2011, Arctic Paper Group plans to implement price increases for all types of paper, on all sales markets, by 5% to 8%.

Graphic paper prices in EUR - German market



- ▶ The chart above presents changes in prices for fine paper for the German market, which illustrate trends visible on key markets and segments in which the Arctic Paper Group operates.

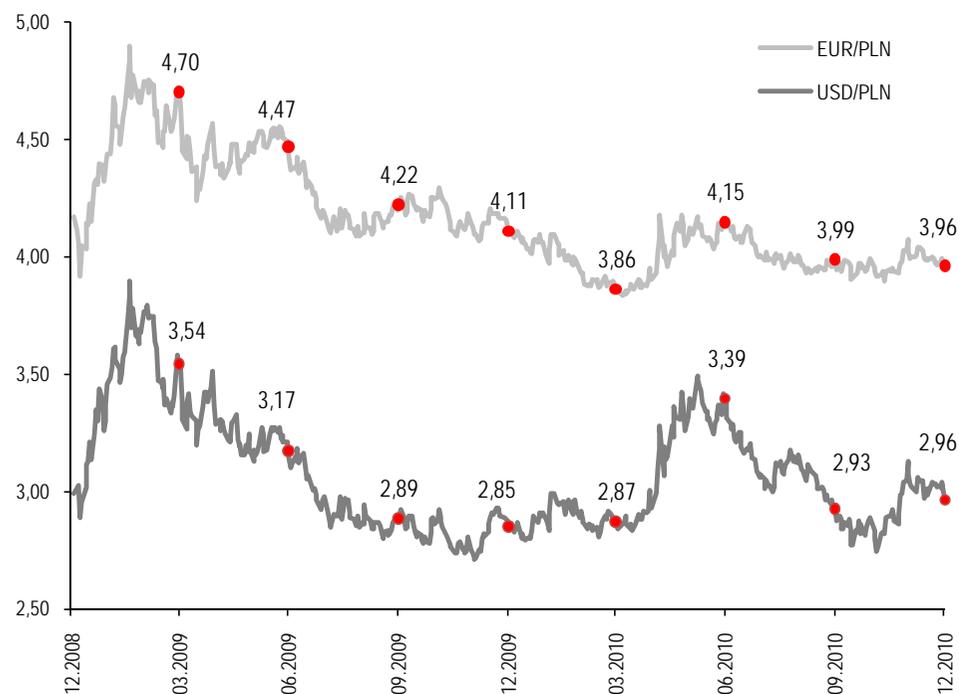
Source: For market information - RISI, changes in maximum prices for German market in EUR for graphic papers similar to the product portfolio of the Arctic Paper Group. Prices are quoted before customer-specific discounts and do not reflect any types of supplements or reductions from publicly available list prices. Price estimates for a given month reflect orders placed in that month. Shipment may occur in a future month. Thus, for a given month, price estimates by RISI reflect the orders placed in that month, not necessarily the shipments in that month. For Arctic Paper products, average invoiced paper prices for all markets in EUR..



Market environment

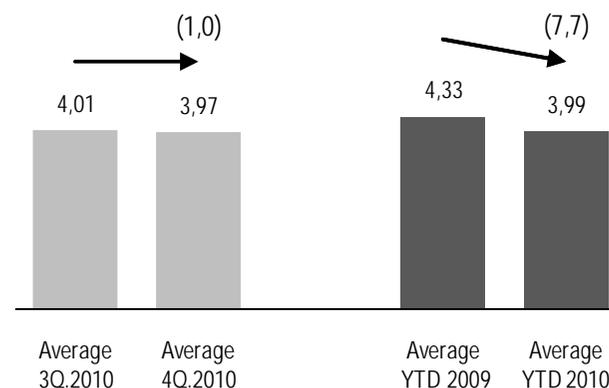
Exchange rates

Changes in exchange rate EUR and USD vs. PLN

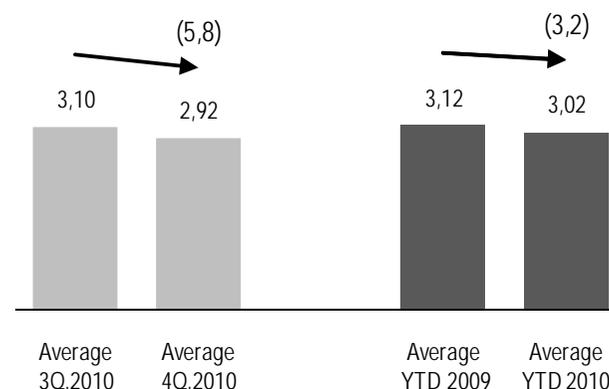


- ▶ In 4Q 2010 the average EUR/PLN exchange rate was 1% lower than in 3Q 2010. In 2010 as a whole, the average rate was 7.7% lower than in 2009. The direction of changes in the EUR/PLN exchange rate had an unfavourable impact on revenues generated by the plant in Kostrzyn.
- ▶ In 4Q 2010 the average USD/PLN exchange rate was 5.8% lower than in 3Q 2010. In 2010 the average USD/PLN exchange rate was 3.2% lower than in 2009. This had a positive impact on costs pegged to USD, particularly pulp costs at the Kostrzyn plant.

PLN/EUR

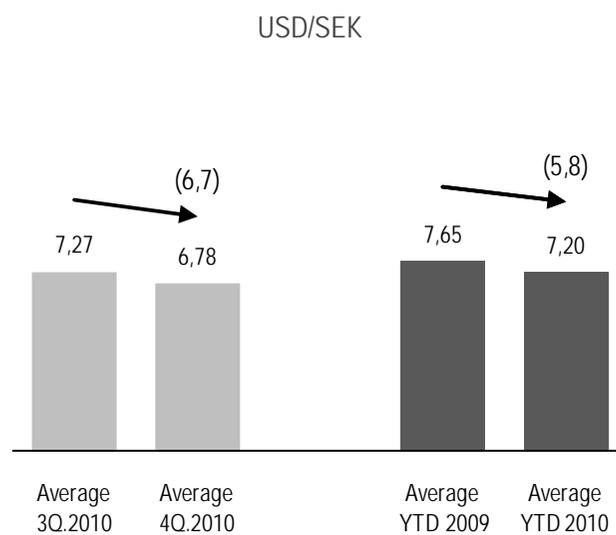
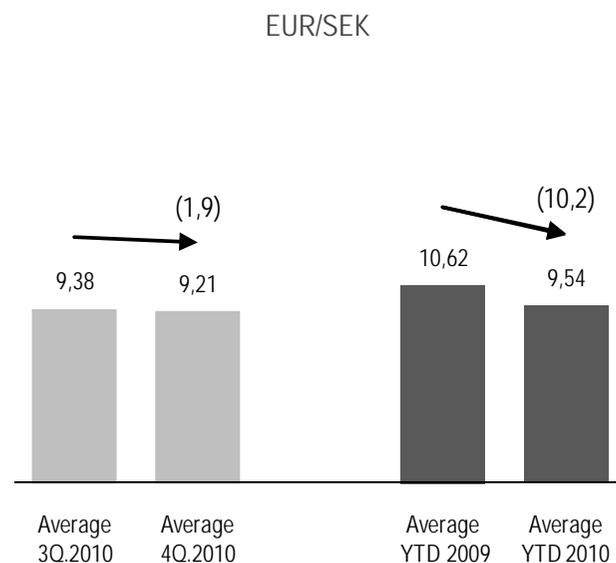
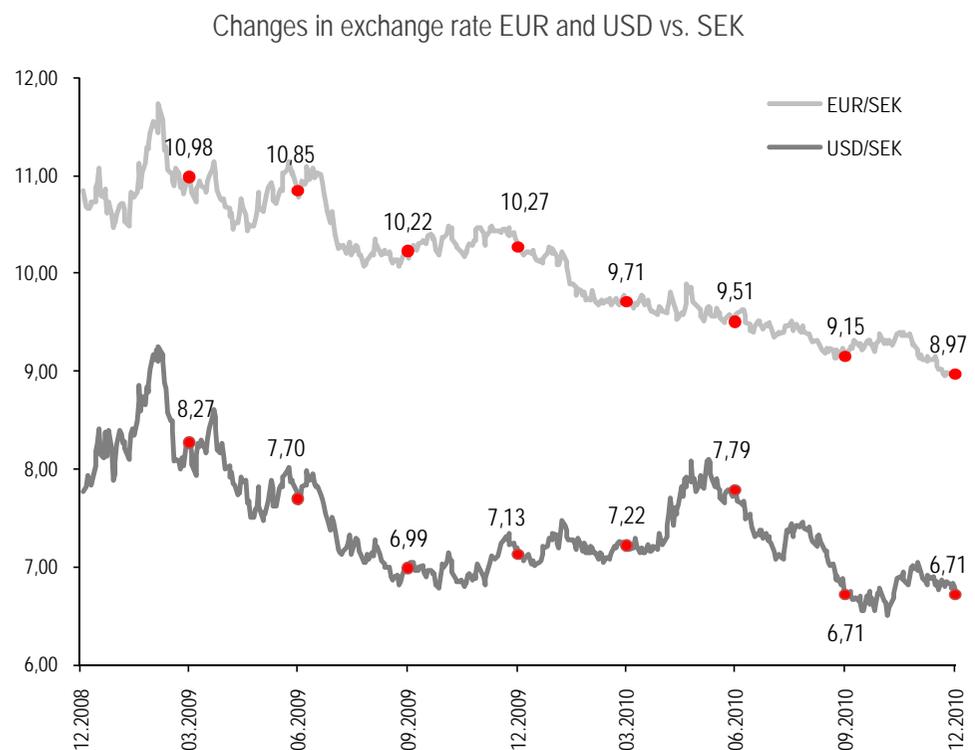


PLN/USD



Market environment

Exchange rates

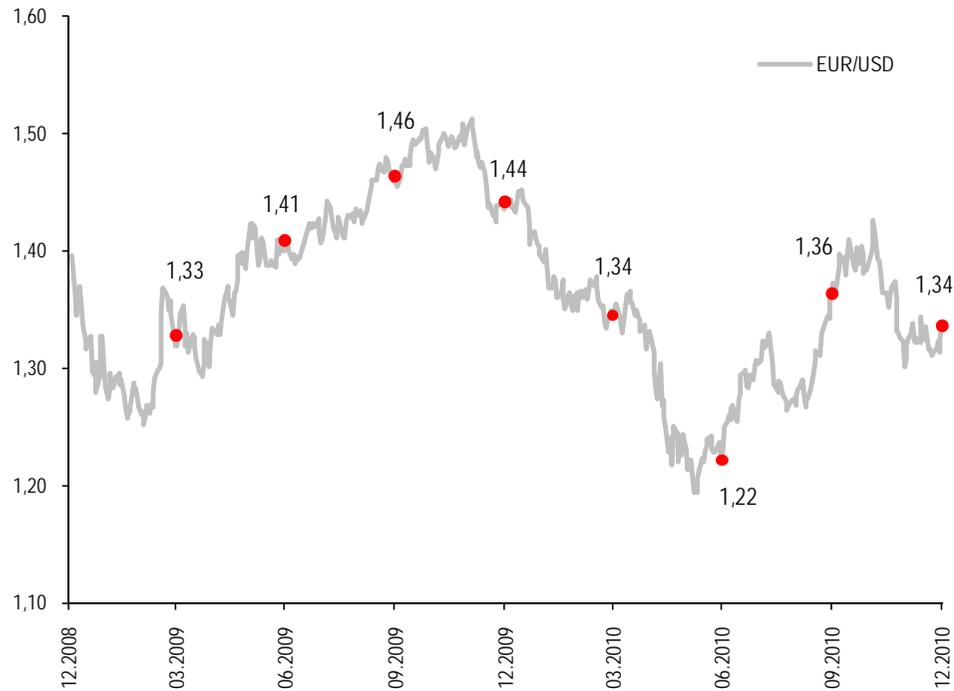


- ▶ In 4Q 2010 the EUR/SEK exchange rate was 1.9% lower than in 3Q 2010. In 2010 as a whole the rate was 10.2% lower than in 2009. This had a decidedly negative impact on revenues generated on the European market by the plants in Sweden.
- ▶ In 4Q 2010 the USD/SEK exchange rate was 6.7% lower than in 3Q 2010. In 2010 the rate was 5.8% lower than in 2009. This change had a favourable impact on costs incurred in USD by AP Munkedals and AP Grycksbo, particularly pulp costs.

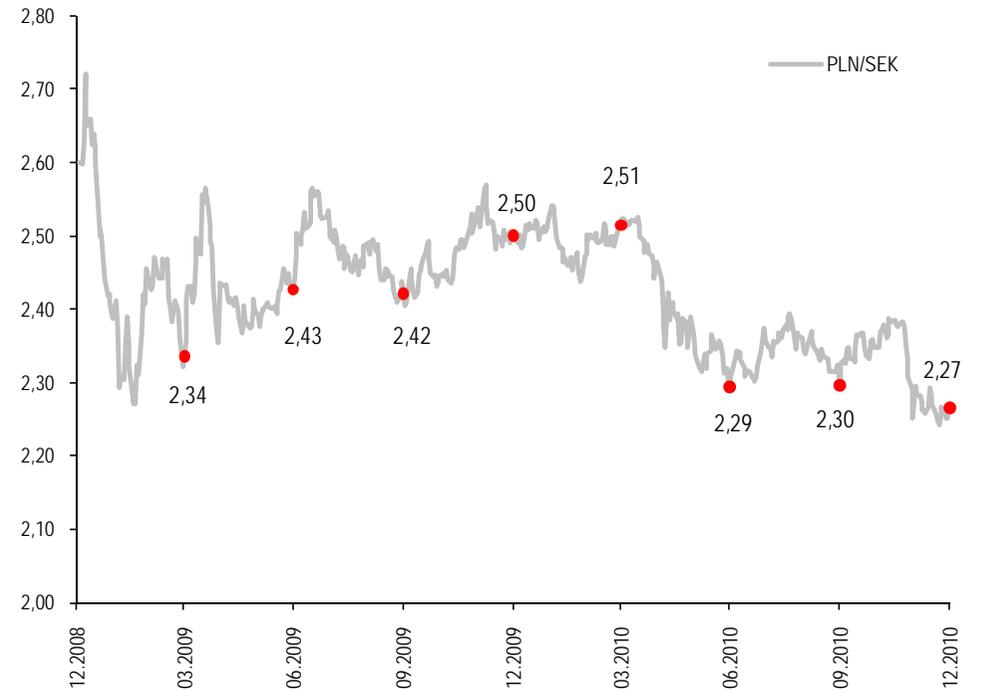
Market environment

Exchange rates

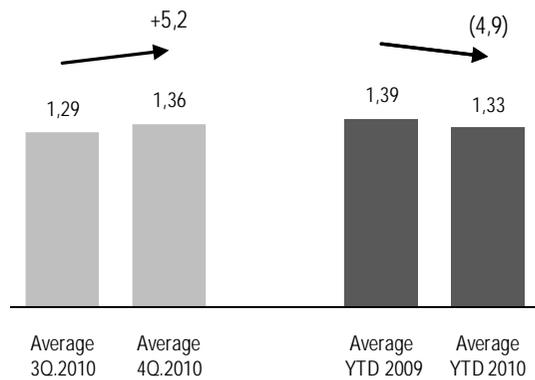
Changes in exchange rate EUR vs. USD



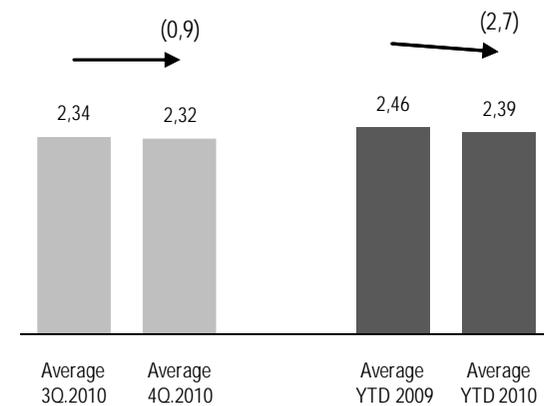
Changes in exchange rate PLN vs. SEK



EUR/USD

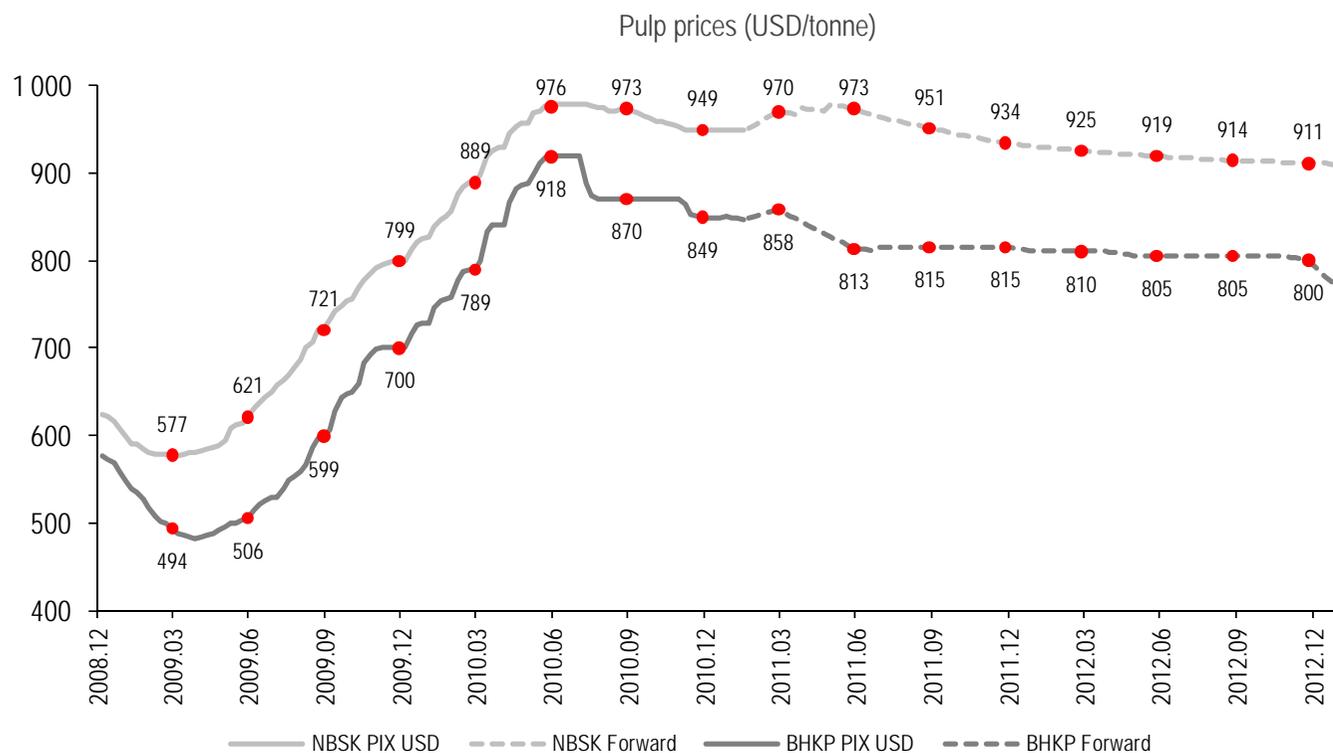


PLN/SEK



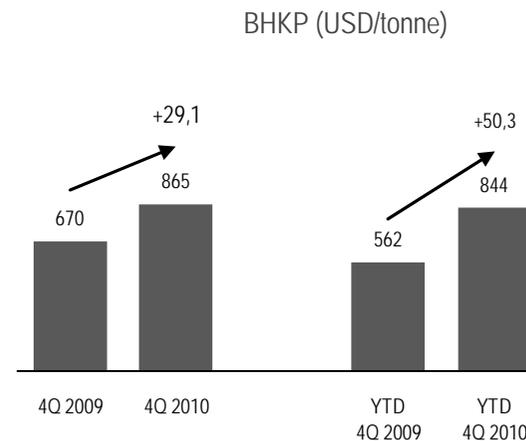
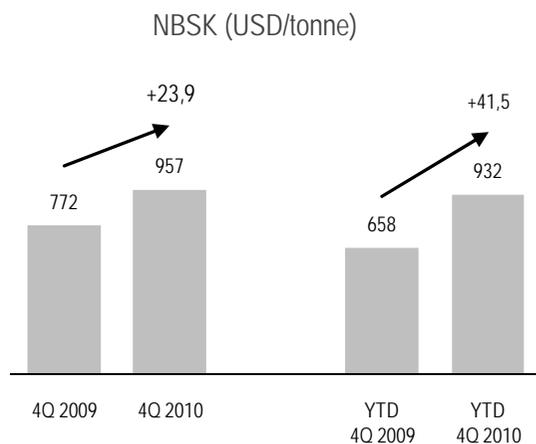
Market environment

Pulp prices



▶ As of the end of 4Q 2010 pulp prices were at USD 949 per tonne for NBSK and USD 849 per tonne for BHKP. The average price for NBSK in 4Q 2010 was almost 24% higher than in 4Q 2009, and BHKP was up over 29%. For the year as a whole the average price of pulp was up 41.5% for NBSK and 50.3% for BHKP.

▶ The forward curve indicates an expected stabilization of pulp prices on high levels.



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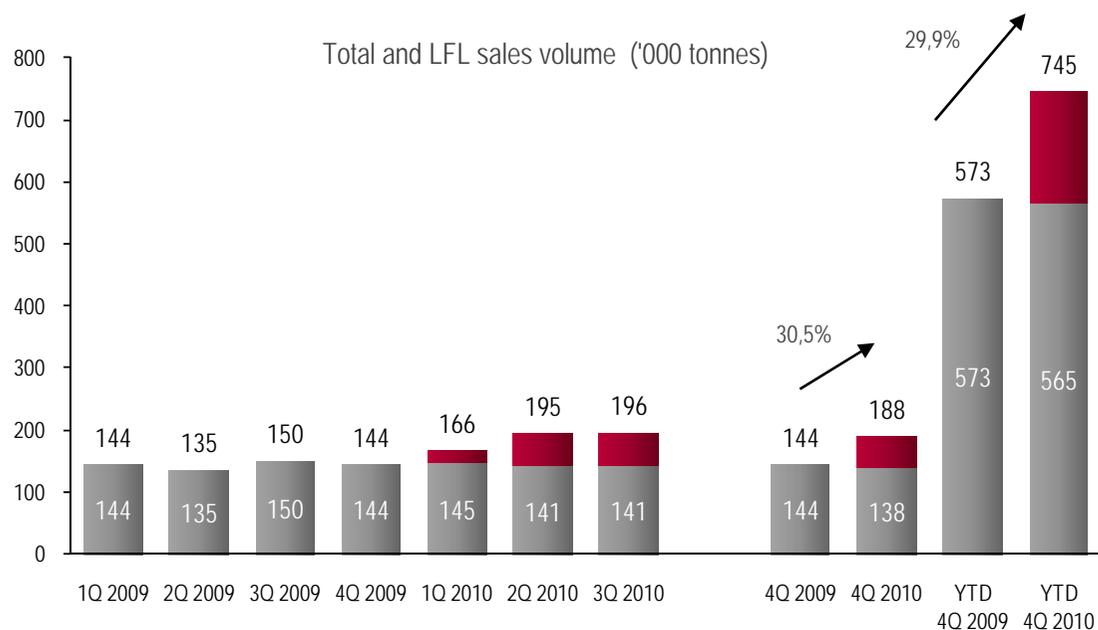
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Financial results

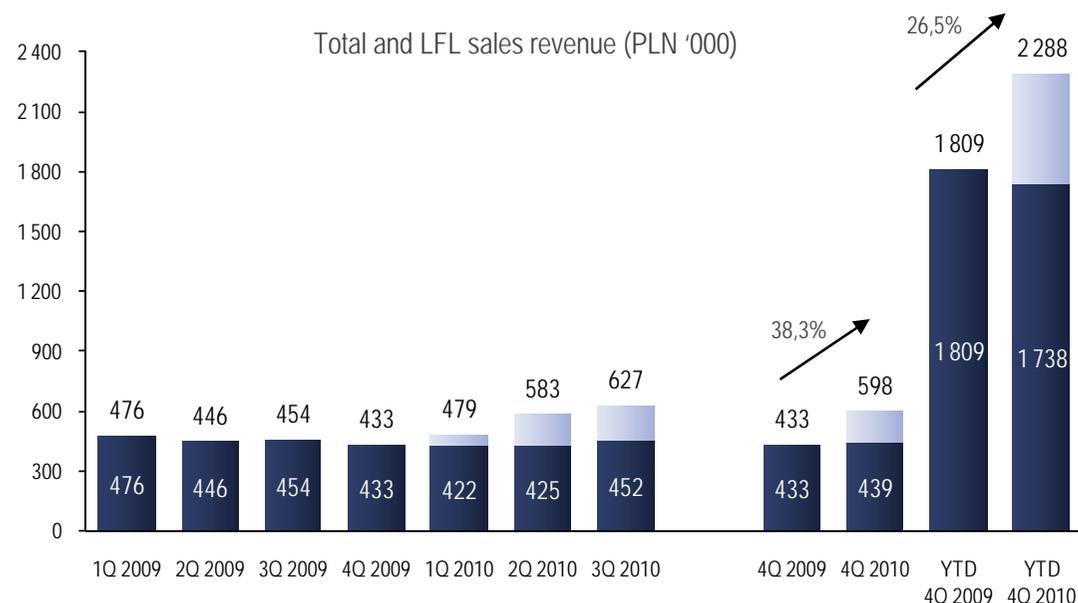
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Financial results

Sales volume and revenue



- ▶ In 4Q 2010 and for the year as a whole AP Group observed growth in sales volume compared to 2009 of about 30%. Sales volume in 4Q 2010 was 188,000 tonnes, down slightly from 3Q 2010 (-3.8%).
- ▶ During the same period there was a decline in LFL sales volume (i.e. excluding AP Grycksbo), by 4.2% in the quarter and 1.4% for the year. Excluding Grycksbo, in 4Q 2010 the Group sold some 138,000 tonnes, about 3,000 tonnes less than in 3Q 2010.



- ▶ AP Group sales revenues in 4Q 2010 were PLN 598 mln, representing growth of 38.3% compared to 4Q 2009, and YTD PLN 2,288 mln, representing growth of 26.5%. Revenues in 4Q 2010 were down 4.6% from revenues in 3Q 2010.
- ▶ LFL sales in 4Q 2010 were PLN 439 mln, 1.6% higher than in 4Q 2009. In 2010 LFL sales were down 3.9% from 2009.



Financial results

Main items on profit and loss statement

PLN'000	4Q 2010	3Q 2010	4Q 2009	4Q 2010 vs. 3Q 2010 Change %	4Q 2010 vs. 4Q 2009 Change %	YTD 4Q 2010	YTD 4Q 2009	YTD 4Q'2010 vs. YTD 4Q'2009 Change %
Revenues	598 302	627 122	432 769	-4,6%	38,2%	2 287 731	1 809 085	26,5%
Gross profit on sales <i>% of sales</i>	34 383 <i>5,7%</i>	77 281 <i>12,3%</i>	105 659 <i>24,4%</i>	-55,5% <i>-7 p.p.</i>	-67,5% <i>-19 p.p.</i>	257 129 <i>11,2%</i>	468 521 <i>25,9%</i>	-45,1% <i>-15 p.p.</i>
EBITDA <i>% of sales</i>	87 073 <i>14,6%</i>	25 405 <i>4,1%</i>	48 195 <i>11,1%</i>	242,7% <i>11 p.p.</i>	80,7% <i>3 p.p.</i>	146 294 <i>6,4%</i>	246 575 <i>13,6%</i>	-40,7% <i>-7 p.p.</i>
EBIT <i>% of sales</i>	25 876 <i>4,3%</i>	1 326 <i>0,2%</i>	30 909 <i>7,1%</i>	20 x <i>4 p.p.</i>	-16,3% <i>-3 p.p.</i>	17 680 <i>0,8%</i>	179 311 <i>9,9%</i>	-90,1% <i>-9 p.p.</i>
Net profit / loss <i>% of sales</i>	34 990 <i>5,8%</i>	-6 929 <i>-1,1%</i>	31 148 <i>7,2%</i>	-605,0% <i>7 p.p.</i>	12,3% <i>-1 p.p.</i>	28 816 <i>1,3%</i>	132 400 <i>7,3%</i>	-78,2% <i>-6 p.p.</i>
Earnings per share [PLN]	0,64	-0,13	0,69	n.a.	n.a.	0,53	2,92	n.a.

- ▶ Sales revenue was significantly higher than the previous year on a quarterly basis and for 2010 as a whole. Sales revenue was lower in 4Q 2010 than in 3Q 2010.
- ▶ In 2010 the profit on sales was almost 50% lower than in 2009, chiefly due to higher pulp costs.
- ▶ The financial results for 4Q 2010 were significantly impacted by settlement of the acquisition price for Grycksbo and a write-off for permanent impairment of value of Mochenwangen.
- ▶ There was a positive operating profit and net profit in the quarter as well as for 2010 as a whole.
- ▶ The results were significantly lower than those achieved in 2009.



Summary of 4th quarter of 2010

- ▶ Market conditions were similar to those in 3Q 2010, particularly with respect to paper prices and pulp prices.
- ▶ Production capacity was nearly entirely used, with a lower influx of orders than in 3Q 2010.
- ▶ Revenue per tonne of paper, in PLN, was similar, with lower LFL sales volume recorded in 4Q 2010.
- ▶ Profit on sales in the quarter was significantly lower due to higher fixed costs.
- ▶ Settlement of the acquisition price for Grycksbo (IFRS 3) had a strongly positive effect on EBITDA, EBIT and net profit.
- ▶ The write-off for permanent impairment of value of AP Mochenwangen had a negative impact on EBIT and net profit.



Thank you for your
attention



Michał Jarczyński, CEO

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Michał Bartkowiak, CFO

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Additional slides

Description of Arctic Paper Group

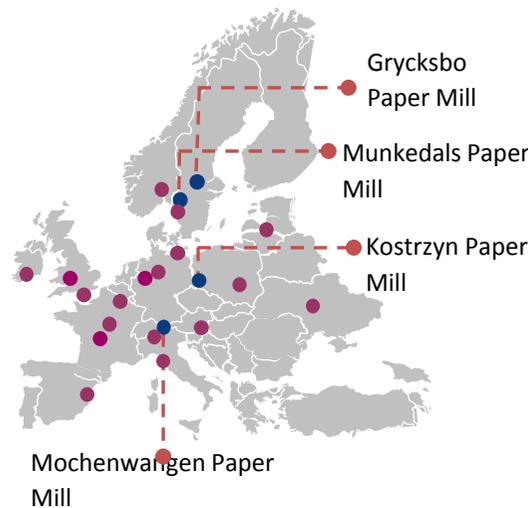
Key competitive advantages and information about Arctic Paper Group

Strong brand and leading position on the book paper market in Europe

- One of the leading manufacturers of high grade graphic paper in Europe
- Second-largest European manufacturer of uncoated bulky book paper
- Strong and recognisable brands synonymous with quality and environmentally friendly production processes

Large product range, flexible production process

- The largest product range in the book paper segment in Europe
- Non-integrated business model enabling rapid adjustment of the production process



Developed sales network

- Optimal geographical structure of revenues from the sales network covering almost every country in Europe
- Platform for expansion into Central & Eastern European countries, as well as Ukraine and Russia
- High share of direct sales

Productivity and optimal cost structure

- Good locations of our paper mills
- Investments in energy independence
- Location of the paper mill in Kostrzyn in a Special Economic Zone
- Growth potential through a gradual increase in production capacity
- Increase in mechanical pulp production at the paper mill in Mochenwangen

Experienced managerial staff

- Expert knowledge of the industry supported by many years of experience

● Paper Mills

● Distribution Companies and Sales Offices

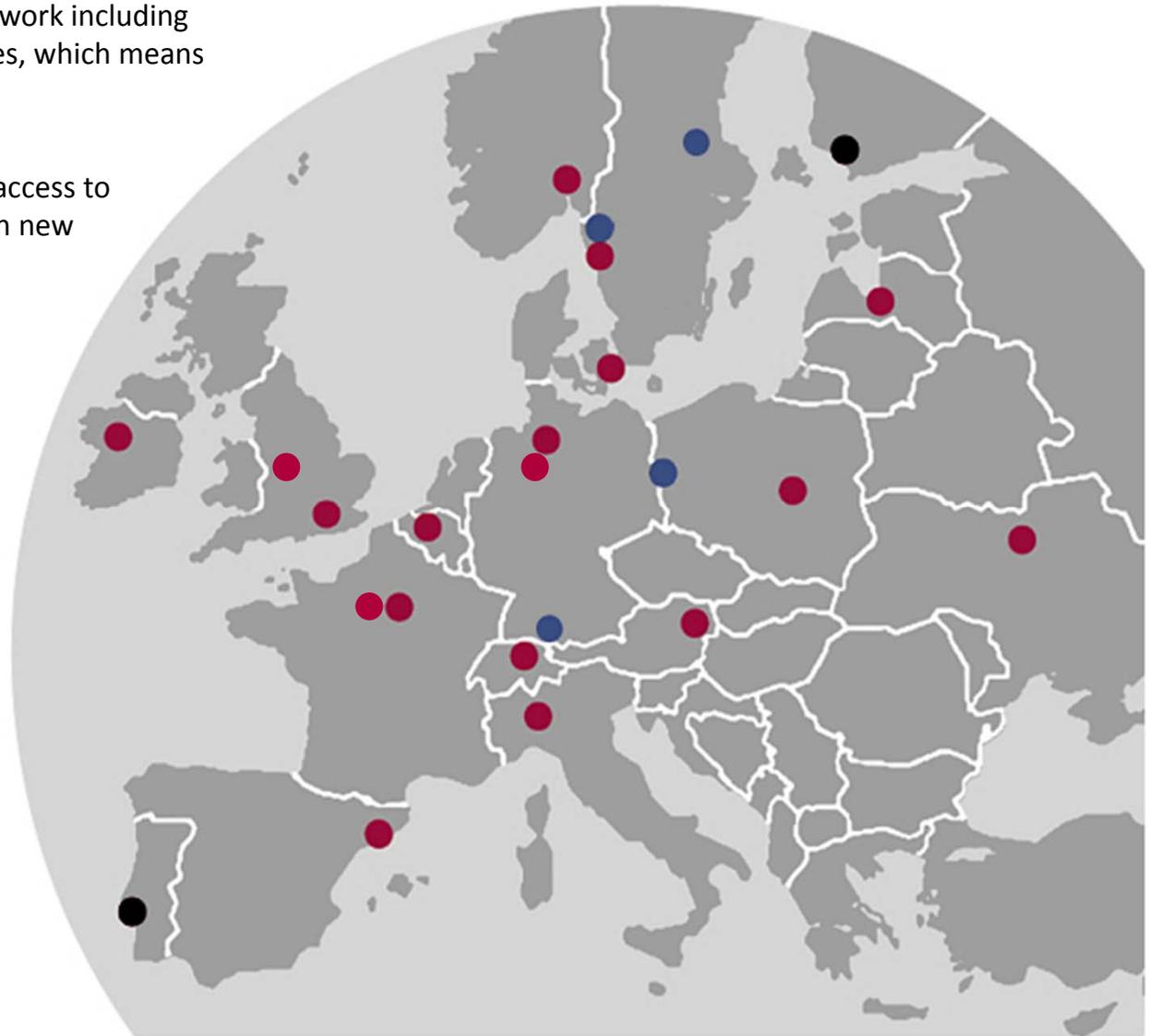


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Developed sales network

Close customer relationships and a better understanding of the changes ensuing on the market

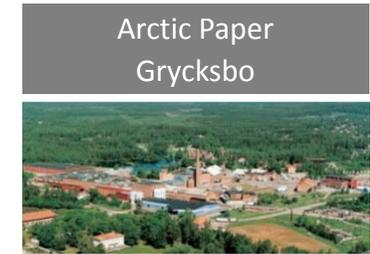
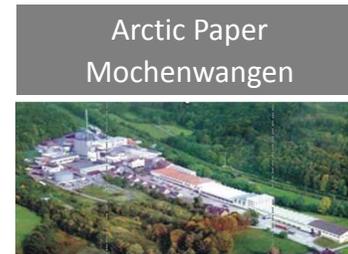
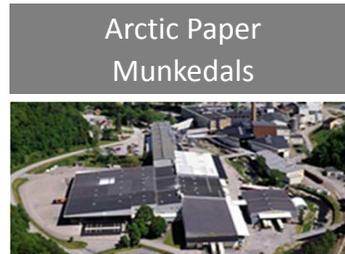
- Arctic Paper has its own developed sales network including 3 Distribution Companies and 15 Sales Offices, which means more than 130 sales staff working directly with our customers
- The coverage of the sales network provides access to almost all countries of Europe, including such new markets as Ukraine and Russia
- Effective sales model in difficult times assuring stability of revenues and minimisation of the risk of sales concentration
- Benefits:
 - ✓ Closer relations with customers
 - ✓ Better understanding of market needs
 - ✓ Greater control over the marketing and sales policy of our product
 - ✓ Ability to develop our brands
 - ✓ Greater awareness of the managerial staff and ability to rapidly adapt to changes in demand on the market



- Paper Mills
- Distribution Companies and Sales Offices
- Agents

Our paper mills

Efficiency and flexibility of production processes



	Arctic Paper Kostrzyn	Arctic Paper Munkedals	Arctic Paper Mochenwangen	Arctic Paper Grycksbo
Production capacity	275,000 tonnes per annum	160,000 tonnes per annum	115,000 tonnes per annum	265,000 tonnes per annum
Products	Uncoated wood-free paper Brand: Amber	Uncoated wood-free paper Mainly premium paper Brands: Munken and Amber	Bulky wood-containing paper Brands: Pamo and L-print	Coated wood-free paper Brands: G-Print and Arctic
Sources of energy	Full energy self-sufficiency Cogeneration (combined heat & power) station supplied with gas from local sources	All electricity purchased from grid. Heat generated from electricity or oil. Hydro-electric plant	Heat generated from coal. Half of electricity generated on site	All heat and one third of electricity generated on site from biomass
Location	Proximity to the markets of Western Europe and CEE	Proximity to Scandinavian markets	In the centre of the European printing market	Proximity to Scandinavian markets
Growth potential	Planned increase in production capacity to 310,000 t/a	Planned increase in production capacity to 175,000 t/a	Increase in mechanical pulp production from 52,000 tonnes to 70,000 t/a	Planned increase in production capacity up to 300,000 t/a
Additional information	Possibility of further increase of production capacity to 380,000 t/a, based on the existing infrastructure	Possibility of building a cogeneration station fuelled with biomass Measures taken to reduce the mill's operating costs	Planned closure of one production line while maintaining current production volume Optimization of sales structure for Pamo / L-Print	Integration of the mill within the Arctic Paper Group structures, including sales and marketing