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Arctic Paper results
for 3rd quarter of 2011

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ARCTIC PAPER

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This Presentation should be read together with the 2010 consolidated and unit report as well as the first half of 2011 and the third quarter of 2011 consolidated report.



Agenda

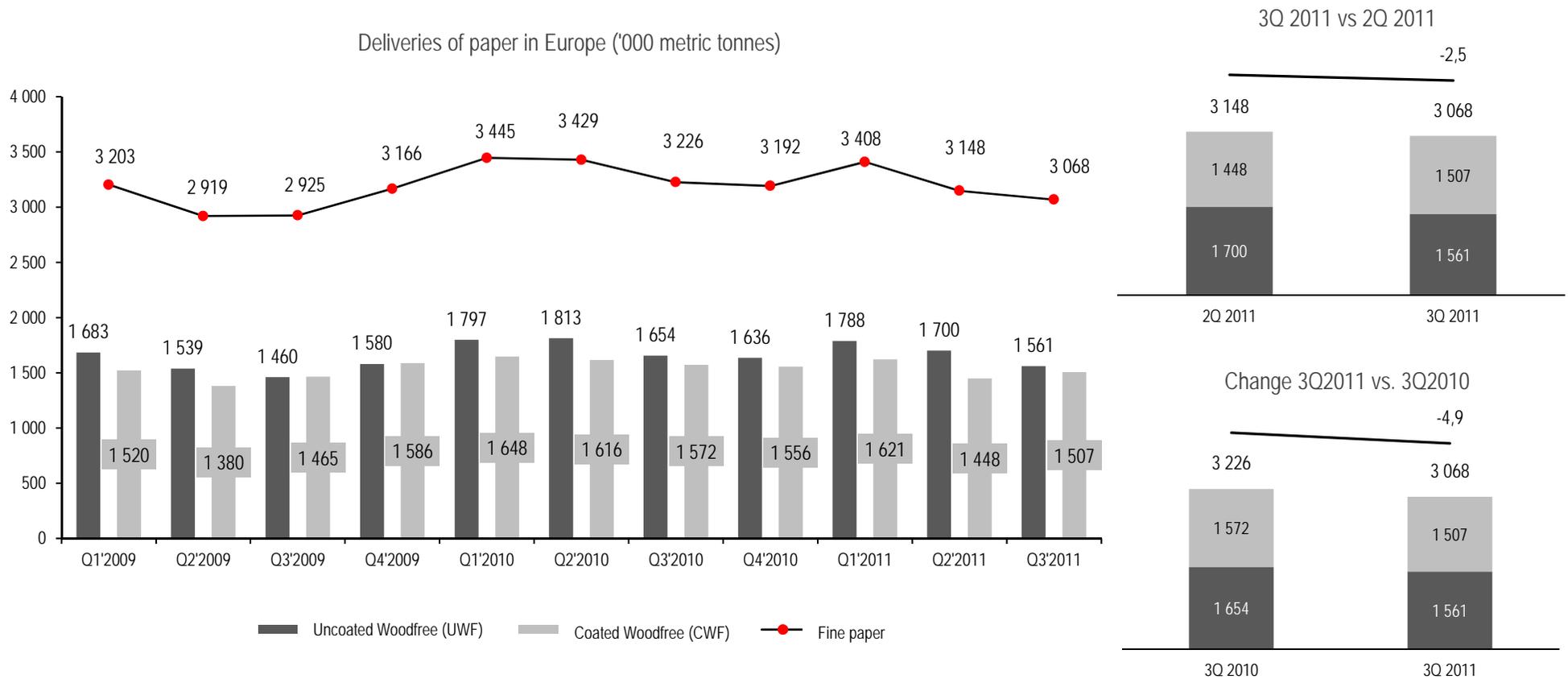


- Market environment
- Financial results
- Summary



Market environment

Deliveries of fine paper in Europe



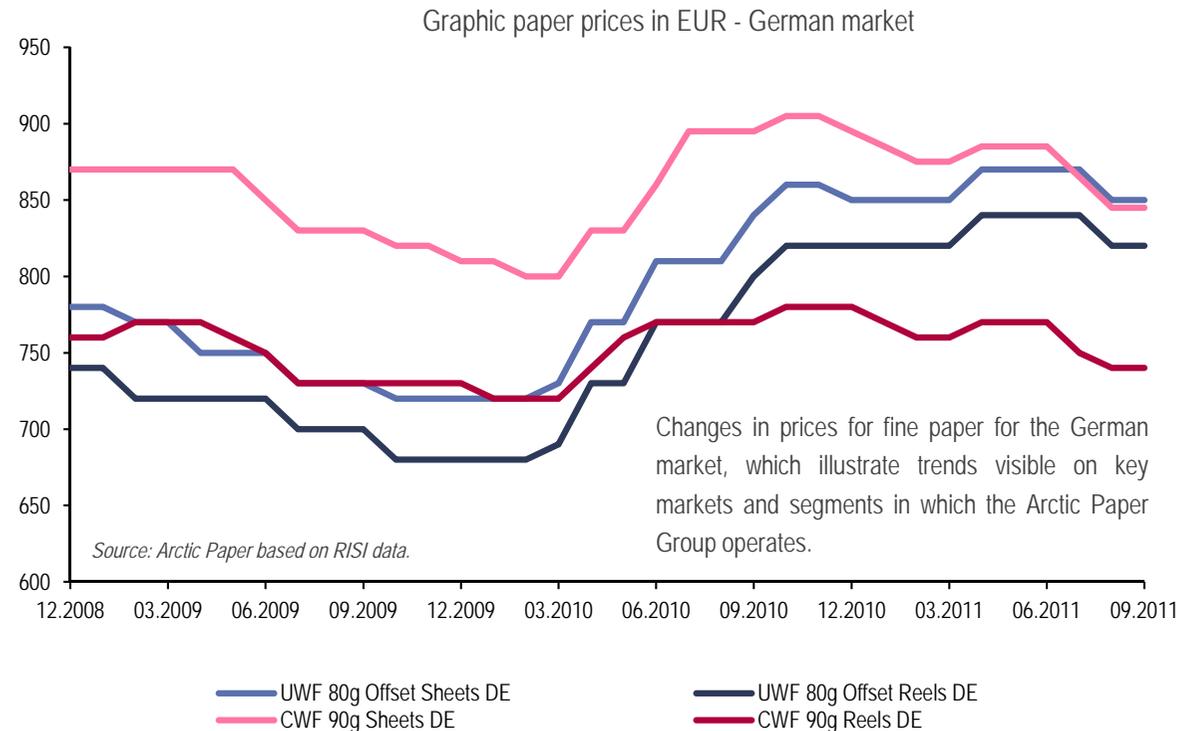
- ▶ In 3Q 2011 deliveries of fine paper in Europe were approx. 2.5% lower than in 2Q 2011 while 4.9% lower than in 3Q 2010. During this period, deliveries in the uncoated wood-free (UWF) segment were down accordingly by 8.2% and 5.6%, and in the coated wood-free (CWF) segment accordingly up by 4.1% and down by 4.1%.
- ▶ Deliveries of fine paper in three quarters of 2011 were 4.7% lower than in the corresponding period of 2010. UWF paper deliveries were 4.1% lower. The CWF segment deliveries were 5.4% down.
- ▶ In 3Q 2011 sales volume was 6.1% above 2Q 2011 and 1.4% below the corresponding period of 2010.



Market environment

Fine paper prices

- ▶ In 3Q 2011 prices of fine paper in Europe, due to the pressure of declining demand, experienced a significant decrease compared to the prices at the end of 2Q of 2011. The average decrease was 1.8% for UWF and 2.6% for CWF.
- ▶ The average prices for UWF paper at the end of this quarter remained at a level similar to the one at the end of 2010 while CWF paper were on the level lower by app. 4.2%
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from December 2010 to September 2011 within the range from -3% to +1%, while in the CWF segment from -6% to -1%. From June 2011 to September 2011 it was accordingly from -2.5% to 0.3% for UWF and from -2.5% to -0.2% for CWF.



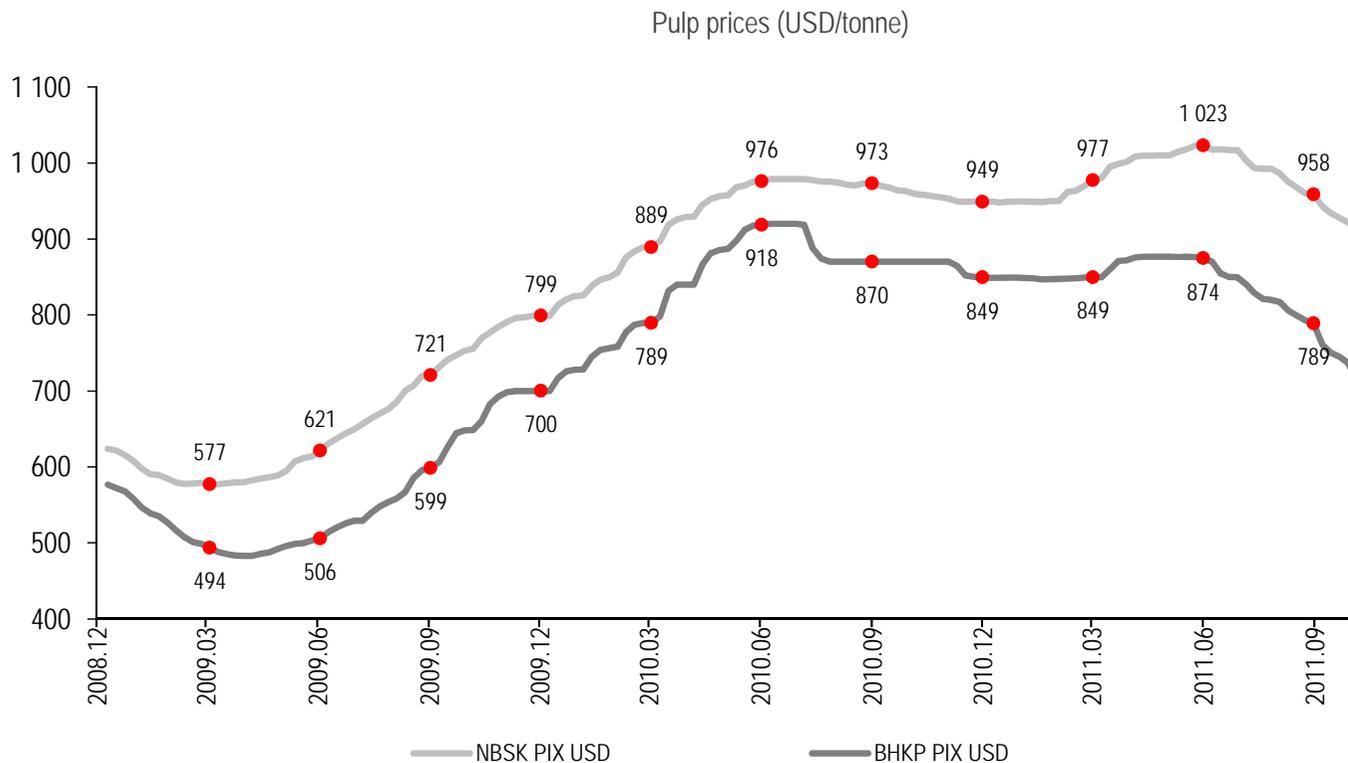
Change in prices for graphic paper in EUR and GBP - selected Western Europe countries

	09.2011 vs. 06.2011			09.2011 vs. 12.2010		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,1%	-1,8%	-2,4%	1,1%	-0,1%	-1,2%
CWF	-2,3%	-2,6%	-2,8%	-3,8%	-4,2%	-4,7%

Source: Arctic Paper based on RISI data.

Market environment

Pulp prices

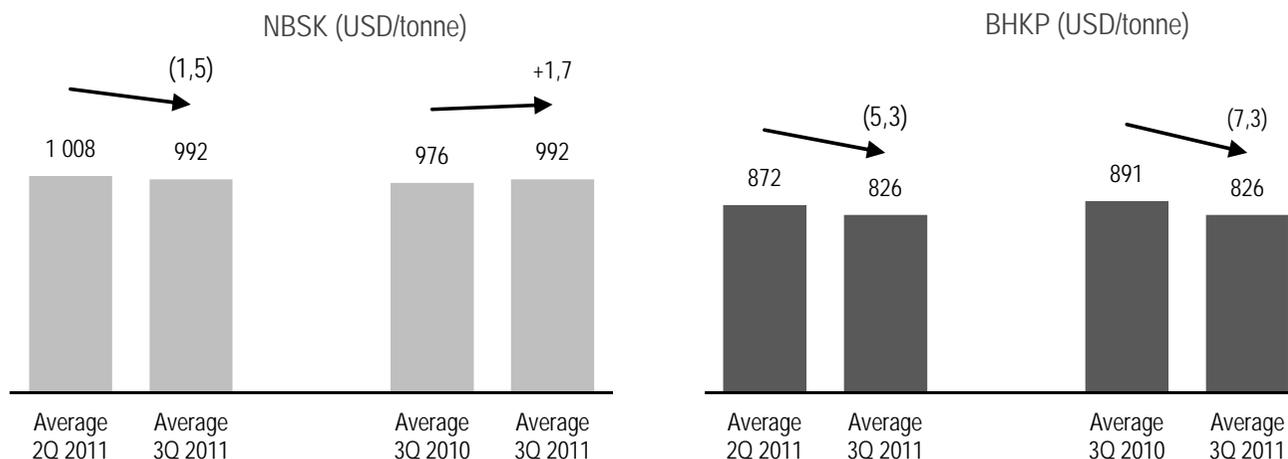


- ▶ As at the end of 3Q 2011 pulp prices were at USD 958 per tonne for NBSK and USD 789 per tonne for BHKP. The average price for NBSK in 3Q 2011 was 1.7% higher than in 3Q 2010, and BHKP was down by 7.3%. In 3Q 2011 average NBSK price was 1.5% lower and BHKP price was 5.3% lower than in 2Q 2011.

- ▶ The average cost of pulp per tonne for AP Group in 3Q 2011, expressed in PLN, was down by 11.3% compared to 3Q 2010 and was up by 4.7% compared to 2Q 2011. The main reason for the increase was strengthening of USD compared to PLN and SEK.

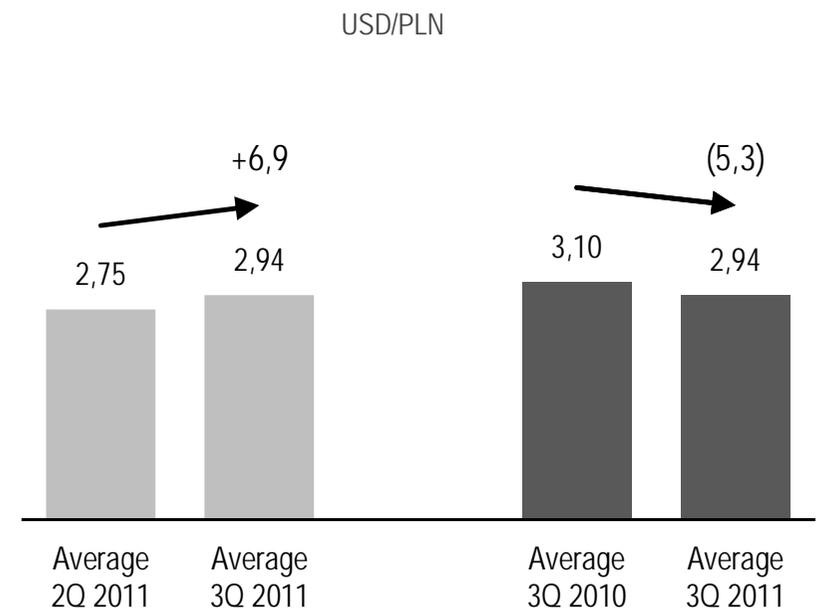
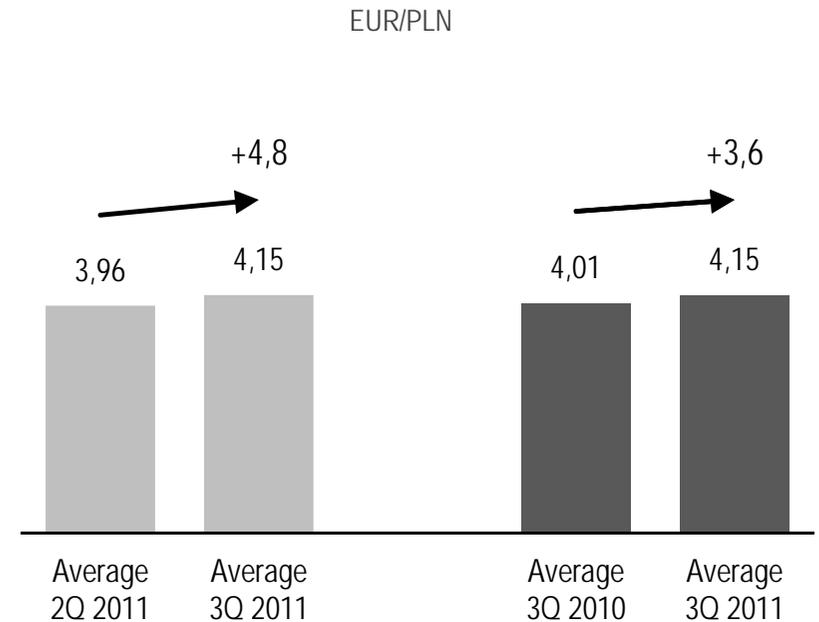
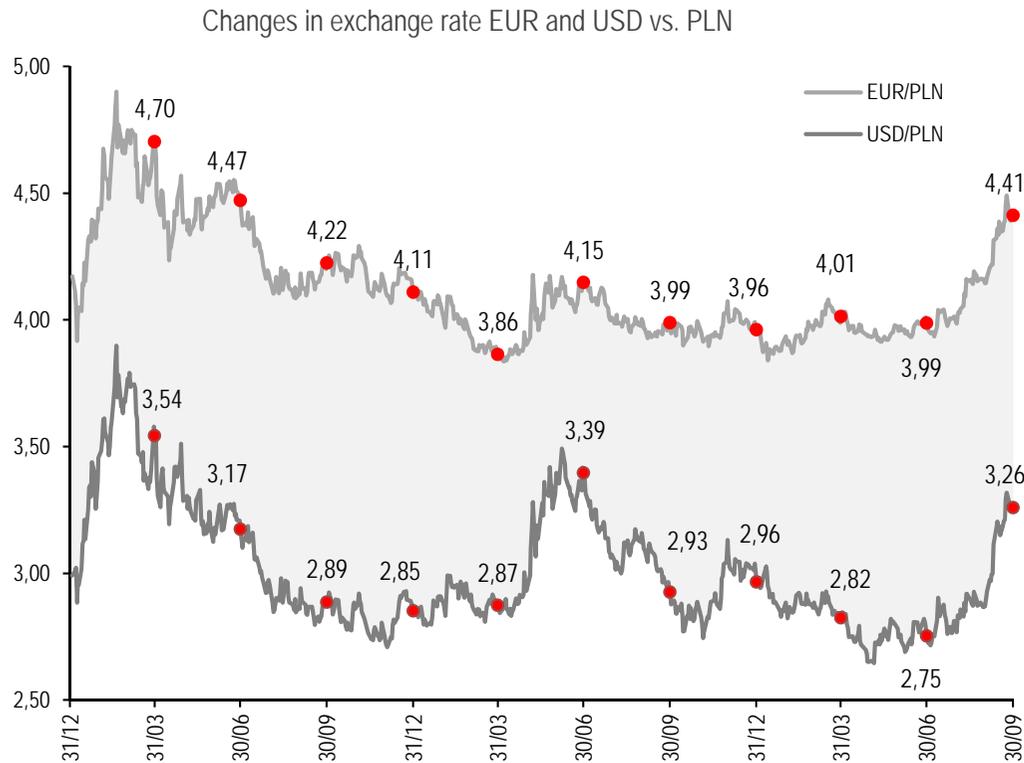
- ▶ The share of pulp costs in total costs of sales for 9 months of 2011 was slightly over 50% compared to app. 54% in the corresponding period of 2010.

- ▶ Pulp usage for AP Group production was BHKP 58%, NBSK 20%, and other 22%.



Market environment

Exchange rates

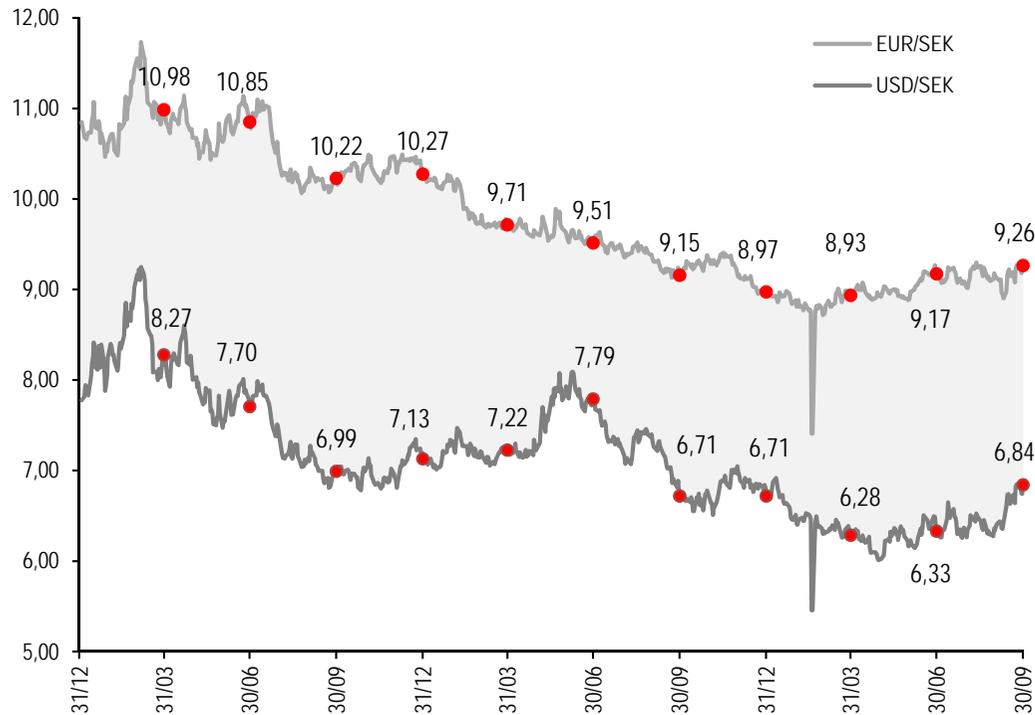


- ▶ In 3Q 2011 the average EUR/PLN exchange rate was 4.15 and was higher by 4.8% than in 2Q 2011 and 3.6% than in 3Q 2010
- ▶ In 3Q 2011 the average USD/PLN exchange rate was 2.94 and 6.9% higher than in 2Q 2011 and 5.3% lower than in 3Q 2010
- ▶ The weakening PLN compared to EUR had a positive impact on the Kostrzyn mill sales revenues in 3Q 2011, but the changes of USD/PLN pairing caused increase of PLN price for a tonne of pulp.

Market environment

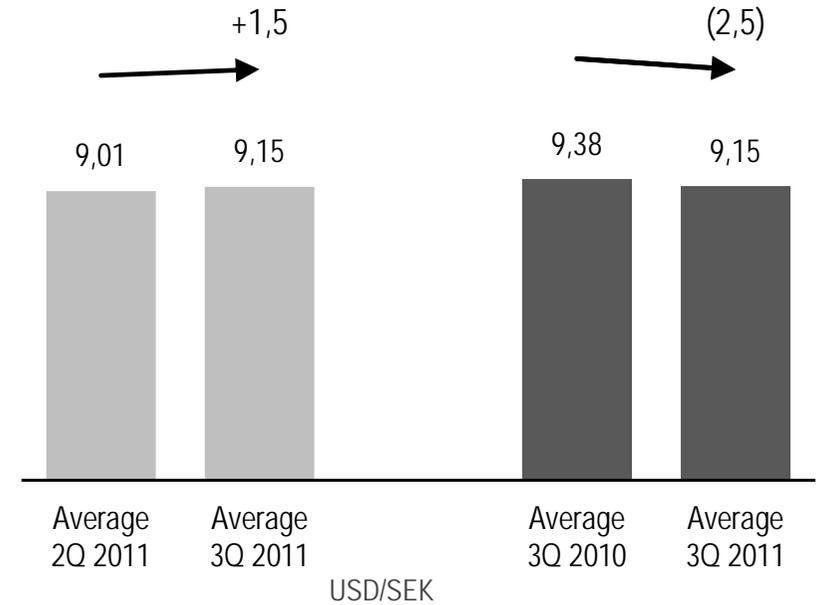
Exchange rates

Changes in exchange rate EUR and USD vs. SEK

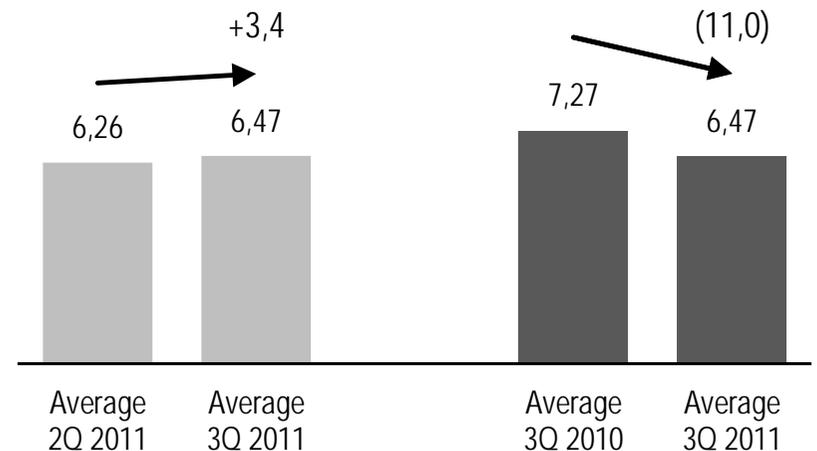


- ▶ In 3Q 2011 the average EUR/SEK exchange rate was 1.5% higher than in 2Q 2011 and 2.5% lower than in 3Q 2010. Despite the positive change compared to 2Q 2011, the exchange rate is still lower than in the corresponding period of 2010. This has had a major adverse impact on EUR revenues generated by the mills in Sweden (AP Munkedals and AP Grycksbo).
- ▶ In the same period the average USD/SEK exchange rate was 3.4% higher than in 2Q 2011. This change had an adverse impact on costs incurred in USD by AP Munkedals and AP Grycksbo compared to 2Q, particularly pulp costs.

EUR/SEK

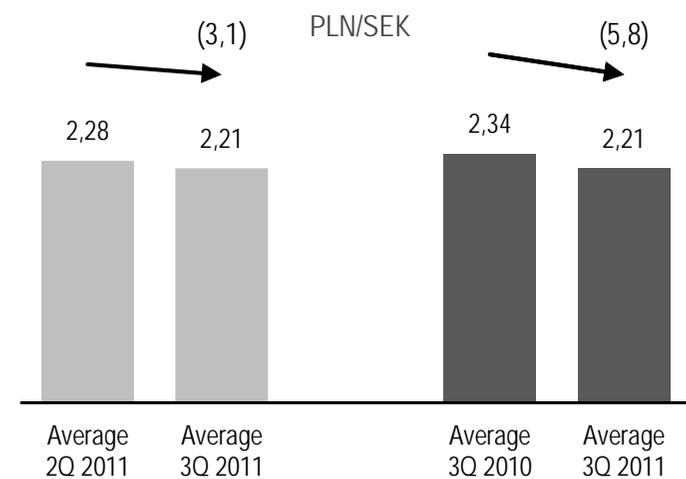
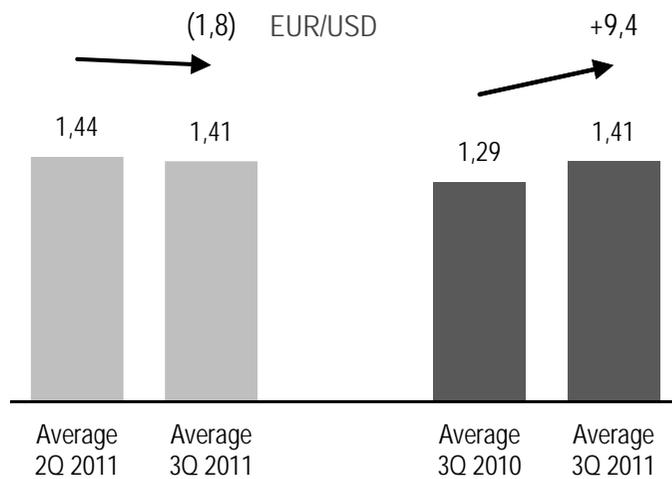
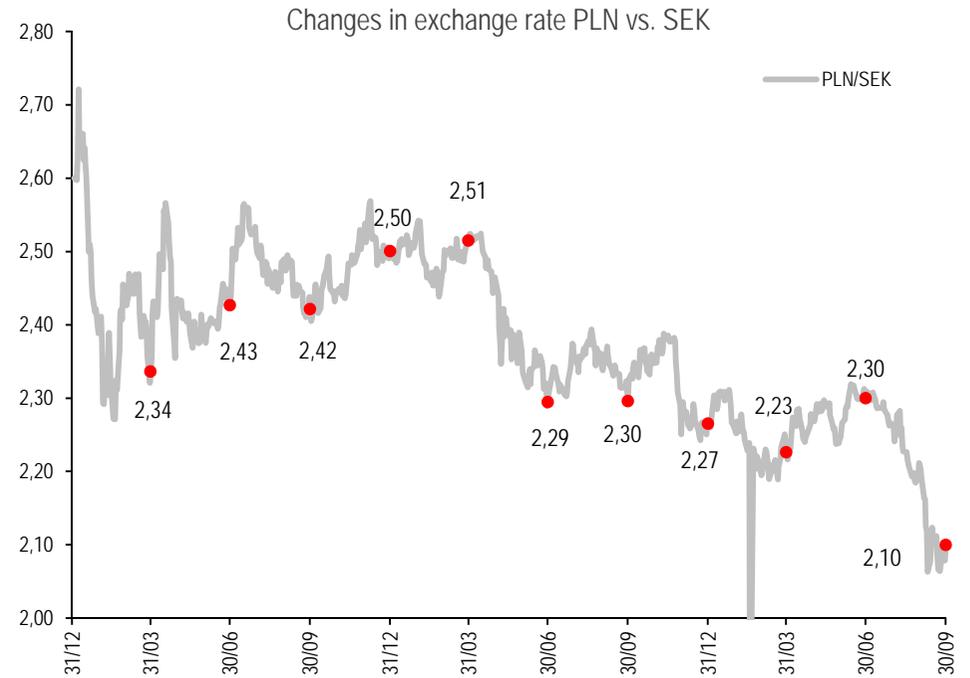
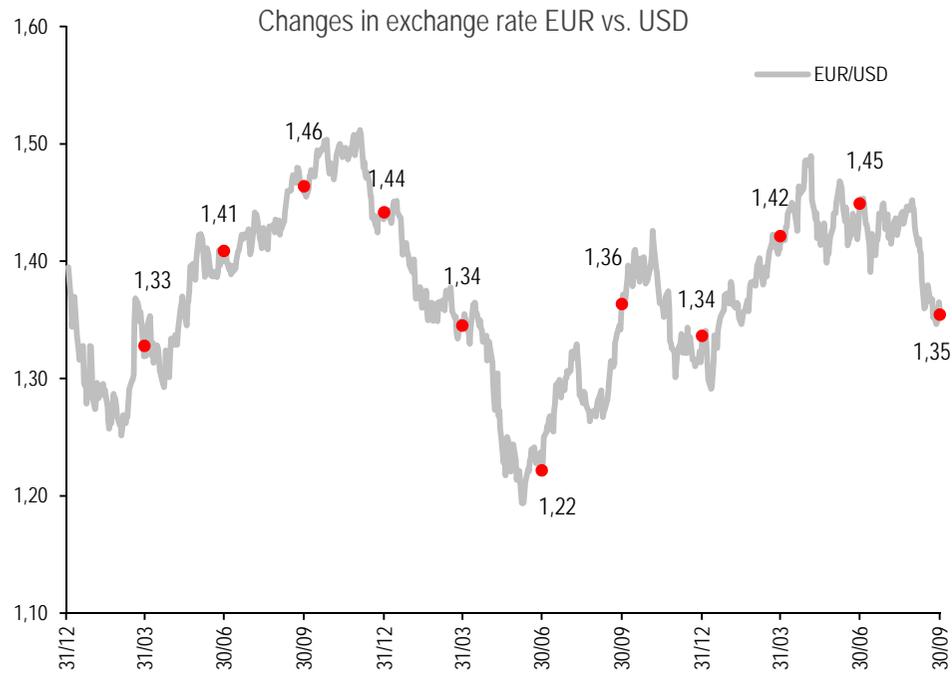


USD/SEK



Market environment

Exchange rates



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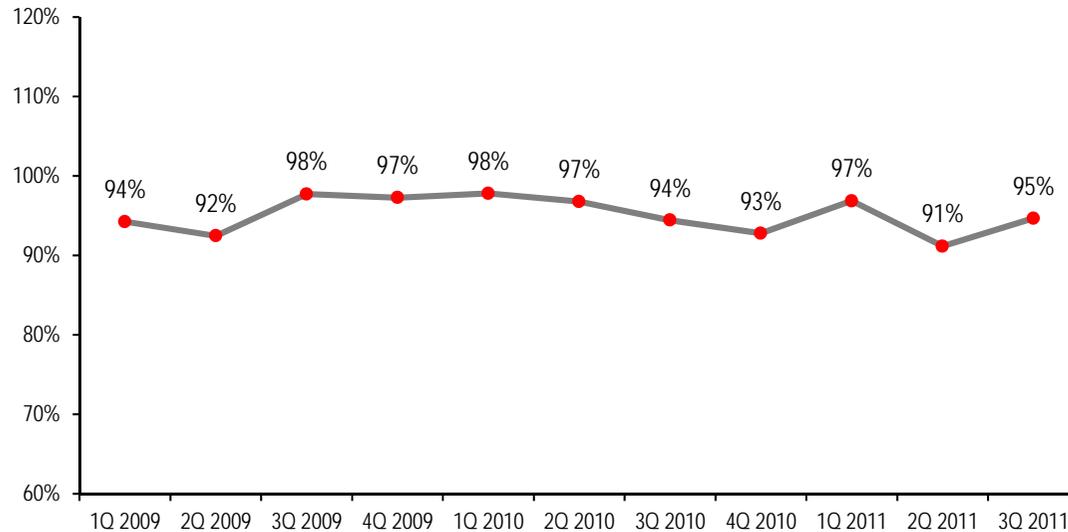
Financial results

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Financial results

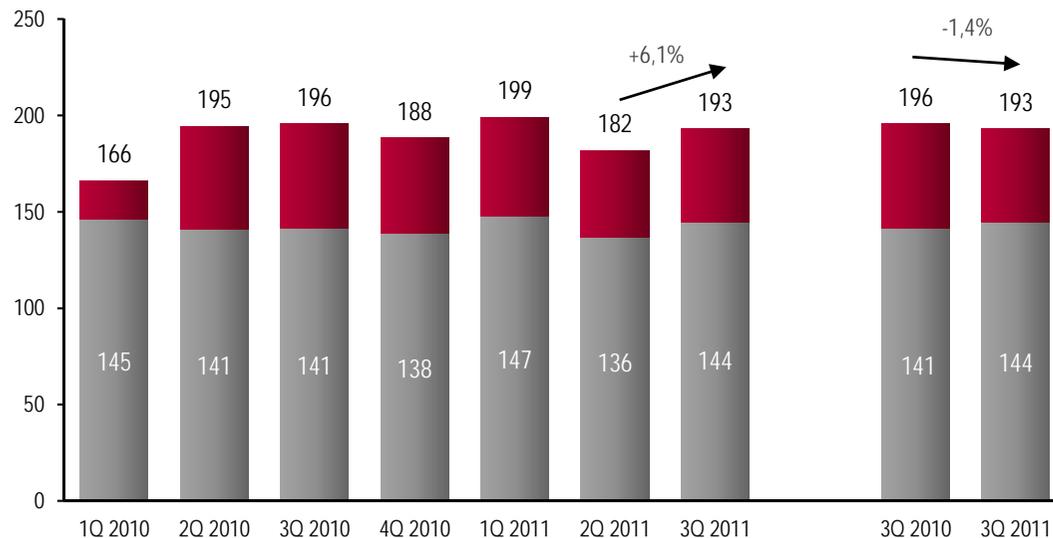
Use of production capacity and sales volume

Use of production capacity for all mills



- ▶ In 3Q 2011 use of production capacity for all Group mills was 95% and 3.9 p.p. higher than in 2Q 2011 and similar to the corresponding period of 2010.

Total and LFL sales volume ('000 tonnes)

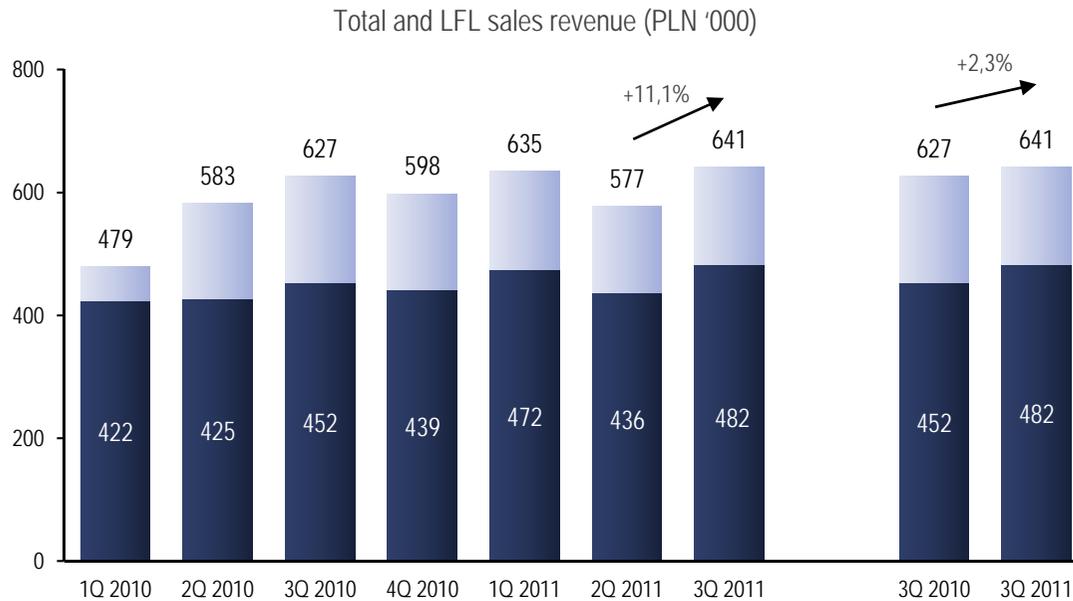


- ▶ In 3Q 2011 the AP Group noted an increase in sales volume compared to 2Q 2011 of about 6.1%. Sales volume in 3Q 2011 was 193 thousand tonnes and down by 1.4% compared to 3Q 2010.
- ▶ In nine months of 2011 sales volume amounted to 574 thousand tonnes and was higher than in the corresponding period of 2010 by 3.2%

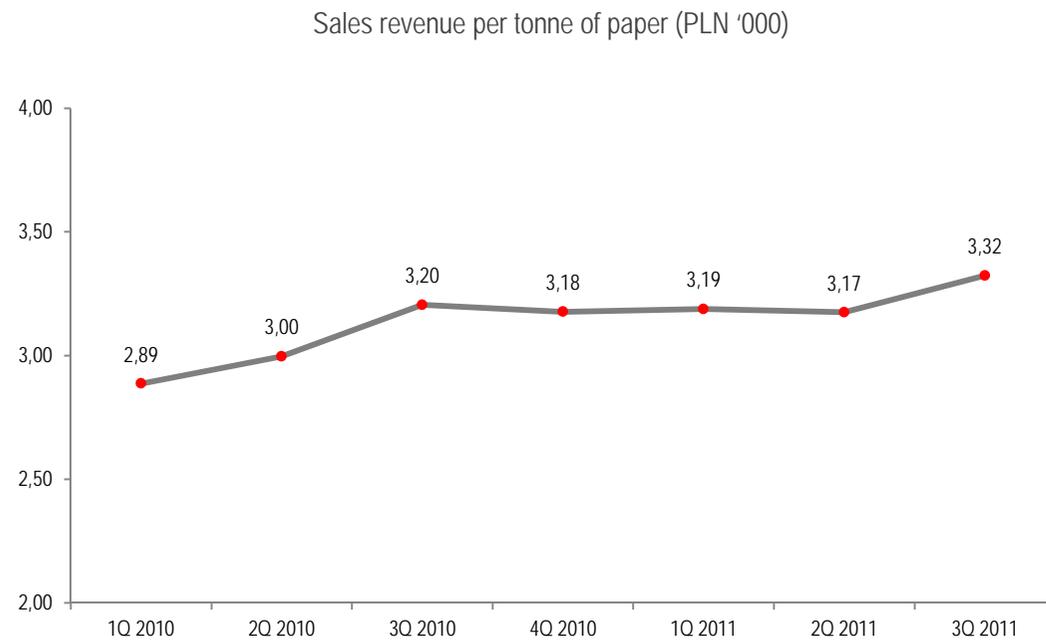


Financial results

Sales revenue



- ▶ AP Group sales revenues in 3Q 2011 were PLN 641.4 mln, representing increase of 2.3% compared to 3Q 2010 and 11.1% compared to 2Q 2011
- ▶ YTD revenues after nine months of 2011 amounted to PLN 1,853 million and were higher by 9.7% compared to the corresponding period of the previous year.



- ▶ Revenue per tonne of paper sold, expressed in PLN, was PLN 3,320 in 3Q 2011 which represents an increase of 4.7% compared to 2Q 2011 and 3.7% above 3Q 2010. This result was achieved with a significant positive influence of the EUR/PLN exchange rate (average exchange rate 3Q 2011 vs. 2Q 2011 of +4.8%) and with a moderate positive influence of the EUR/SEK rate (average exchange rate 3Q 2011 vs. 2Q 2011 of +1.5%).



Financial results

Main items on profit and loss statement

PLN'000	3Q 2011	2Q 2011	3Q 2010	3Q 2011 vs. 2Q 2011 change %	3Q 2011 vs. 3Q 2010 change %	YTD 3Q 2011	YTD 3Q 2010	YTD 3Q'2011 vs. YTD 3Q'2010 change %
Revenues	641 415	577 487	627 122	11,1%	2,3%	1 853 534	1 689 429	9,7%
Gross profit on sales (w/h D&A)	128 156	99 904	98 677	28,3%	29,9%	311 680	261 920	19,0%
<i>% of sales</i>	20,0%	17,3%	15,7%	3 p.p.	4 p.p.	16,8%	15,5%	1 p.p.
Depreciation & Amortization	-30 256	-30 219	-21 396	0,1%	41,4%	-60 475	-39 175	54,4%
Gross profit on sales	97 900	69 685	77 281	40,5%	26,7%	251 205	222 745	12,8%
<i>% of sales</i>	15,3%	12,1%	12,3%	3 p.p.	3 p.p.	13,6%	13,2%	0 p.p.
EBITDA	43 003	16 548	25 405	159,9%	69,3%	90 049	59 221	52,1%
<i>% of sales</i>	6,7%	2,9%	4,1%	4 p.p.	3 p.p.	4,9%	3,5%	1 p.p.
EBIT	10 640	-15 190	1 326	-170,0%	702,3%	-5 714	-8 196	-30,3%
<i>% of sales</i>	1,7%	-2,6%	0,2%	4 p.p.	1 p.p.	-0,3%	-0,5%	0 p.p.
Net profit / loss	34 093	-41 647	-6 929	-181,9%	-592,0%	-16 020	-6 174	159,5%
<i>% of sales</i>	5,3%	-7,2%	-1,1%	13 p.p.	6 p.p.	-0,9%	-0,4%	-0 p.p.
Earnings per share [PLN]	0,62	-0,75	-0,13	n.a.	n.a.	-0,29	-0,11	n.a.

- ▶ High sales revenue due mostly to positive impact of exchange rates fluctuations, particularly EUR/PLN.
- ▶ Gross profit margin in the quarter and YTD both higher than in 2Q 2011 and 3Q 2010.
- ▶ EBITDA margin in 3Q 2011 of 6.7% compared to 2.9% in 2Q 2011 and 4.1% in 3Q 2010. 2011 YTD EBITDA margin higher by 1.35 p.p.
- ▶ Significantly better operating result in the quarter compared to 2Q 2011 and 3Q 2010. On YTD basis there is still operating loss but it is lesser than in the corresponding period of the previous year. The loss is partly attributable to higher depreciation caused by revaluation of the acquired assets of Grycksbo in 2010 (influence on 2011 result: PLN -7.3 million in 3Q and PLN -21.5 million YTD).
- ▶ PLN 34 million of net profit in 3Q 2011 compared to PLN 41.7 million loss in 2Q 2011. Major positive result was achieved due to significantly better operational result and to positive exchange differences resulting mainly from valuation of intercompany loan granted by Arctic Paper S.A. to Arctic Paper Investment AB (influence on 2011 result: 1Q PLN +4.6 million, 2Q PLN -8.8 million, 3Q PLN +24,6 million).

Summary of 3rd quarter of 2011

- ▶ The demand in the fine paper segment in Europe in 3Q 2011 was lower than in 2Q 2011 (by 2.5%) and in the corresponding period of 2010 (by 4.9%). The deliveries level in 3Q 2011 was similar to 3Q 2009.
- ▶ Return to high level of the use of production capacity. Use of production capacity in 3Q 2011 of 95% and of 94% YTD.
- ▶ Decrease of paper market prices in 3Q 2011 compared to price levels at the end of 2Q 2011 and 4Q 2010, particularly in CWF segment.
- ▶ Decrease of pulp prices in 3Q 2011. Compared to 2Q 2011, the average price in the quarter decreased by 1.5% for NBSK and by 5.3% for BHKP.
- ▶ Positive influence of the exchange rates (EUR/PLN and EUR/SEK pairings) on sales revenues and negative influence of USD/PLN and USD/SEK pairings exchange rates on pulp costs expressed in PLN. Major positive influence of the change of PLN/SEK tendency and, in consequence, positive unrealized exchange differences from intercompany loan valuation occurred.
- ▶ Positive operational result and net profit achieved in 3Q 2011. Large part of loss from first half of the current year has been recovered.



Thank you for your
attention



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