

# Arctic Paper results for the third quarter of 2012



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ARCTIC PAPER

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This Presentation should be read together with the 2011 consolidated and standalone annual report as well as the report for the third quarter of 2012.

# Agenda



- Market environment
- Operating and financial results
- Summary of the third quarter of 2012

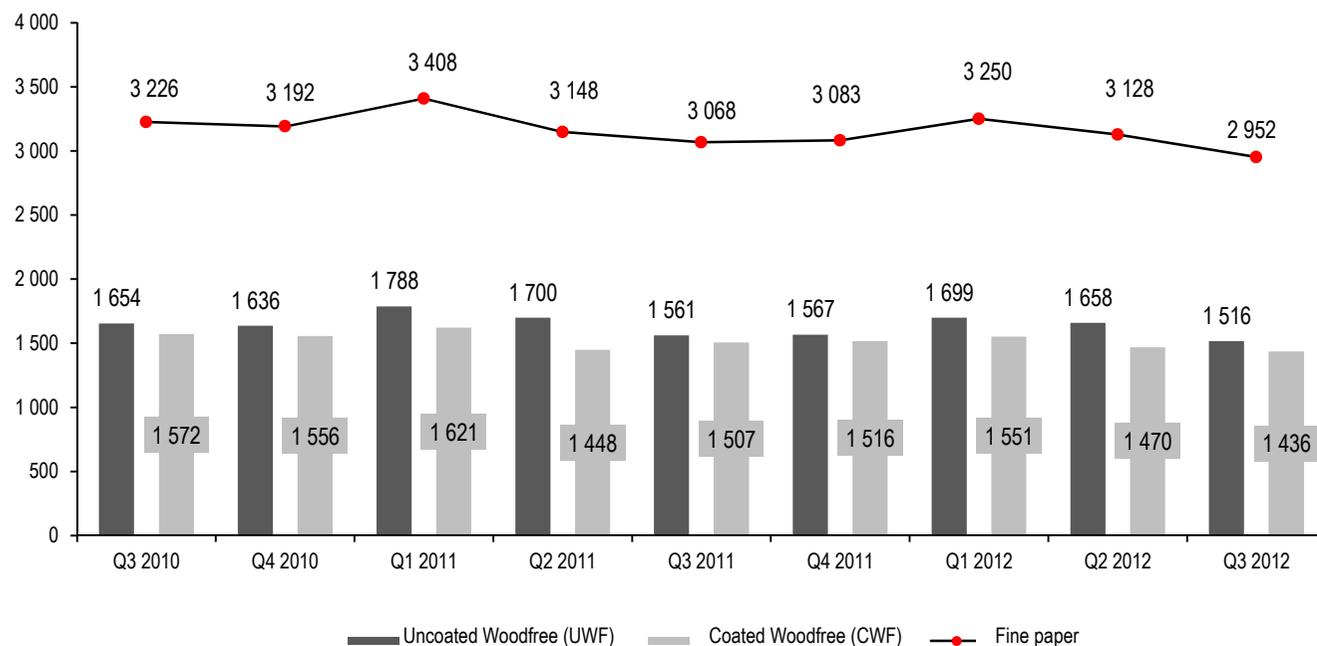
# Market environment



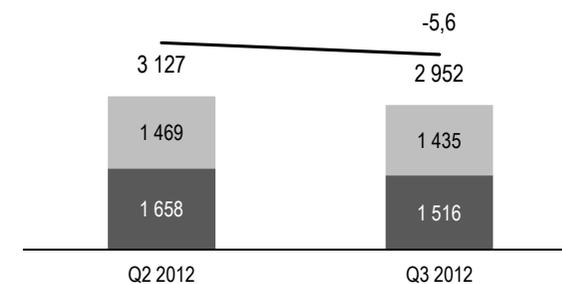
# Market environment

## Deliveries of fine paper in Europe

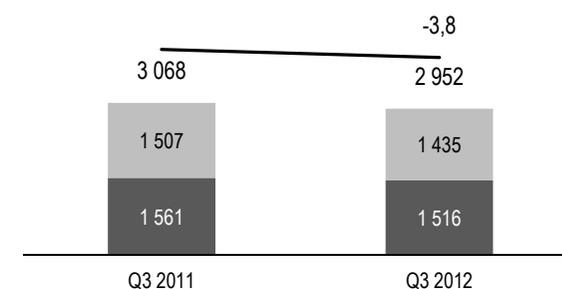
Deliveries of paper in Europe ('000 metric tonnes)



Q3 2012 vs Q2 2012



Q3 2012 vs Q3 2011

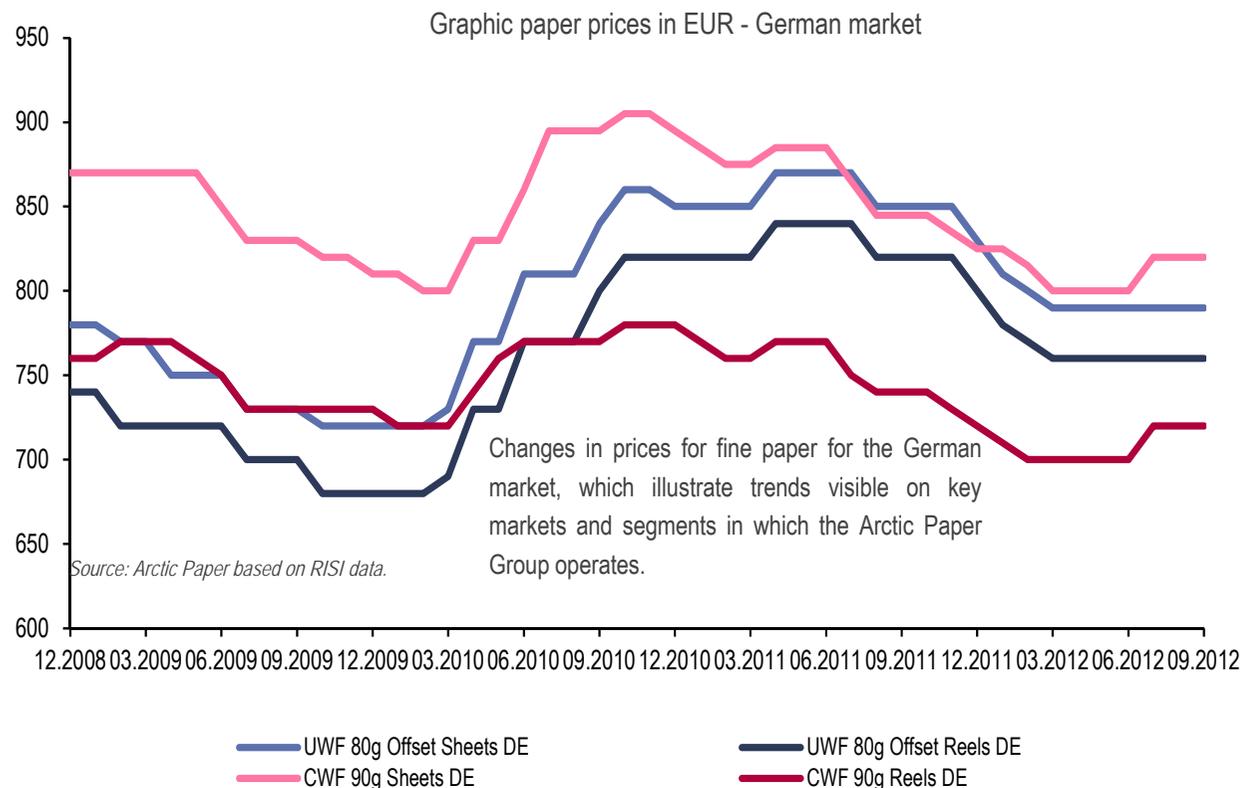


- ▶ In Q3 2012 deliveries of fine paper in Europe were lower by 5.6% than in Q2 2012 while app. 3.8% lower than in Q3 2011. Deliveries in the uncoated wood-free (UWF) segment were down by 8.6% compared to Q2 2012 and down by 2.9% compared to Q3 2011. In the coated wood-free (CWF) segment accordingly down by 2.3% and 4.7%.
- ▶ In Q3 2012 sales volume was 7.8% above Q2 2012 and 6.51% above the corresponding period of 2011. In the third quarter of 2012 the number of orders received remained stable.

# Market environment

## Fine paper prices

- ▶ As at the end of Q3 2012 prices of fine paper in Europe experienced a decrease compared to the prices at the end of 2011. The average prices decrease was 1.5% for UWF and 2.5% for CWF.
- ▶ As at the end of September 2012 the average prices for UWF remained at the same levels as at the end of Q2 2012, whereas the average CWF prices were slightly higher (+0.4%).
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from July to September 2012 within the range of -1.9% to +1.0%, while in the CWF segment from -0.6% to +3.1%.



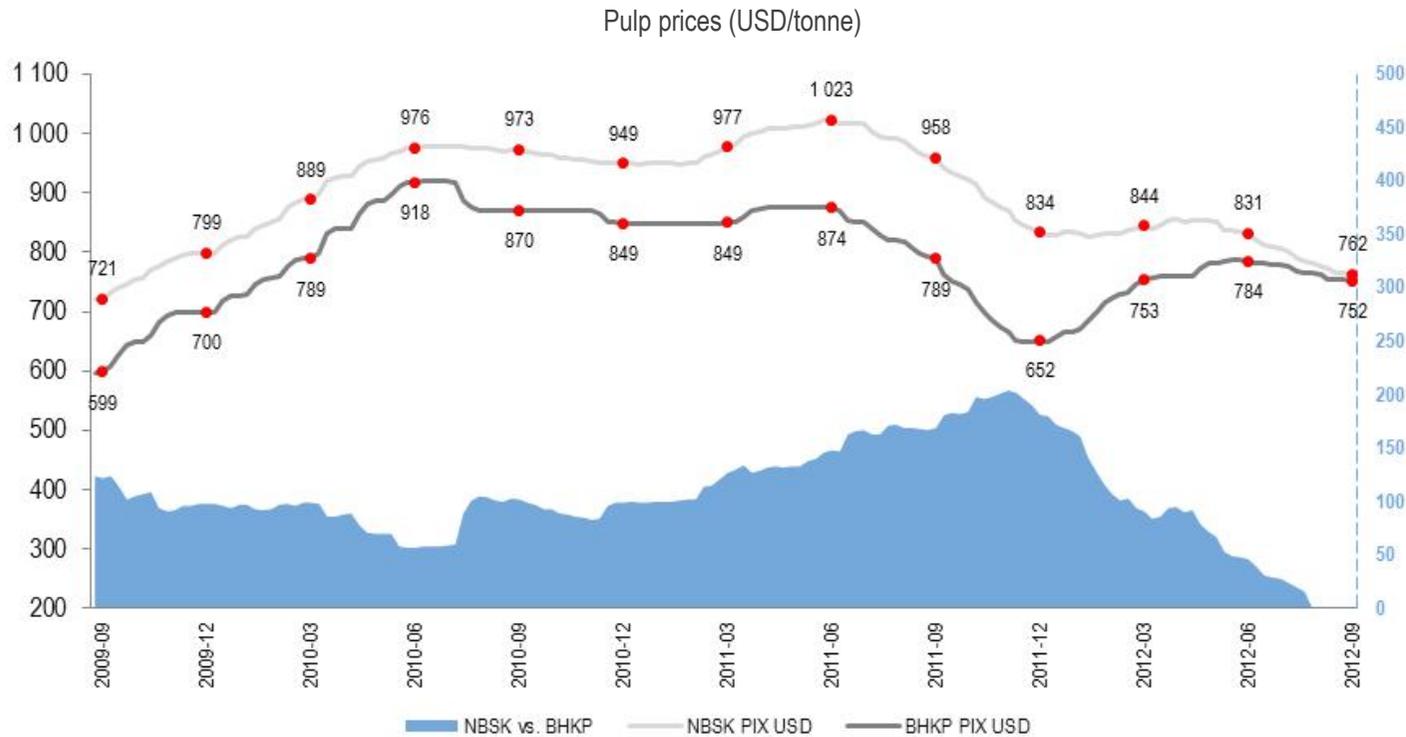
Change in prices for graphic paper in EUR and GBP - selected Western Europe countries

	09.2012 vs. 06.2012			09.2012 vs. 12.2011		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
<b>UWF</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>-0,9%</b>	<b>-1,5%</b>	<b>-2,0%</b>
<b>CWF</b>	<b>0,2%</b>	<b>0,4%</b>	<b>0,4%</b>	<b>-2,5%</b>	<b>-2,5%</b>	<b>-2,5%</b>

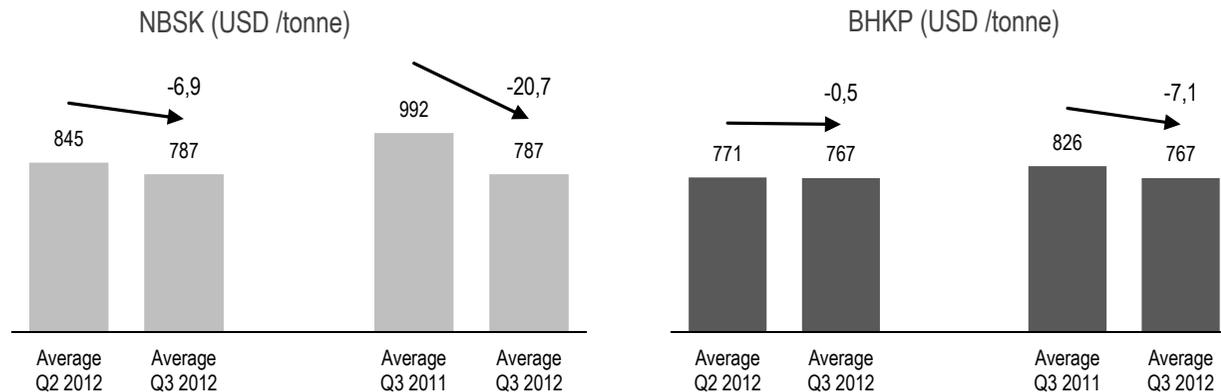
Source: Arctic Paper based on RISI data

# Market environment

## Pulp prices

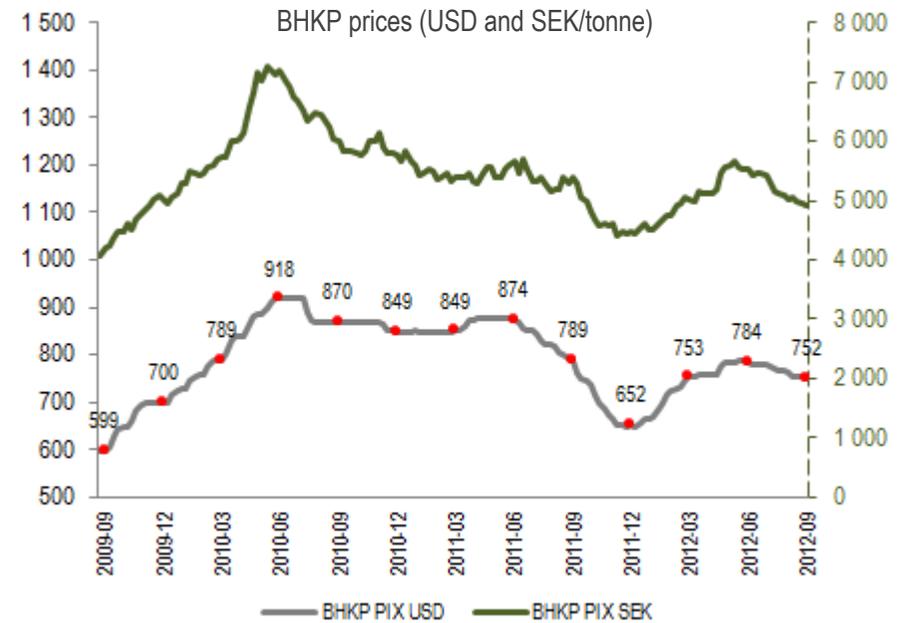
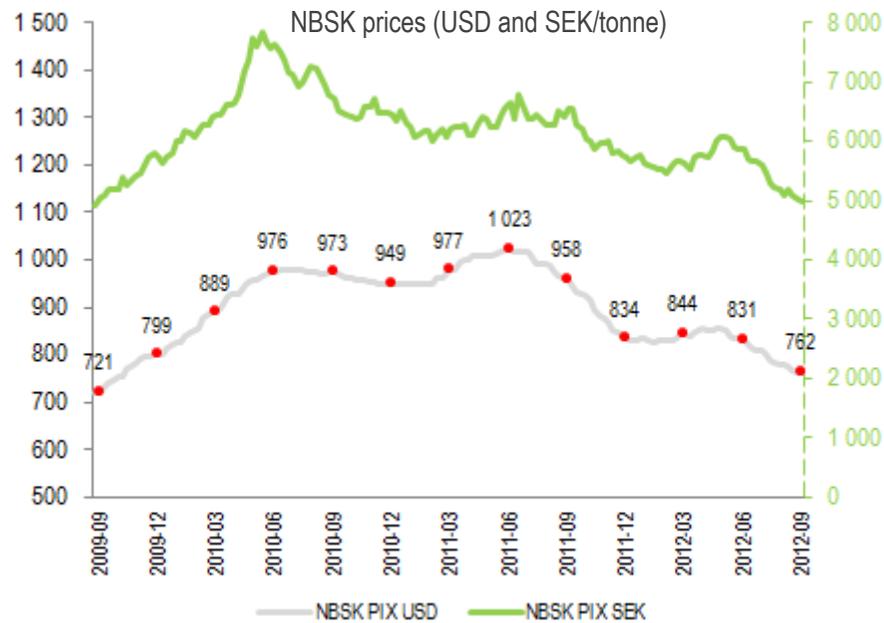
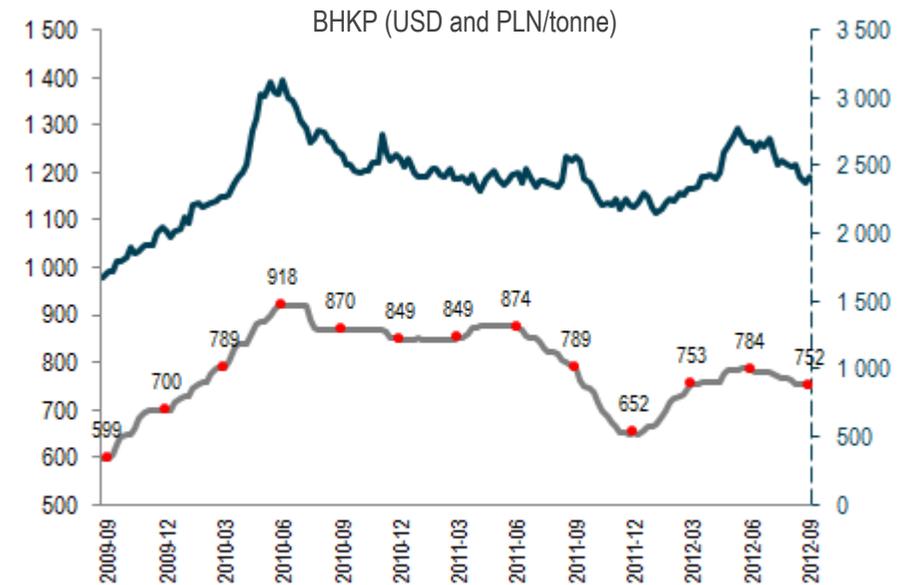
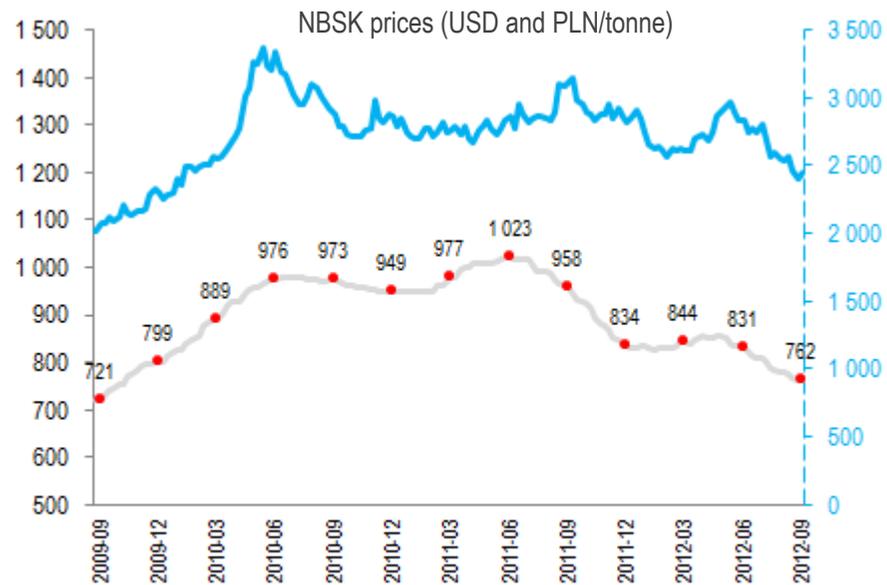


- ▶ As at the end of Q3 2012 pulp prices were at USD 762.2 per tonne for NBSK and USD 751.5 per tonne for BHKP. The average price for NBSK in Q3 2012 was 20.6% lower than in the corresponding period of 2011, while BHKP was down by 7.1%. In Q3 2012 average NBSK pulp price was 6.8% lower while BHKP pulp price was 0.6% lower than in Q2 2012.
- ▶ The average cost of pulp per tonne for AP Group in Q3 2012, expressed in PLN, was up by 1.21% compared to Q2 2012 and down by 1% compared to Q3 2011.
- ▶ The share of pulp costs in total costs of sales after 9 months of 2012 amounted to 47% compared to app. 49% in nine months of the previous year.
- ▶ Pulp usage for AP Group production was BHKP 60%, NBSK 18%, and other 22%.



# Market environment

Pulp prices in PLN and SEK



# Market environment

*Pulp prices in PLN and SEK*

	Q3 2012 vs. Q2 2012			
	USD	EUR	PLN	SEK
NBSK	▼ -6,9	▼ -4,3	▼ -6,9	▼ -9,2
BHKP	▼ -0,5	▲ +2,2	▼ -0,8	▼ -3,3

	Q3 2012 vs. Q3 2011			
	USD	EUR	PLN	SEK
NBSK	▼ -20,7	▼ -10,3	▼ -10,5	▼ -17,2
BHKP	▼ -7,1	▲ +5,0	▲ +4,6	▼ -3,3

	YTD 2012 vs. YTD 2011			
	USD	EUR	PLN	SEK
NBSK	▼ -16,5	▼ -8,6	▼ -4,1	▼ -11,3
BHKP	▼ -12,0	▼ -3,5	▲ +1,0	▼ -6,6

- ▶ In 3Q 2012 the average prices of NBSK and BHKP expressed in PLN decreased alike PIX expressed in USD. Pulp prices expressed in SEK decreased slightly faster while prices expressed in EUR slightly slower. As a result of exchange rates' changes compared to Q2 2012 the average price of NBSK decreased by 6.9% (PLN) and 9.2% (SEK), whereas BHKP prices decreased by 0.8% (PLN) and 3.3% (SEK).
- ▶ Compared to 3Q 2011, the average pulp price expressed in USD in Q3 2012 was lower by 20.7% for NBSK and 7.1% for BHKP. The exchange rates' changes caused the decrease of prices expressed in PLN by 10.5% for NBSK and increase by 4.6% for BHKP. Similarly, prices expressed in EUR decreased by 10.3% for NBSK and increased by 5.0% for BHKP. The prices expressed in SEK, however, were lower both for NBSK by 10.5% and BHKP by 3.3%.
- ▶ In 2012, compared to the previous year, the average pulp price expressed in USD was significantly lower. It was -16.5% for NBSK and -12% for BHKP accordingly. The decrease of prices expressed in PLN and SEK were materially smaller. For PLN it was -4.1% for NBSK and +1.0% for BHKP, while for SEK it was -11.3% for NBSK and -6.6% for BHKP.

# Market environment

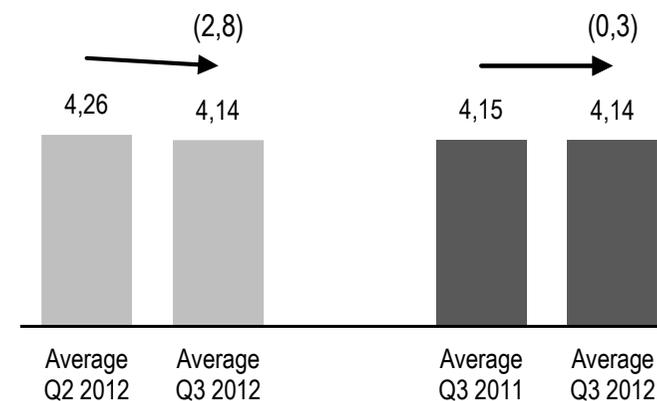
## Exchange rates

Changes in exchange rate EUR and USD vs. PLN

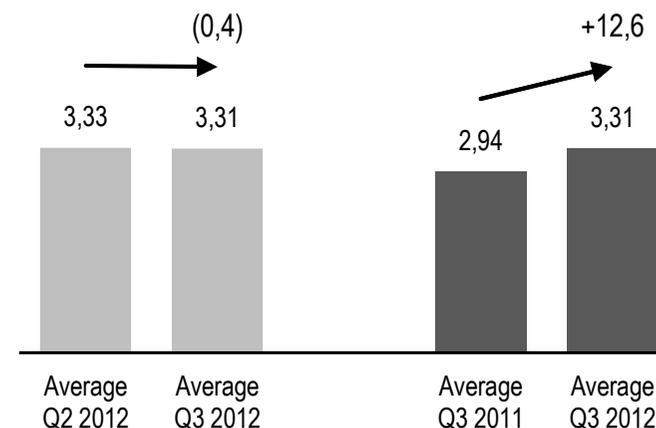


- ▶ In Q3 2012 the average EUR/PLN exchange rate amounted to 4.14 and was 2.8% lower than in Q2 2012 and 0.3% lower than in Q3 2011.
- ▶ In Q3 2012 the average USD/PLN exchange rate amounted to 3.31 and was by 0.4% lower than in Q2 2012 and by 12.6% higher than in Q3 2011.
- ▶ Comparing to Q3 2011, EUR/PLN did not influenced financial results. Compared to Q2 2012, this exchange rate affected lower level of sales revenue realized in Arctic Paper Kostrzyn. The changes of USD/PLN exchange rate negatively influenced the levels of pulp costs expressed in PLN, compared to Q3 2011 .

EUR/PLN



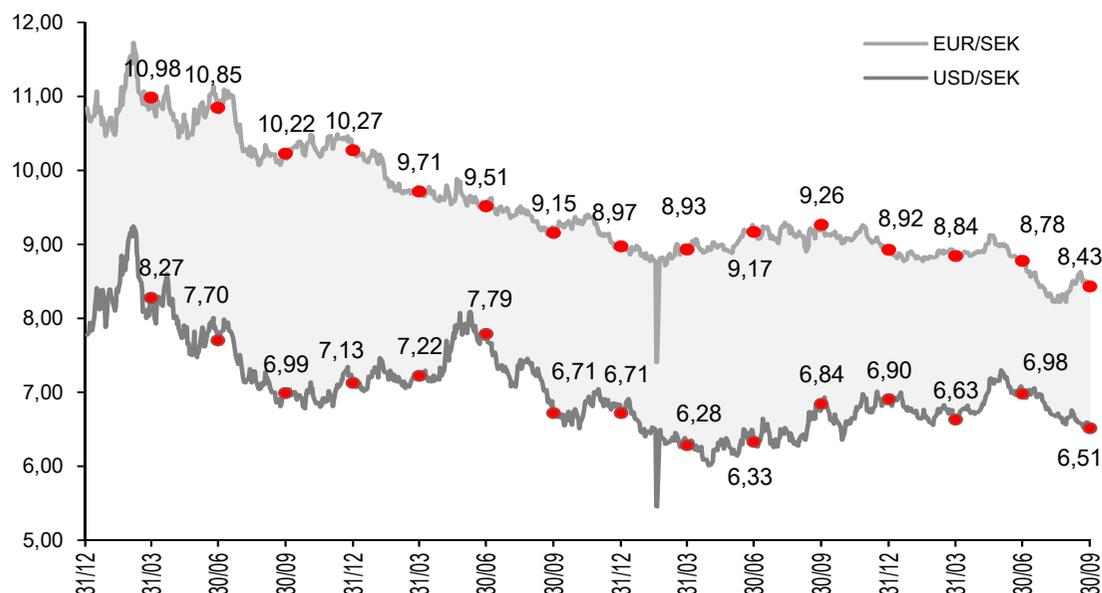
USD/PLN



# Market environment

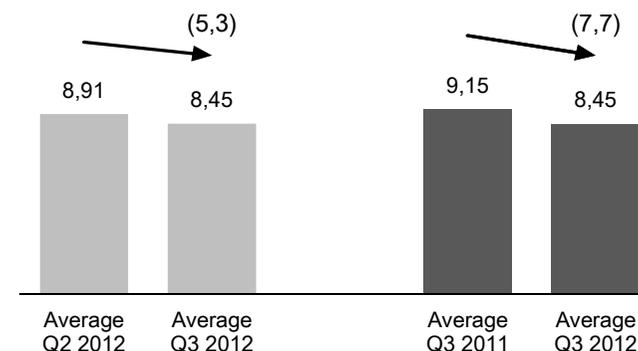
## Exchange rates

Changes in exchange rate EUR and USD vs SEK

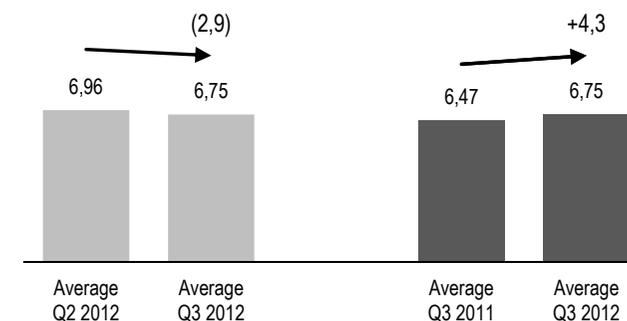


- ▶ In Q3 2012 the average EUR/SEK exchange rate decreased by 5.3% compared to Q2 2012 and was lower by 7.65% compared to Q3 2011. The appreciation of SEK towards EUR has a major adverse effect on the level of revenue invoiced in EUR in Swedish mills (AP Munkedals and AP Grycksbo).
- ▶ In the same period the average USD/SEK exchange rate decreased by 2.9% compared to Q2 2012 and increased by 4.3% compared to Q3 2011. The change of average exchange rate in the last quarter had a positive effect on profitability of Swedish mills causing decrease of pulp costs expressed in SEK.

EUR/SEK



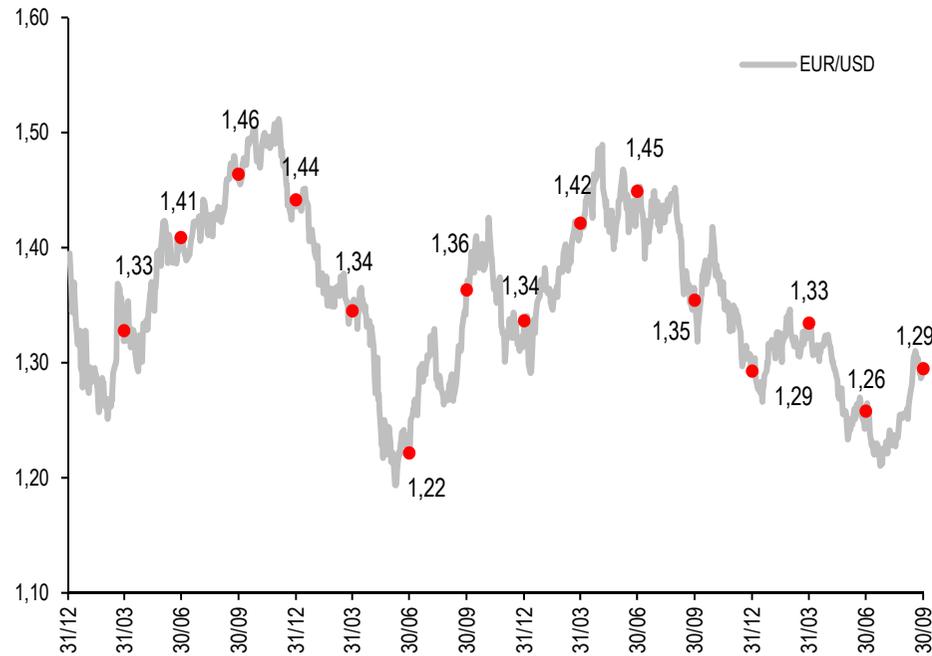
USD/SEK



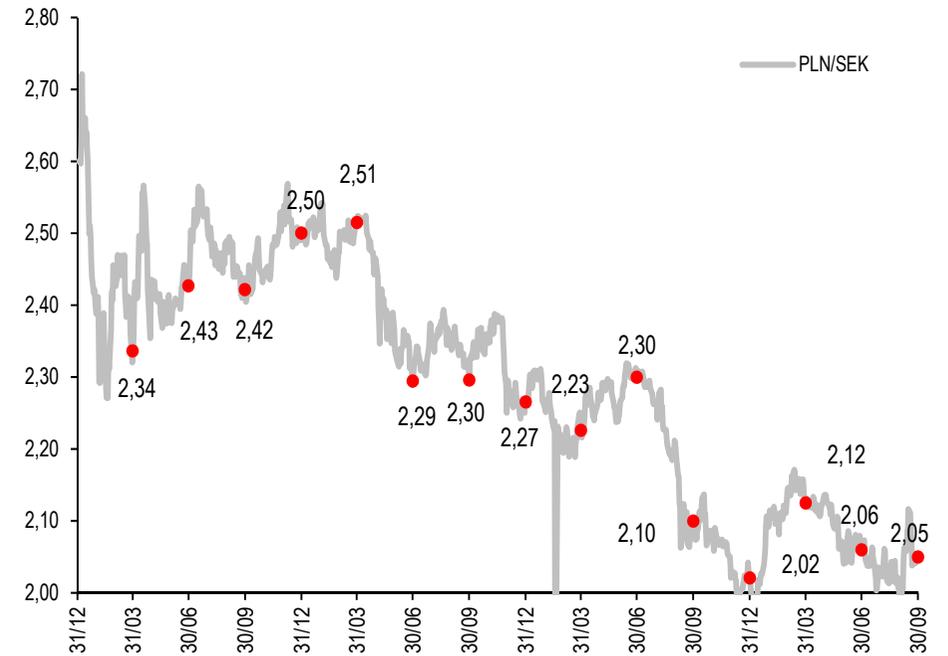
# Market environment

## Exchange rates

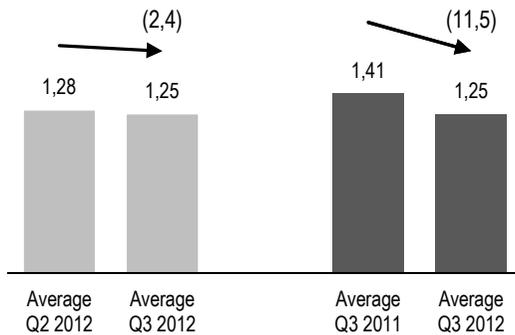
Changes in exchange rate EUR vs. USD



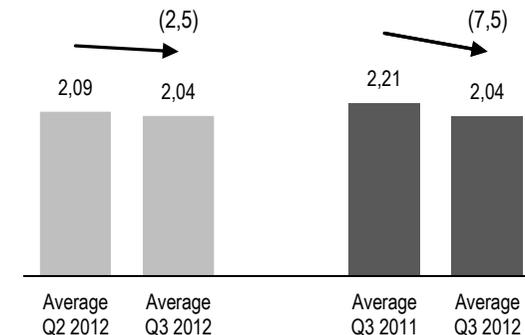
Changes in exchange rate PLN vs. SEK



EUR/USD



PLN/SEK



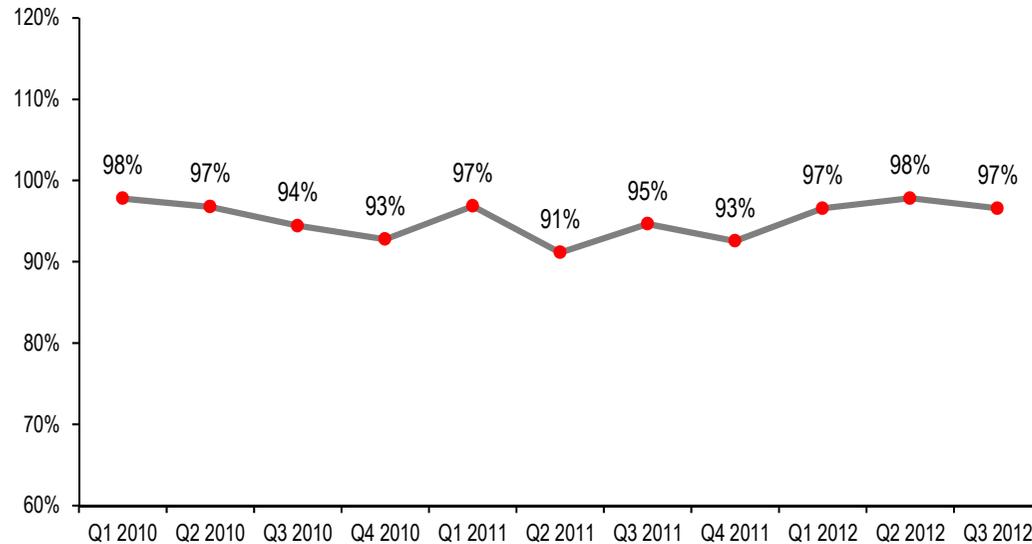
# Operating and financial results



# Operating and financial results

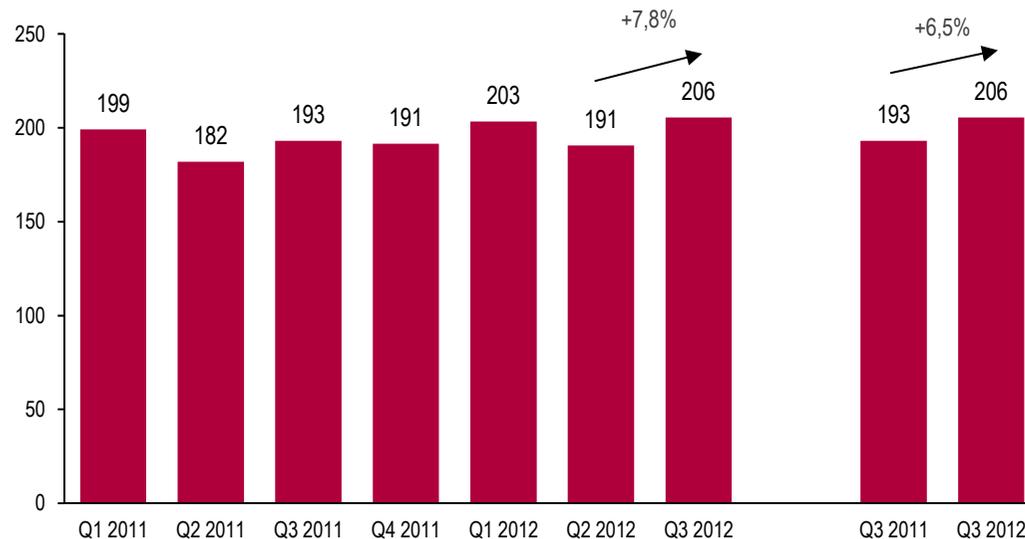
*Use of production capacity and sales volume*

Use of production capacity for all mills



- ▶ In Q3 2012 use of production capacity for all Group mills was 97% and 1.3 p.p. lower than in Q2 2012 and 1.9% higher than corresponding period of 2011. The average use of production capacity in the last 12 months was app. 95%.

Total sales volume ('000 tonnes)

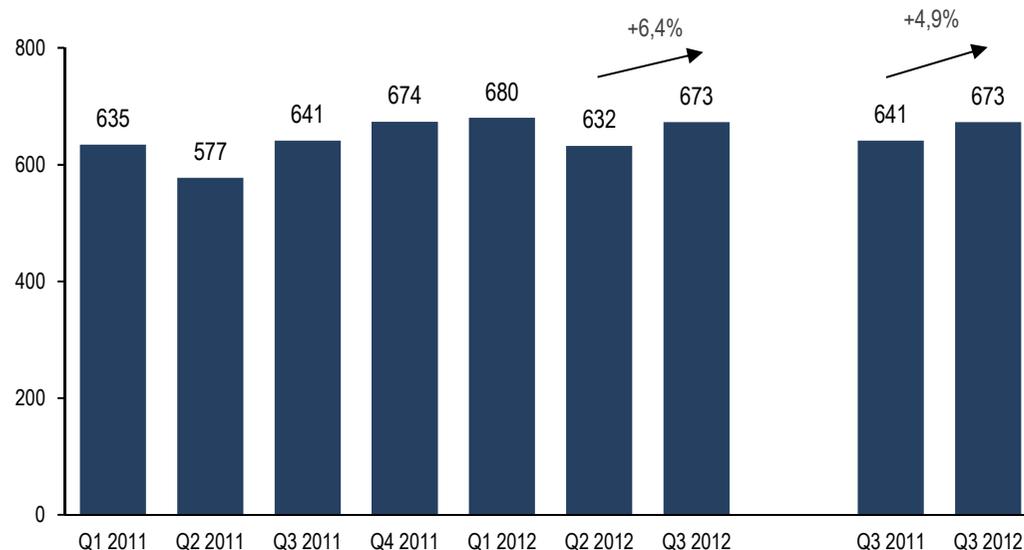


- ▶ In Q3 2012 the AP Group noted an increase in sales volume compared to Q3 2011 of about 6.5% and an increase compared to Q2 2012 of 7.8%. Sales volume in Q3 2012 was 206 thousand tonnes while 599 thousand tonnes YTD after nine months of 2012. This is all time record for the quarterly sales volumes. The result in three quarters of 2012 was higher by 4.6% compared to the result achieved in corresponding period of the previous year .

# Operating and financial results

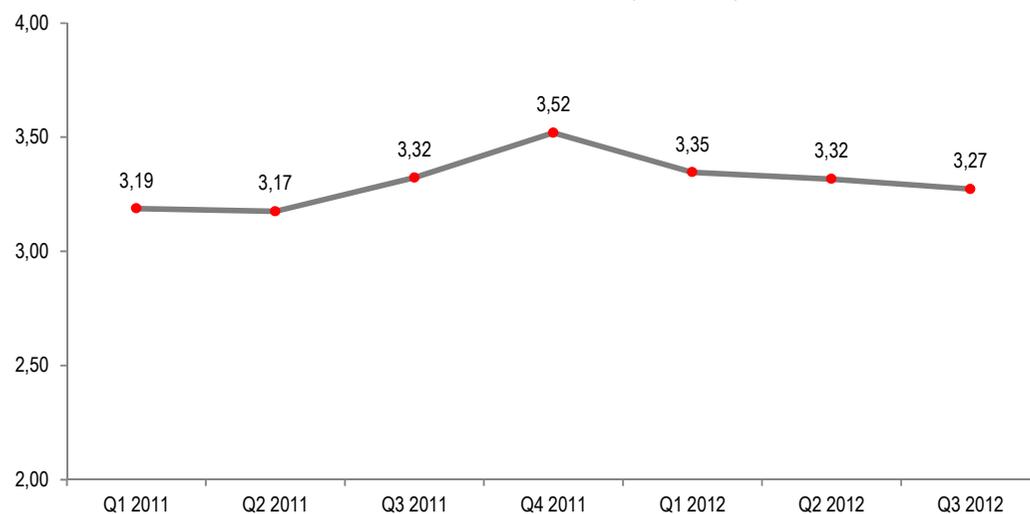
## Sales revenue

Total sales revenue (PLN '000)



- ▶ AP Group sales revenue in Q3 2012 was PLN 673 million, representing an increase of 4.9% compared to Q3 2011 and of 6.4% compared to Q2 2012.
- ▶ YTD sales revenue after nine months of 2012 amounted to PLN 1,986 million which represents an increase compared to the corresponding period of the previous year of 7.1%.

Sales revenue per tonne of paper (PLN '000)



- ▶ Revenue per tonne of paper sold, expressed in PLN, was PLN 3,272 in Q3 2012 which represents a decrease of 1.3% compared to the result achieved in Q2 2012 and of 1.5% compared to Q3 2011.

# Operating and financial results

Main items on profit and loss statement

PLN'000	Q3 2012	Q2 2012	Q3 2011	Q3 2012 vs. Q2 2012 Change %	Q3 2012 vs. Q3 2011 Change %	YTD Q3 2012	YTD Q3 2011	YTD Q3'2012 vs. YTD Q3'2011 Change %
<b>Revenues</b>	<b>672 820</b>	<b>632 354</b>	<b>641 415</b>	<b>6,4%</b>	<b>4,9%</b>	<b>1 985 595</b>	<b>1 853 534</b>	<b>7,1%</b>
Gross profit on sales (w/h D&A)	135 579	127 399	130 263	6,4%	4,1%	407 955	346 967	17,6%
% of sales	20,2%	20,1%	20,3%	0 p.p.	-0 p.p.	20,5%	18,7%	2 p.p.
Depreciation & Amortization	-31 344	-30 289	-32 363	3,5%	-3,1%	-92 056	-95 762	-3,9%
Gross profit on sales	104 235	97 110	97 900	7,3%	6,5%	315 899	251 205	25,8%
% of sales	15,5%	15,4%	15,3%	0 p.p.	0 p.p.	15,9%	13,6%	2 p.p.
<b>EBITDA</b>	<b>41 845</b>	<b>38 038</b>	<b>43 003</b>	<b>10,0%</b>	<b>-2,7%</b>	<b>133 618</b>	<b>90 049</b>	<b>48,4%</b>
% of sales	6,2%	6,0%	6,7%	0 p.p.	-0 p.p.	6,7%	4,9%	2 p.p.
EBIT	10 501	7 749	10 640	35,5%	-1,3%	41 562	-5 714	n.a.
% of sales	1,6%	1,2%	1,7%	0 p.p.	-0 p.p.	2,1%	-0,3%	2 p.p.
<b>Net profit / loss</b>	<b>-1 483</b>	<b>8 039</b>	<b>34 093</b>	<b>n.a.</b>	<b>n.a.</b>	<b>16 168</b>	<b>-16 020</b>	<b>n.a.</b>
% of sales	-0,2%	1,3%	5,3%	-1 p.p.	-6 p.p.	0,8%	-0,9%	2 p.p.
<i>Earnings per share [PLN]</i>	<b>-0,03</b>	<b>0,15</b>	<b>0,62</b>	<b>n.a.</b>	<b>n.a.</b>	<b>0,29</b>	<b>-0,29</b>	<b>n.a.</b>

- ▶ In Q3 2012 there was an increase of sales revenue compared to Q3 2011 as a result of increase of sales volume in tonnes by 6.4%.
- ▶ Profit on sales and gross profit margin in Q3 2012 were higher than in analogous period of 2011.
- ▶ EBITDA ( PLN 41.8 million) and EBITDA margin (6.2%) in Q3 2012 were similar to the corresponding period of 2011. Increase of both these factors occurred in Q3 compared to Q2 2012.
- ▶ Operating profit in Q3 2012 of PLN 10.5 million, similar to analogous period of 2011.
- ▶ Net loss in Q3 2012 of PLN 1.5 million .

# Summary of the third quarter of 2012



# Summary of the third quarter of 2012

## Arctic Paper Group

- ▶ Stable level of orders and increase of sales volume and sales revenue. Quarterly record sales volume.
- ▶ High level of production capacity use.
- ▶ Stable financial results in the third quarter of 2012, similar to the corresponding period of the previous year as well as compared to the second quarter of 2012.

## The market

- ▶ Further decline of demand for fine papers in Europe in Q3 2012.
- ▶ Further stabilization of market paper prices in the third quarter of 2012 and lower level of market prices compared to the corresponding period of the previous year.
- ▶ Decrease of pulp prices in Q3 2012 compared to the previous quarter. Lower level of pulp prices in the third quarter of 2012 compared to the corresponding period of the previous year.
- ▶ Negative influence of exchange rates changes in Q3 2012 on the level of revenue realized (EUR/PLN, EUR/SEK) and positive influence on the level of pulp costs expressed in SEK.

Thank you for your attention

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