

Arctic Paper Group

Results for the fourth quarter of 2012



Michał Jarczyński, CEO
Michał Bartkowiak, CFO
Warsaw, March 1 2013



ARCTIC PAPER

Disclaimer

Please read the information below carefully

This presentation (the 'Presentation') was prepared by Arctic Paper S.A. (the 'Company') for information purposes only for use by investors, banks and the Company's customers as well as market analysts and under no circumstances may it be treated as a part of an invitation or offer to purchase securities, an invitation to make investments or conduct transactions regarding securities, an inducement to make purchase offers or a recommendation to conclude any transactions, in particular transactions regarding the Company's securities.

The information contained in the Presentation was taken from publicly available sources which the Company believes to be reliable. However, the Company cannot guarantee its reliability or completeness, except for the information on the Company and its Group. The Company shall not be held liable for the consequences of decisions made on the basis of or in reliance on the information contained in this Presentation. The information contained in the Presentation has not been independently verified and may be subject to change at any time. The publication of the data contained in the Presentation by the Company does not constitute a breach of the provisions of the law which apply to companies whose shares are listed on the regulated market, in particular the regulated market operated by the Warsaw Stock Exchange. The information contained herein has been published by the Company in its current and periodic reports, or constitutes a supplement thereto which is not required to be published by the Company in order to comply with the Company's reporting requirements as a listed company.

Under no circumstances should information contained in this Presentation be construed as the explicit or implicit submission of a representation or warranty of any type by the Company or by persons acting on its behalf. Furthermore, neither the Company nor any person acting on its behalf shall be held liable in any respect for any damage which may arise as a result of negligence or for any other cause as a result of the use of this Presentation or any information contained in it, or for damage which may otherwise arise in connection with information constituting a part of this Presentation.

The Company is not obliged to publish updates and amendments to the information, data and representations contained in this Presentation as a result of a change of the Company's strategy or intentions or the appearance of unexpected facts or circumstances which affect such strategy or intentions of the Company, unless such an obligation arises from the provisions of law.

This Presentation contains information on the paper industry. With the exception of information indicated as originating from a specified source, the market information referred to above has been prepared on the basis of data received from third parties who are named in this Presentation and contains estimates, assessments, corrections and opinions based on the Company's experience and knowledge of the sector in which it conducts business. Because the market information referred to above may have been partially prepared with the use of estimates, assessments, corrections and opinions and has not been verified by independent entities, to a certain extent, this information is of a subjective nature, with the exception of the information which has been indicated as information originating from third parties from a specified source. It is presumed that estimates, assessments, corrections and opinions are based on reasonable grounds and that the market information which has been prepared duly reflects the situation of the industry on the markets on which the Company conducts business. However, there is no certainty that the estimates, assessments, corrections and opinions are the most appropriate basis for drawing conclusions on the market information or that market information taken from other sources may not differ significantly from the market information contained in this Presentation.

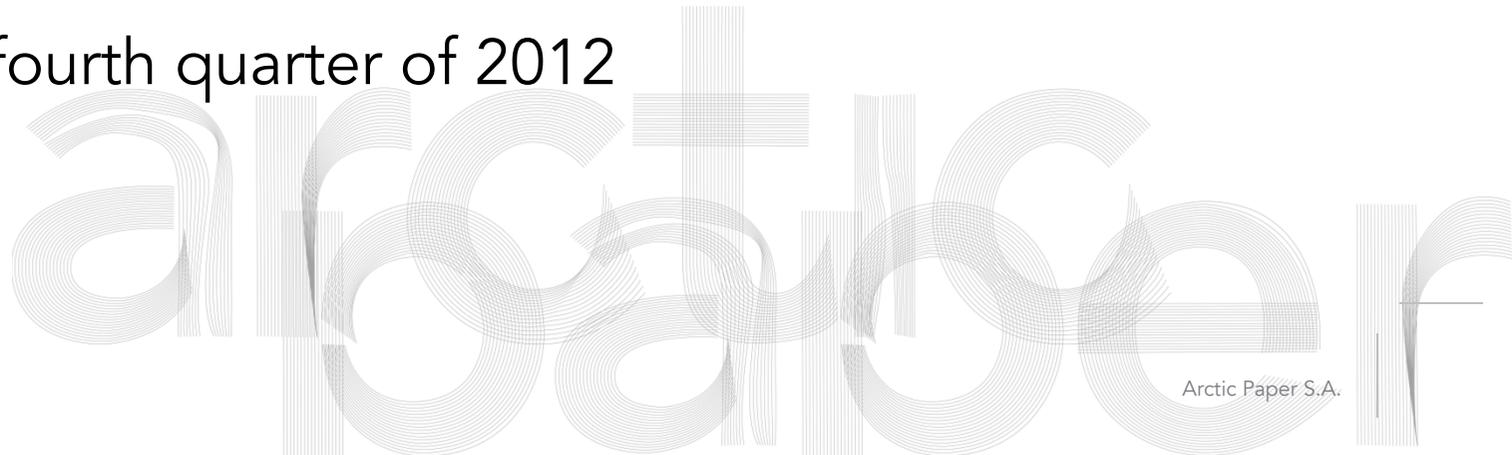
The Company would like to point out to the readers of this Presentation that the only reliable source of data on Arctic Paper's financial results, forecasts and events, as well as the Company's indicators, is the current and periodic reports submitted by the Company in compliance with reporting requirements under Polish law.

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



Agenda

- ▶ Main events in the quarter
- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary of the fourth quarter of 2012



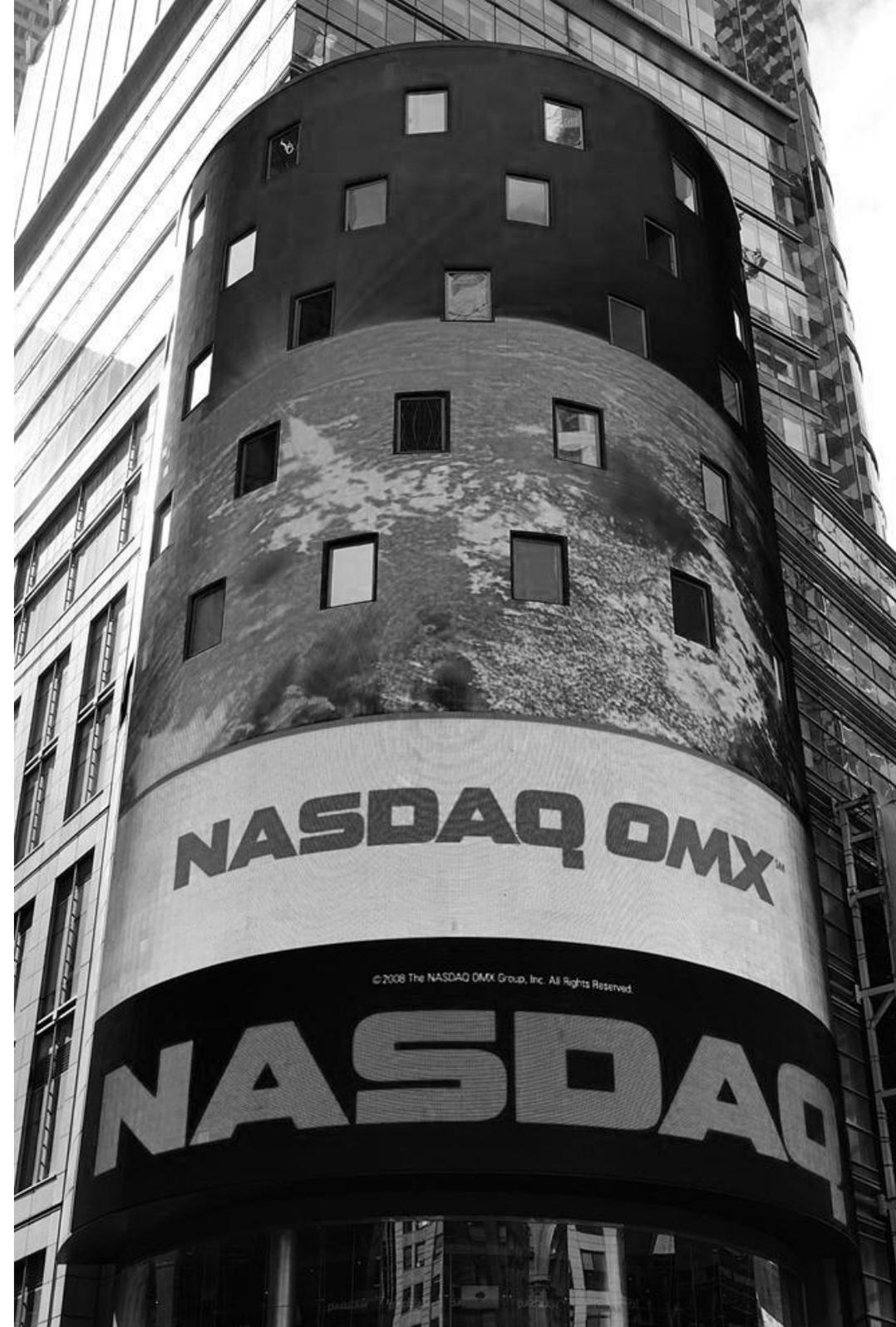
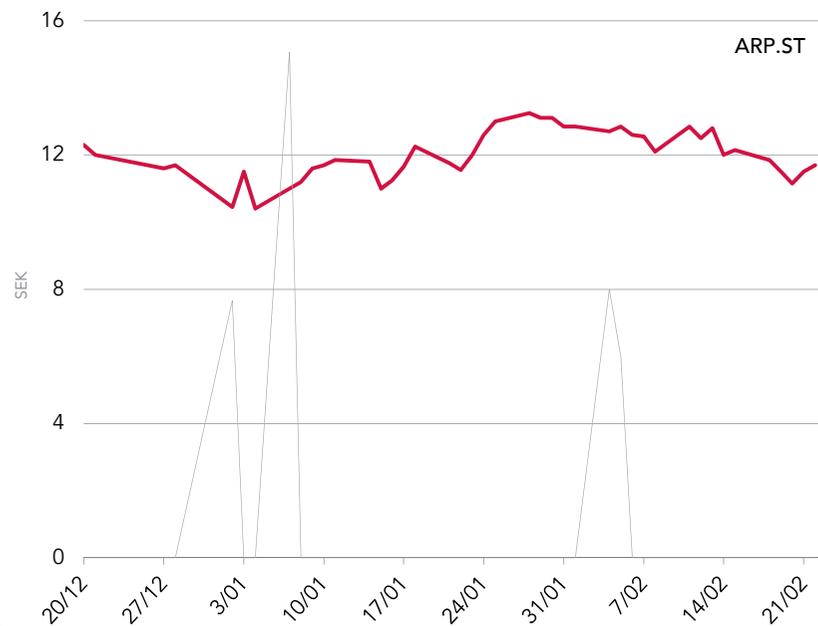


Main events in the quarter



Listing on NASDAQ OMX

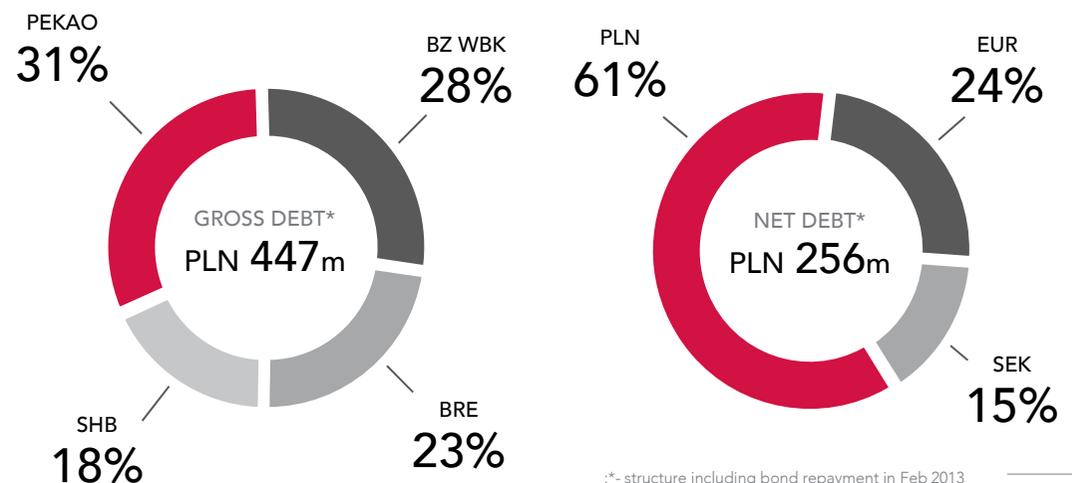
- ▶ Starting from the 20th of December 2012, Arctic Paper shares are available for trade on the secondary market on NASDAQ OMX Stockholm. Two capital markets – Central Europe and Scandinavia.
- ▶ The company's shares are directly connected to Euroclear Sweden and are as easy to trade and settle as any other Swedish listed shares. The shares may also be moved between Stockholm and Warsaw stock exchange.
- ▶ Improved free float and liquidity of Arctic Paper's shares.
- ▶ Access to group of new investors.
- ▶ All reporting and stock market information provided in accordance with the Polish and Swedish best practice.



Refinancing and repayment of the bonds

- ▶ On the 6th of November 2012 Arctic Paper Group completed refinancing for the amount of PLN 359m. As a result, on the 20th of December the Group repaid existing debt towards Pekao S.A. as well as arranged the funds for the full refinancing of the bonds due by February 2013. The new facilities consist of 5-year term loan amortized quarterly of PLN 300m (with the bullet repayment of 45% at the end) and one-year overdraft facilities of PLN 59m.
- ▶ On the 20th of December, prior to due date, the Group repaid significant portion of PLN 128m out of PLN 200m bonds. The remaining part have been repaid on the 25th of February 2013.
- ▶ The refinancing was arranged in advance although overall economic situation in Europe was at that time rather bad and many companies faced problems with financing.

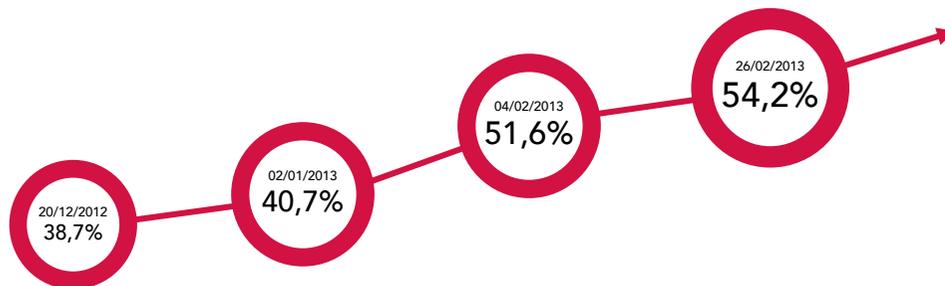
Financing structure and debt level as at 31/12*



*- structure including bond repayment in Feb 2013 and excluding Rottneros debt as at 31/12.

Rottneros takeover

- ▶ Bid initiated on 22/11/2012 and closed on 26/02/2013.
- ▶ During acceptance period the company took over 82,726,339 shares representing 54,2% of votes in Rottneros AB.
- ▶ The shares were acquired as a result of the offer in the form of exchange of shares and cash alternative for small shareholders as well as directly purchased on the NASDAQ OMX.
- ▶ The costs associated with the secondary listing on NASDAQ OMX as well as the takeover amounted to PLN 10,9m (till 31/12).
- ▶ Financial consolidation starting from 31/12/2012 (the balance sheet as at 31/12 without results of the company generated from 20/12 to 31/12).
- ▶ Provisional accounting approach due to time limitation in Q4 – 31/12 consolidation based on Rottneros publicly available figures. Full purchase price allocation settlement, including valuation of the company and impairment tests planned by the end of April prior to the annual report publication.



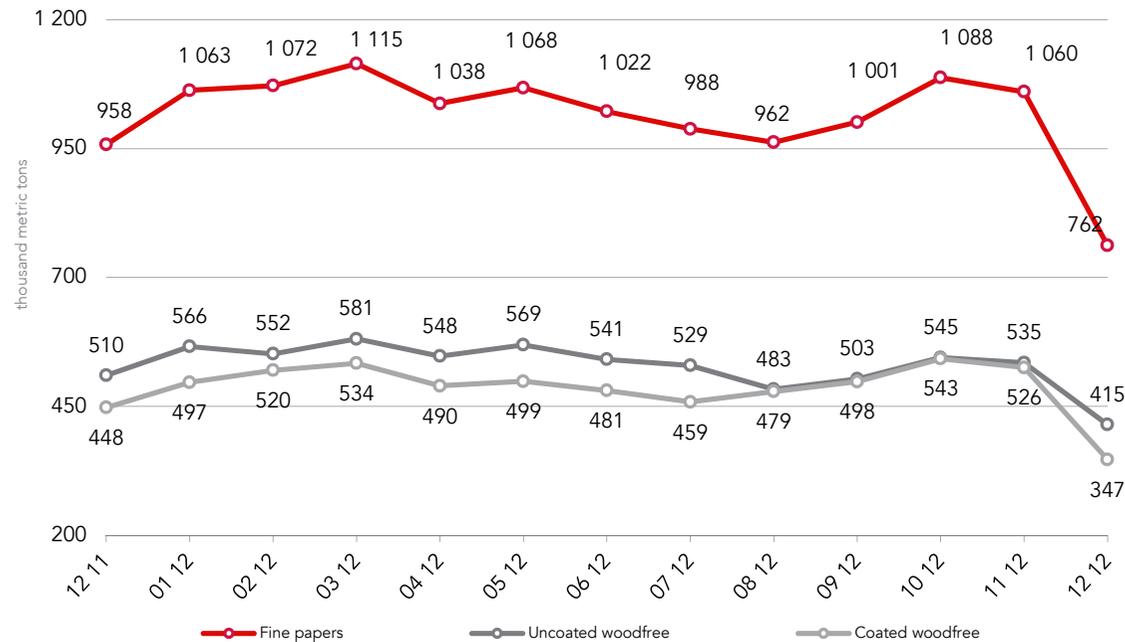


Market environment



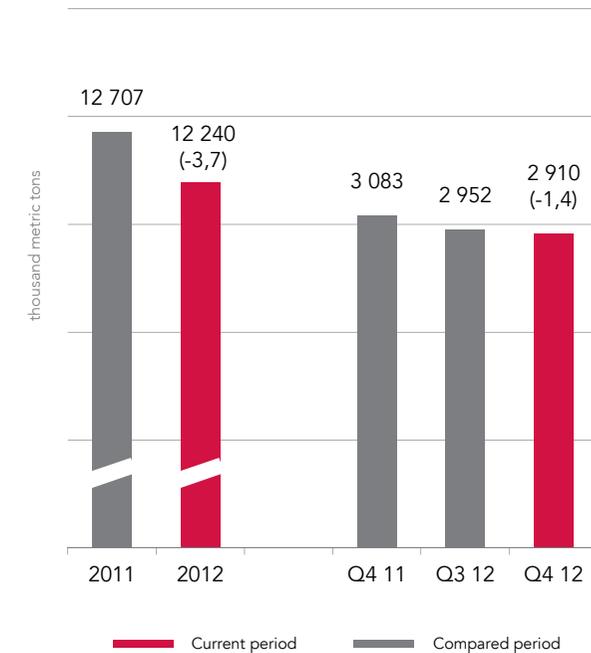
Deliveries of fine paper

Monthly deliveries of fine paper in Europe



Source: Arctic Paper based on EuroGraph data.

Quarterly and YTD deliveries of fine paper in Europe



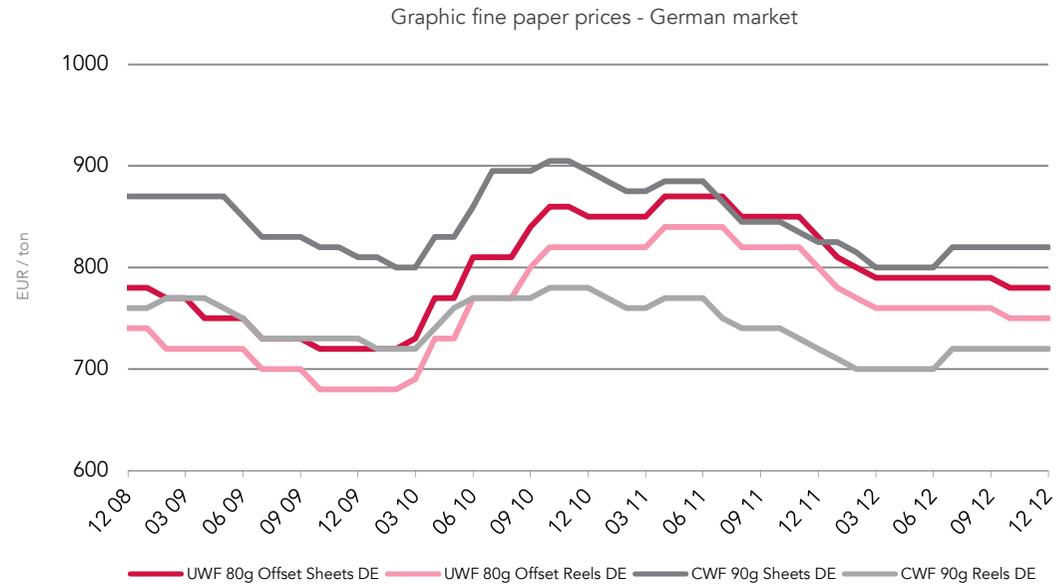
Source: Arctic Paper based on EuroGraph data.

- ▶ In December 2012 deliveries of fine paper in Europe reached the lowest level in the past few years reaching 762 thousand tons. This means 20,4% decrease compared to December 2011.
- ▶ In Q4 2012 deliveries of fine paper in Europe were lower by 1,4% than in Q3 2012 while approx. 5,6% lower than in Q4 2011. Deliveries in the uncoated wood-free (UWF) segment were down by 1,4% compared to Q3 2012 and down by 4,6% compared to Q4 2011. In the coated wood-free (CWF) segment accordingly down by 1,4% and 6,6%.

- ▶ In Q4 2012 Arctic Paper sales volume was 7,9% below Q3 2012 and 1,1% below the corresponding period of 2011. In the fourth quarter of 2012 the number of orders received remained stable.

Fine paper prices

- ▶ Autumn market prices of fine paper were under severe pressure all over Europe (typical pattern of the year-end). Despite of the first official announcements of price increases for CWF for January, prices remain unchanged.
- ▶ At the end of December 2012 the average prices for UWF decreased by -1,2% and for CWF decreased by -1,4% compared to the end of Q3 2012.
- ▶ Fine paper prices as at the end of Q4 2012 were lower compared to the end of 2011. The average price decrease was -2,7% for UWF and -3,8% for CWF.



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

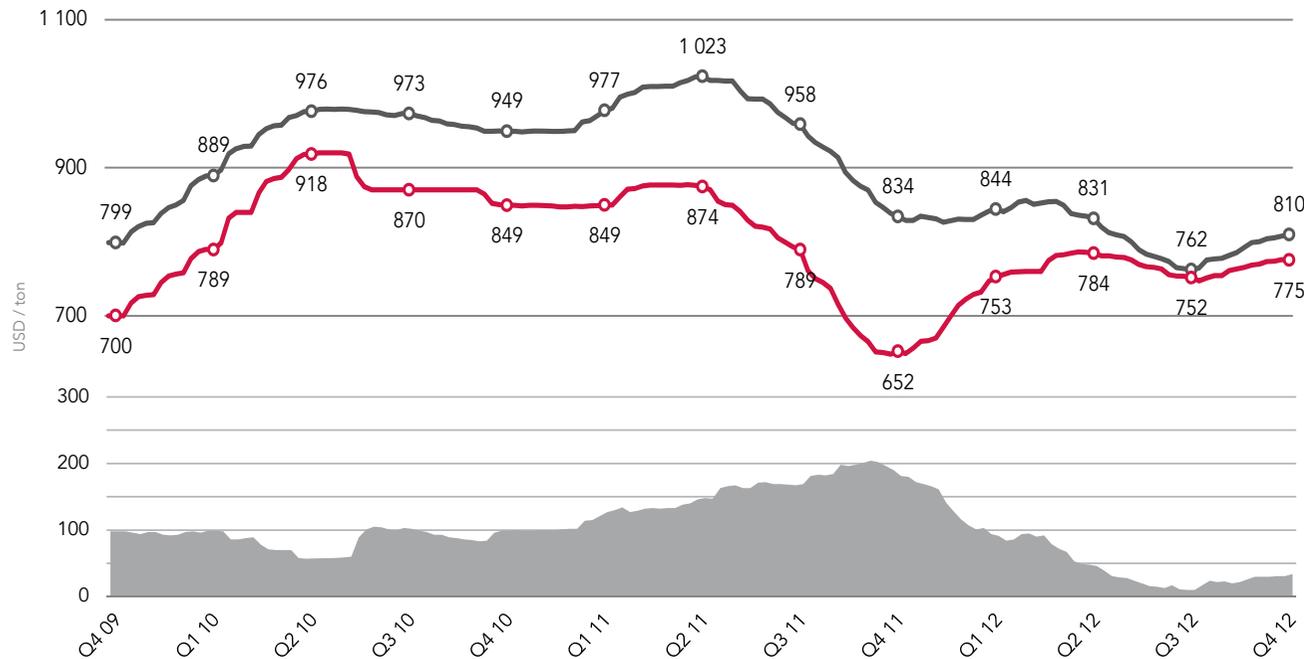
	12 12 vs. 09 12			12 12 vs. 12 11		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,7%	-1,2%	-0,8%	-2,6%	-2,7%	-2,8%
CWF	-1,5%	-1,4%	-1,3%	-4,0%	-3,8%	-3,8%

Source: Arctic Paper based on RISI data

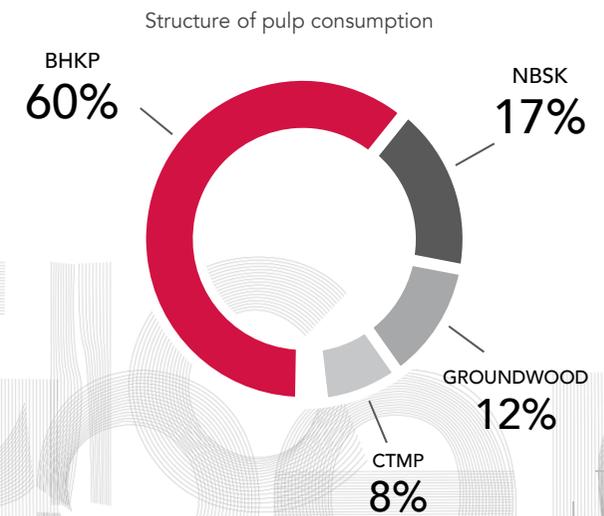
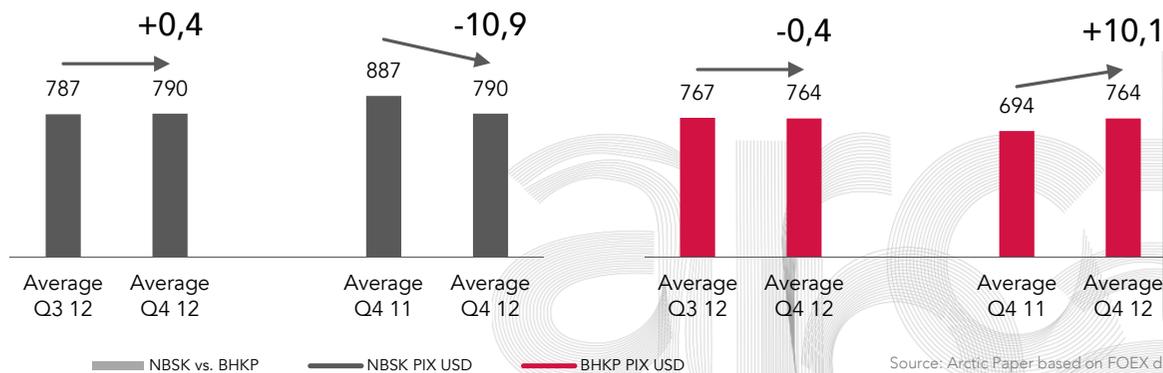
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from October to December 2012 within the range of -2,1% to +2,2%, while in the CWF segment from -3,8% to -1,7%.

Pulp prices

Pulp PIX Indexes Europe



- ▶ As at the end of Q4 2012 pulp prices were at USD 809,6 per ton for NBSK and USD 775,3 per ton for BHKP. The average price for NBSK in Q4 2012 was 10,9% lower than in the corresponding period of 2011, while BHKP was up by 10,1%. In Q4 2012 average NBSK pulp price was 0,4% higher while BHKP pulp price was 0,4% lower than in Q3 2012.
- ▶ The average cost of pulp per ton for AP Group in Q4 2012, expressed in PLN, was down by 7,1% compared to Q3 2012 and down by 7,3% compared to Q4 2011.



Source: Arctic Paper based on FOEX data.

Currency exposure

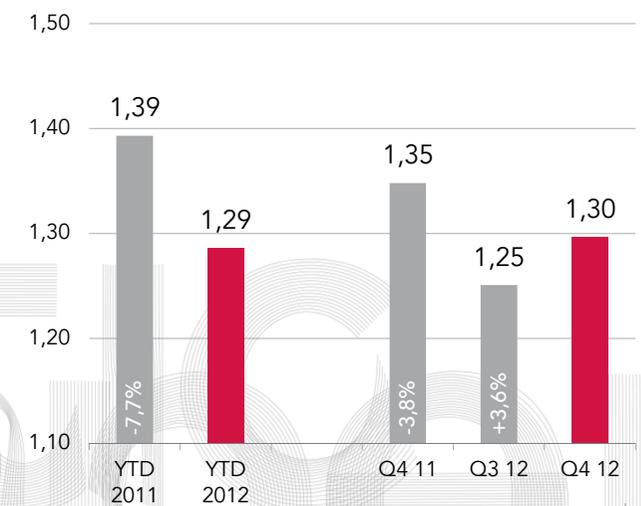
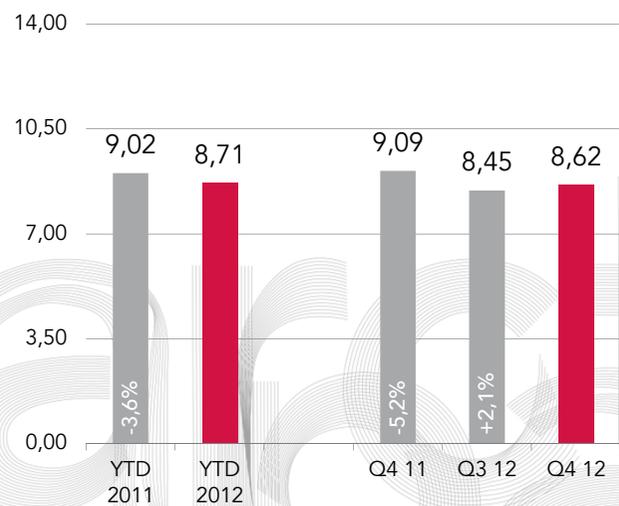
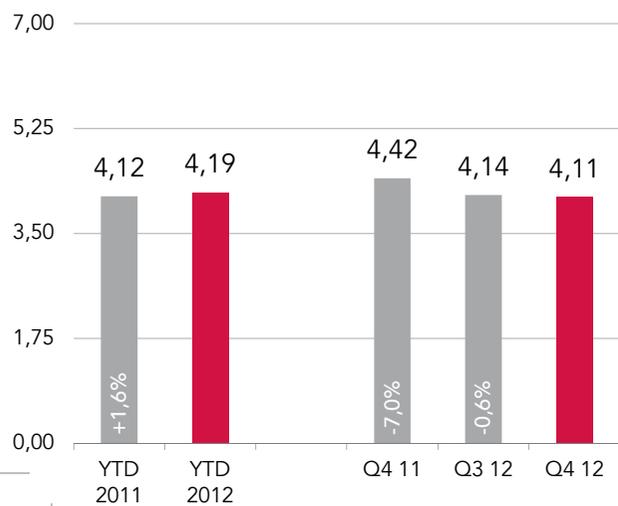
EUR/PLN changes



EUR/SEK changes



EUR/USD changes

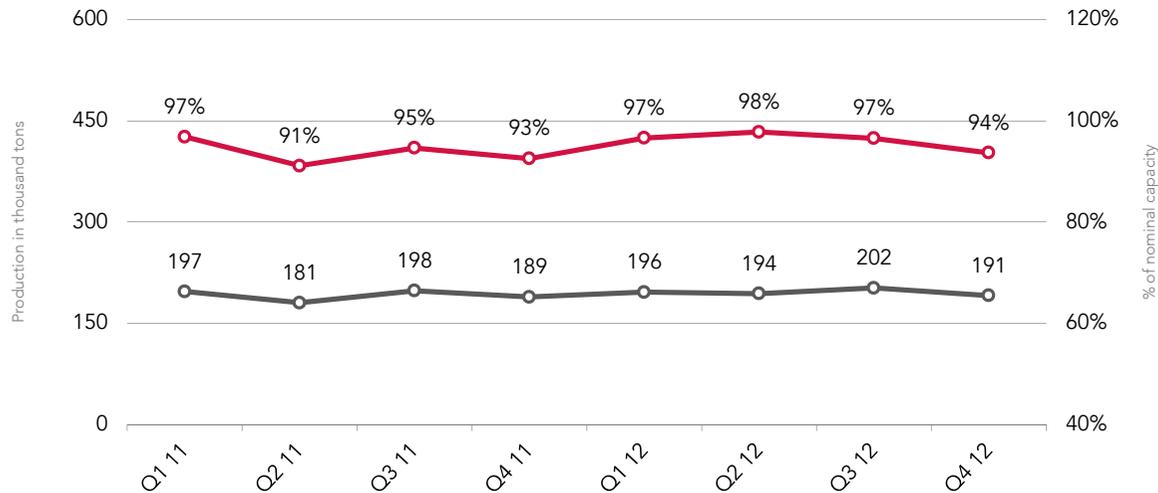




**Operating
and financial results**

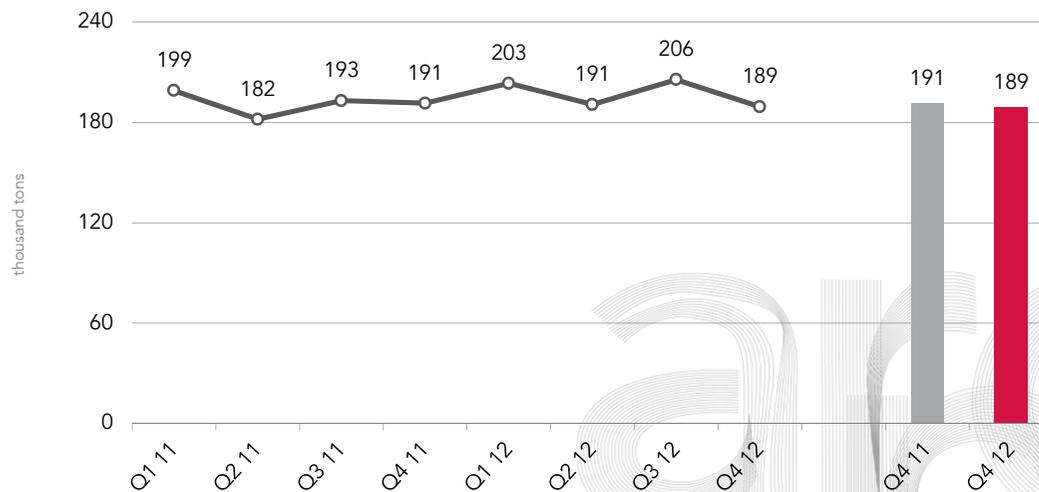
Production capacity and sales volume

Production and use of production capacity for all paper mills



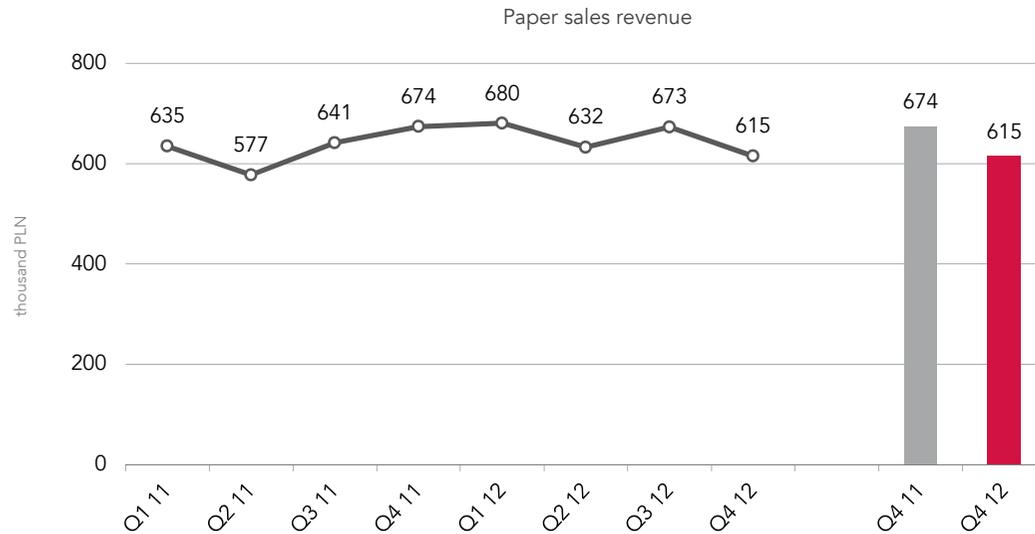
- ▶ In Q4 2012 use of production capacity for all Group paper mills was 94% and 3,0 p.p. lower than in Q3 2012 and 1,2% higher than in the corresponding period of 2011. The average use of production capacity in the last 12 months was 96%.
- ▶ In Q4 2012 production volume for all Group mills was 191 thousand tons and 5,6 p.p. lower than in Q3 2012 and 1,2% higher than corresponding period of 2011. Produced volume after twelve months of 2012 was 815 thousand tons, which is exactly the same level as in 2011.

Paper sales volume

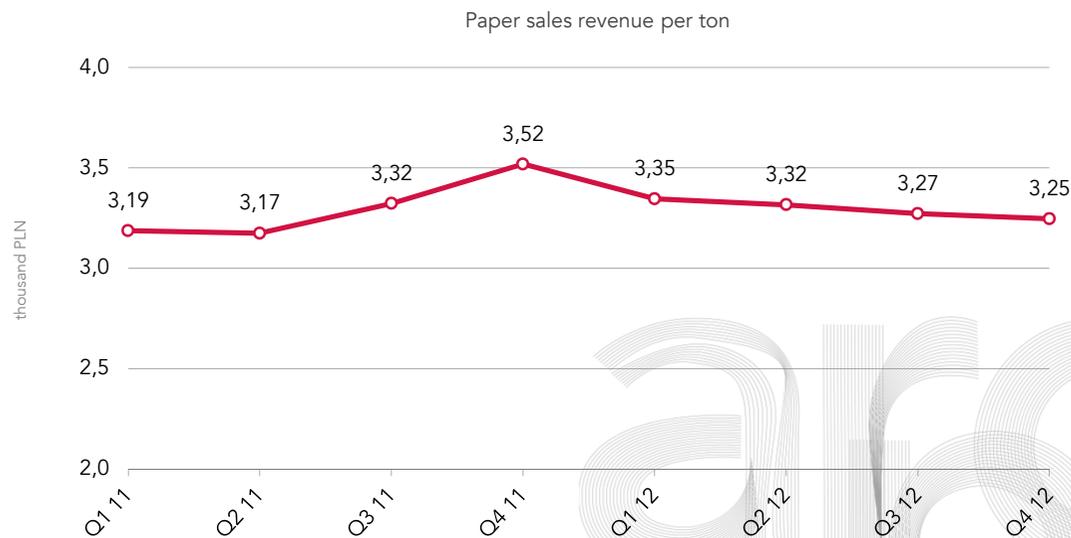


- ▶ In Q4 2012 the Arctic Paper Group noted decrease in sales volume compared to Q4 2011 of about 1,1% and decrease compared to Q3 2012 of 7,9%. Sales volume in Q4 2012 was 189 thousand tons while 789 thousand tons after twelve months of 2012. The result in four quarters of 2012 was higher by 3,1% compared to the result achieved in corresponding period of the previous year .

Sales revenue and revenue per ton



- ▶ Arctic Paper Group sales revenue in Q4 2012 was PLN 615 million, representing decrease of 8,7% compared to Q4 2011 and of 8,6% compared to Q3 2012.
- ▶ Sales revenue after twelve months of 2012 amounted to PLN 2.600 million, which is higher by 2,9% compared to the previous year.



- ▶ In Q4 2012 revenue per tonne of paper sold, expressed in PLN, was PLN 3.247, which represents decrease of 0,8% compared to the result achieved in Q3 2012 and of 7,7% compared to Q4 2011.

Key consolidated figures

(PLN thousands)	Q4 2012*	Q4 2011	Q3 2012	2012*	2011
Sales volume (000' tonnes)	190	191	206	789	765
Revenues	615 106	673 655	672 820	2 600 700	2 527 189
Gross profit on sales	89 871	102 738	104 235	405 770	353 943
% margin	14,6	15,3	15,5	15,6	14,0
EBITDA	32 574	51 713	41 845	166 192	141 762
% margin	5,3	7,7	6,2	6,4	5,6
EBIT	383	8 829	10 501	41 944	3 115
% margin	0,1	1,3	1,6	1,6	0,1
Net result	11 892	28 086	-1 483	28 060	12 066
% margin	1,9	4,2	-0,2	1,1	0,5
Net operating cash flow	94 941	115 448	9 015	166 440	162 247
Capital expenditures	24 016	32 897	14 690	59 627	56 591
Cash and equivalents	202 710	166 299	134 872	202 710	166 299
Total assets	2 396 231	1 924 531	1 811 222	2 396 231	1 924 531
Capital employed	1 179 011	1 277 448	964 894	1 179 011	1 277 448
Total equity	746 469	675 561	676 932	746 469	675 561
Net debt	293 686	322 865	317 734	293 686	322 865
Earnings per share (PLN)	0,02	0,51	-0,03	0,31	0,22
Equity / assets ratio (%)	31	35	37	31	35
Net debt / equity ratio (%)	39	48	47	39	48
Net debt / EBITDA (times)	1,90x	2,28x	1,71x	1,90x	2,28x

Q4 sales volume slightly lower than in Q4 2011 (-1,0%) and revenues due to price and fx mix (-8,7%).

YTD sales volume higher than last year by +3,1% and revenues by +2,9%.

Q4 gross profit margin on the level comparable with Q4 2011 (-0,6pp).

YTD gross profit margin higher by +1,6pp.

Adjusted Q4 EBITDA lower by PLN 19,1m (-37%) compared to Q4 2011 and by PLN 9,2m (-22,2%) compared to Q3 2012.

Adjusted YTD EBITDA better by PLN 24,4m (+17%) compared to 2011, while EBITDA margin higher by 0,8pp.

Solid operating cash flow in the quarter and in the year.

Capex under tight control.

Record cash level as a consequence of refinancing and accumulating cash due to incoming repayment of the bonds.

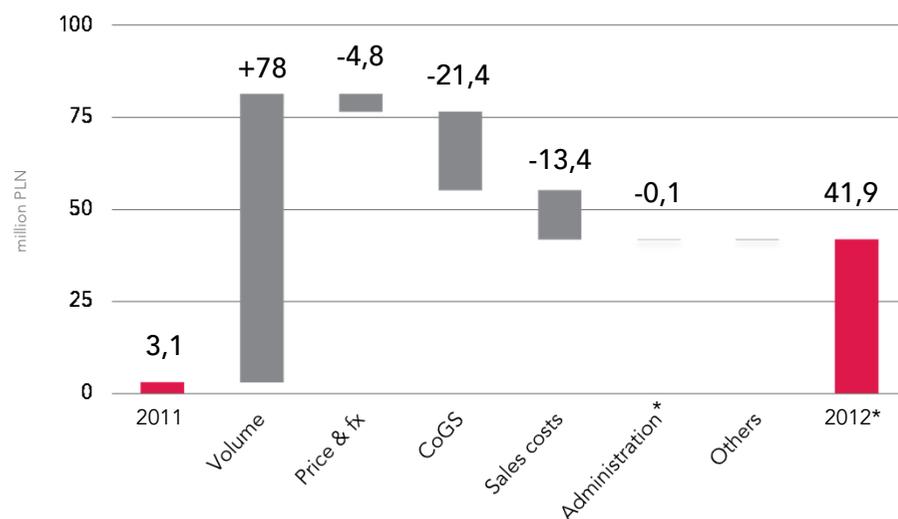
Significantly reduced net debt and improved overall B/S situation (including and excluding Rottneros figures)

Improved debt ratios.

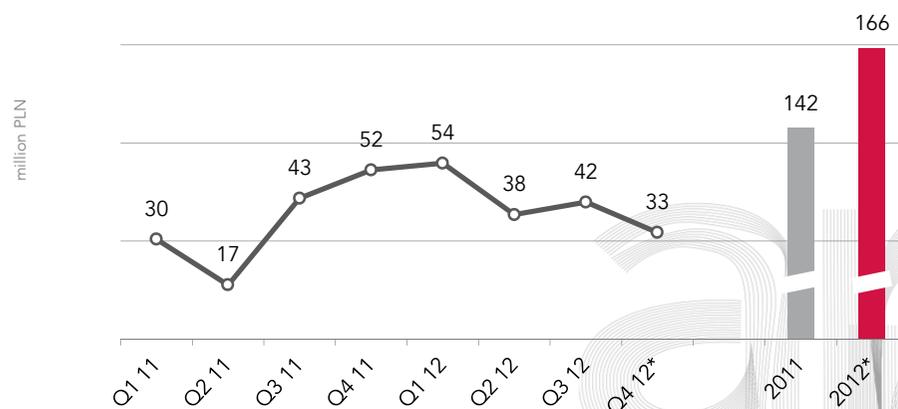
* - only P&L figures adjusted for one-off costs related to NASDAQ OMX listing and Rottneros bid in the total amount of PLN 10,9m

Operating result and EBITDA

Operating result bridge*



EBITDA evolution*



* - adjusted for one-off costs related to NASDAQ OMX listing and Rottneros bid in the total amount of PLN 10,9m

▶ Adjusted for one-off costs operating result for the twelve months of 2012 reached level of 41,9 MPLN and was higher by 38,8 MPLN than in the corresponding period of 2011. Main contributor to such an increase was volume (+23,5 thousand tons sold more compared to 2011). Relatively small negative effect was from price and exchange rates (-4,8 MPLN). CoGS and Sales costs increased accordingly to the volume increase. Administration costs stayed on the same level if we exclude costs related to NASDAQ OMX listing and Rottneros bid in the amount of PLN 10,9m.

▶ In Q4 2012 adjusted EBITDA of the Arctic Paper Group noted decrease compared to Q4 2011 of about 36.5% and decrease compared to Q3 2012 of 21.4%. The adjusted EBITDA level after twelve months of 2012 reached 166 MPLN, and this result was higher by 16.9% compared to the result achieved in previous year.



Summary of the fourth quarter of 2012



The fourth quarter in brief

Arctic Paper Group

- ▶ Arctic Paper S.A. as the first company with its primary listing on the WSE Poland entered NASDAQ OMX Stockholm for its secondary listing.
- ▶ Offer to the shareholders of Rottneros AB and control takeover. Acceptance period open till 26/02 with the final outcome of 54,2% of votes in the company.
- ▶ The new financing from the consortium of three banks for the total amount of PLN 359 million (5-year loans and overdraft facilities).
- ▶ Repayment of major portion of the bonds in Q4 and full repayment in Q1 2013 (3-year and 2-year bonds issued in 2010 and 2011).
- ▶ Stable level of orders, decrease in sales volume and sales revenue due to market conditions.
- ▶ High use of production capacity and good production outcome.
- ▶ Stable financial results in the fourth quarter of 2012, similar to the corresponding period of the previous year. However, influenced by one-off costs related to the secondary listing and Rottneros bid.

Market environment

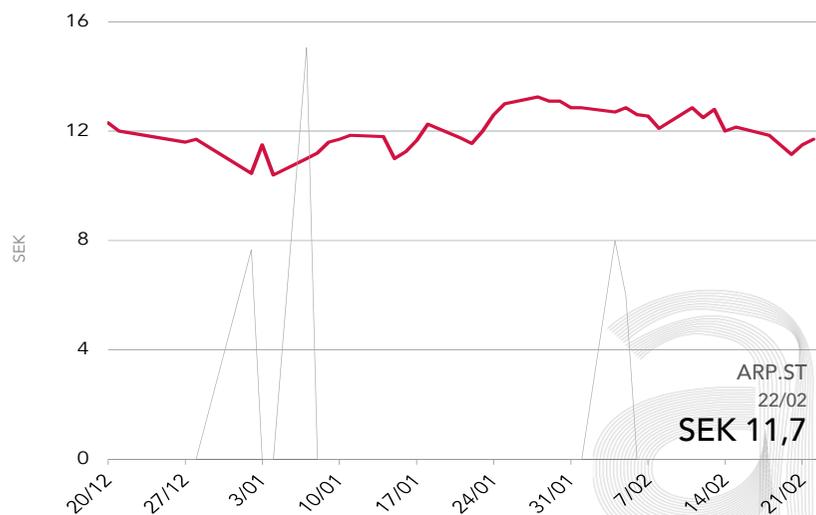
- ▶ Further decline of demand for fine papers in Europe in Q4 2012.
- ▶ Continued stabilization of market paper prices in the fourth quarter of 2012 on the low level. Lower market prices compared to the corresponding period of the previous year. Increasing pressure from fine paper producers on increasing the prices.
- ▶ Almost stable level of pulp prices in Q4 2012 compared to the previous quarter. Lower level of NBSK prices and higher of BHKP prices in the fourth quarter of 2012 compared to the corresponding period of the previous year. Average Arctic Paper pulp cost per ton in the quarter significantly lower.

Stock market overview

Arctic Paper – Warsaw Stock Exchange



Arctic Paper – NASDAQ OMX Stockholm



Warsaw Stock Exchange (WSE)

ISIN	PLARTPR00012
Ticker	ATC
Sector	Basic materials
Listing date	23/10/2009
Currency	PLN

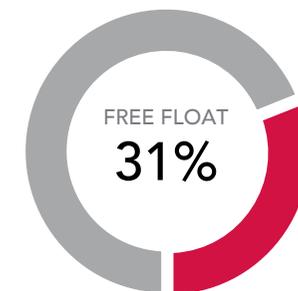
NASDAQ OMX Stockholm (OMX STO)

ISIN	PLARTPR00012
Ticker	ARP
Sector	Basic resources
Listing date	20/12/2012
Currency	SEK

Market capitalisation

22/02
PLN **428m**
68,561,530 shares

Shareholders



Peer comparison

	Arctic Paper*	Peer Median**
Price / Sales	0,2	0,6
EV / EBITDA	4,6	6,3
Price / Cash Flow	2,5	5,4
Price / Book	0,7	1,1
Dividend Yield Latest	2,3%	3,9%

* - historical information on Arctic Paper based on Q4 2012 report
** - based on Thomson Reuters Smart Estimates for the next twelve months (NTM)

you Thank

Michał Jarczyński, CEO
ARCTIC PAPER GROUP

Michał Bartkowiak, CFO
ARCTIC PAPER GROUP

www.arcticpaper.com

Arctic Paper S.A. | Jana Henryka Dabrowskiego 334A | PL-60406 | Poznan | Poland
© 2013 Arctic Paper S.A. | All rights reserved