

Arctic Paper Group

Results for the year 2013

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ARCTIC PAPER

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This Presentation should be read together with the 2013 consolidated and standalone annual report.



Agenda

- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary for the 2013

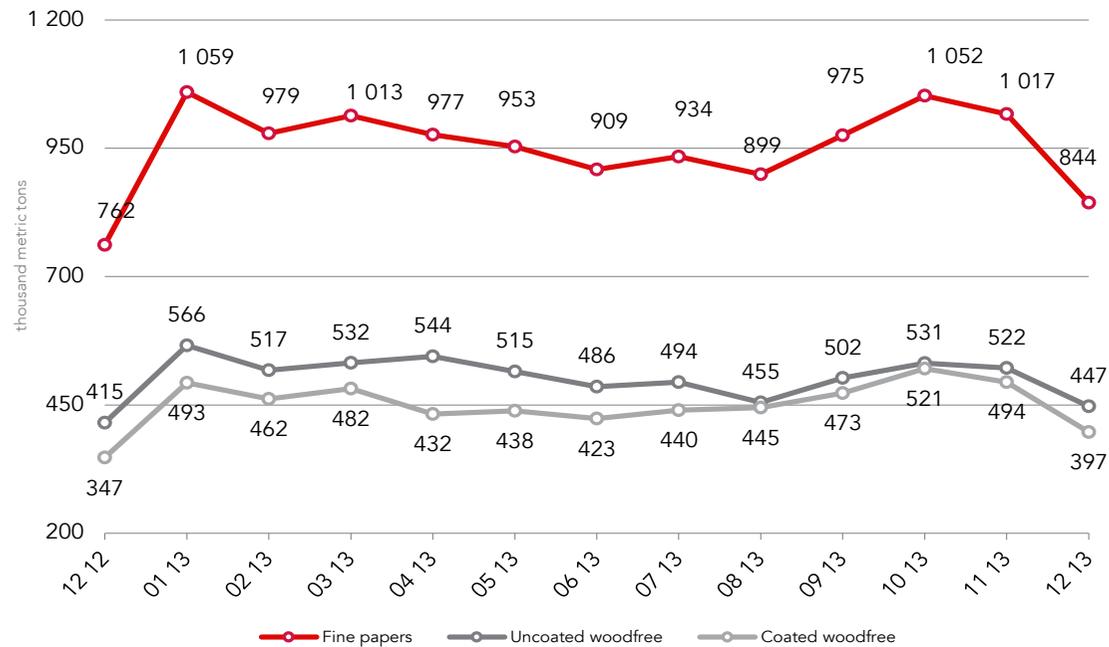




Market environment

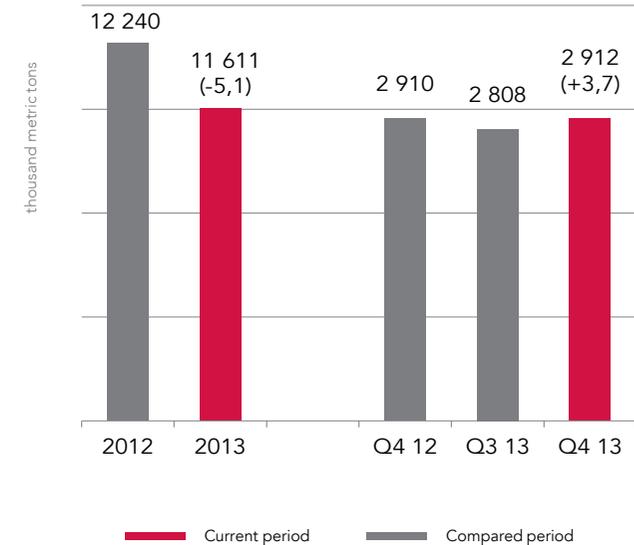
Deliveries of fine paper

Monthly deliveries of fine paper in Europe



Source: Arctic Paper based on EuroGraph data.

Quarterly and YTD deliveries of fine paper in Europe



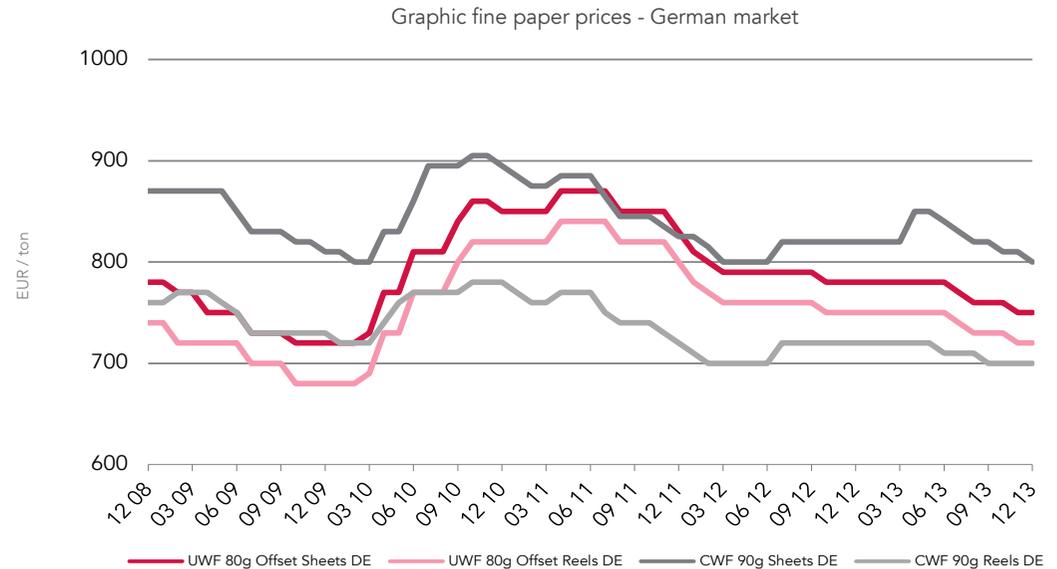
Source: Arctic Paper based on EuroGraph data.

- ▶ YTD December 2013 deliveries of fine paper in Europe reached the level of 11.611 thousand tons a 5,1% decline compared to 2012. Deliveries in the uncoated wood-free (UWF) segment were down by 4,0% and in the coated wood-free (CWF) segment down by 6,3%.
- ▶ In Q4 2013 deliveries of fine paper in Europe were up by 3,7% compared to Q3 2013 and 0,1% higher than in Q4 2012. Deliveries in the uncoated wood-free (UWF) segment were up by 3,4% compared to Q3 2013 and by 0,4% compared to Q4 2012. In the coated wood-free (CWF) segment the numbers were up by 4,0% and down by 0,3%.

- ▶ On the YTD basis the volumes in 2013 were down by 4,1%.
- ▶ In Q4 2013 Arctic Paper sales volume was 4,2% below the corresponding period of 2012 (in Q3 2013 one of the machine at Arctic Paper Mochenwangen with the capacity of 20.000 tons was closed was has direct impact on the volume).
- ▶ Arctic Paper volumes decreased less than the total tonnage delivered to the markets in Europe.

Fine paper prices

- ▶ At the end of Q4 2013 fine paper prices were down compared to the end of Q4 2012 for UWF and for CWF. The average price decrease was -3,9% for UWF and -2,4% for CWF.
- ▶ At the end of Q4 2013 the average prices for UWF decreased by -1,7% and for CWF decreased by -1,8% compared to end of Q3 2013.



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

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

Source: Arctic Paper based on EuroGraph data

- ▶ Comparing December 2013 to December 2012 the UWF segment changed from -3,5% to -2,0% (average price - 2,8%), while in the CWF segment from -4,4% to -4,2% (average price -4,3%).

- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from October 2013 to December 2013 within the range of -1,0% to +1,1% (average price 0,0%), while in the CWF segment from -2,0% to -0,1% (average price -1,1%).

Currency exposure

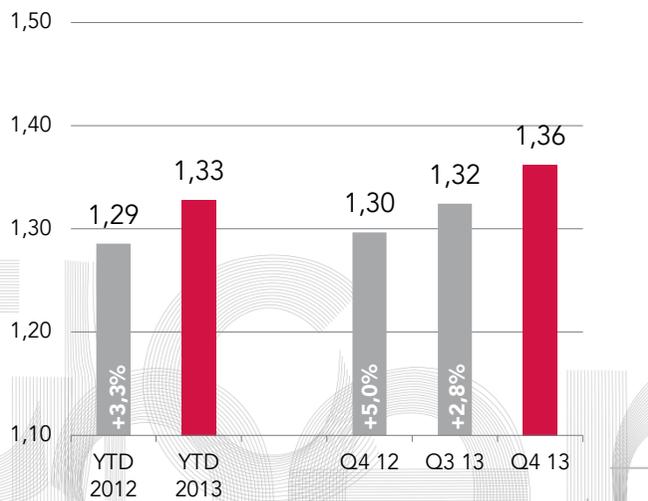
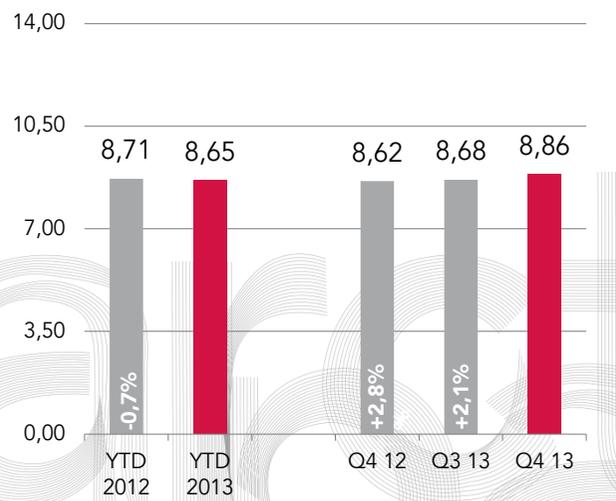
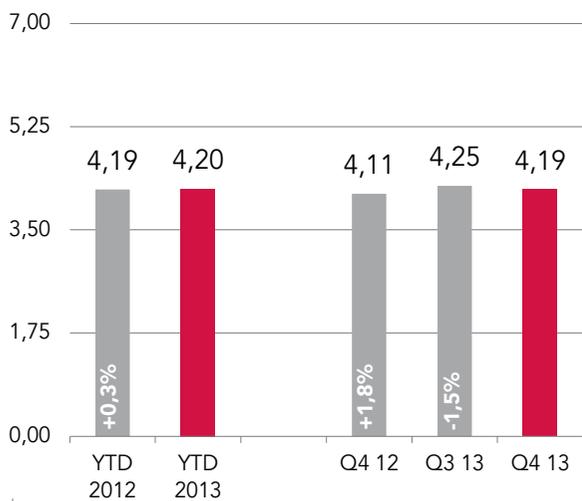
EUR/PLN changes



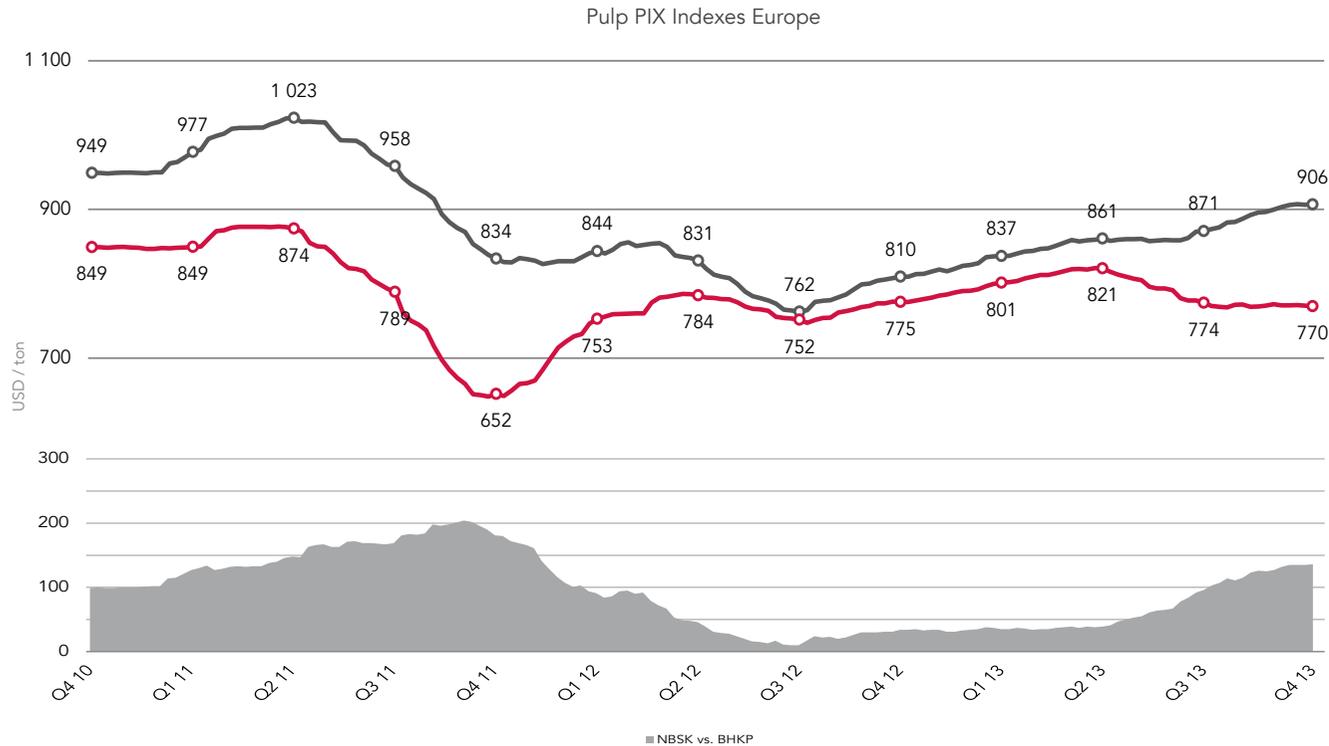
EUR/SEK changes



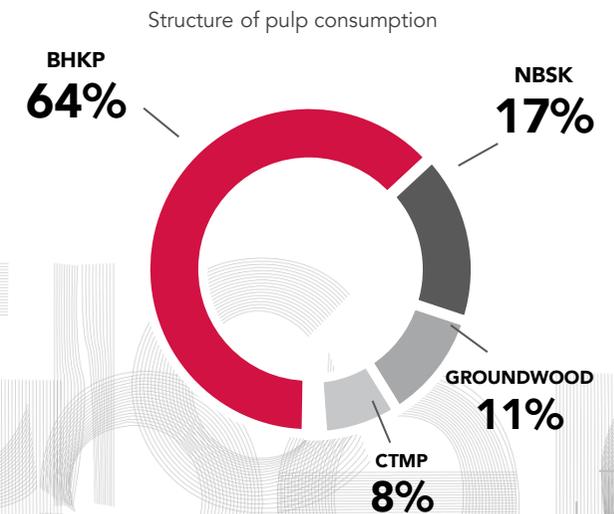
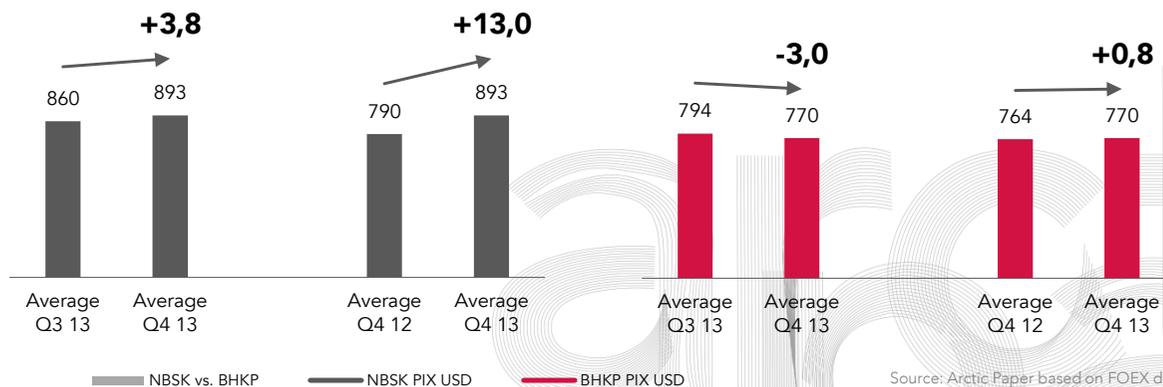
EUR/USD changes



Pulp prices



- ▶ As at the end of December pulp prices were at USD 906 per ton for NBSK and USD 770 per ton for BHKP. The average price for NBSK in Q4 2013 was 13,0% higher than in the corresponding period of 2012, while BHKP was up by 0,8%. In Q4 2013 average NBSK pulp price was 3,8% higher while BHKP pulp price was 3,0% lower than in Q3 2013.
- ▶ The average cost of pulp per ton for the AP Group in Q4 2013, expressed in PLN, was down by - 4,2% compared to Q3 2013 and up by 3,3% compared to Q4 2012.



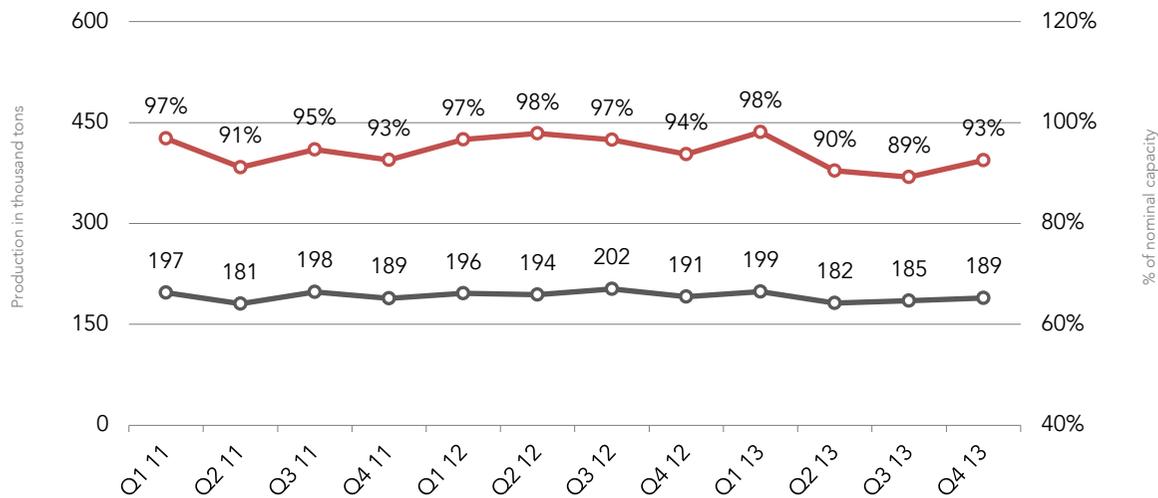
Source: Arctic Paper based on FOEX data.



Operating
and financial results for
the year 2013

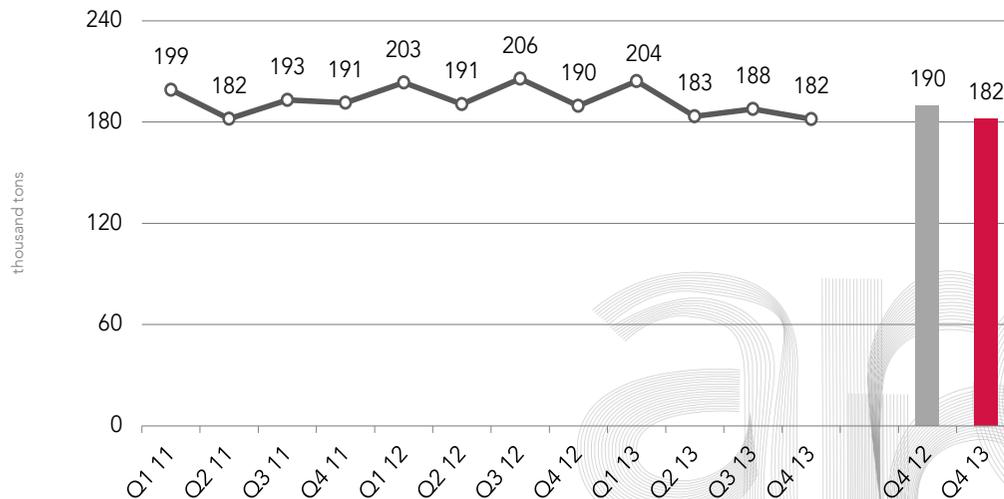
Production capacity and sales volume

Production and use of production capacity for all paper mills



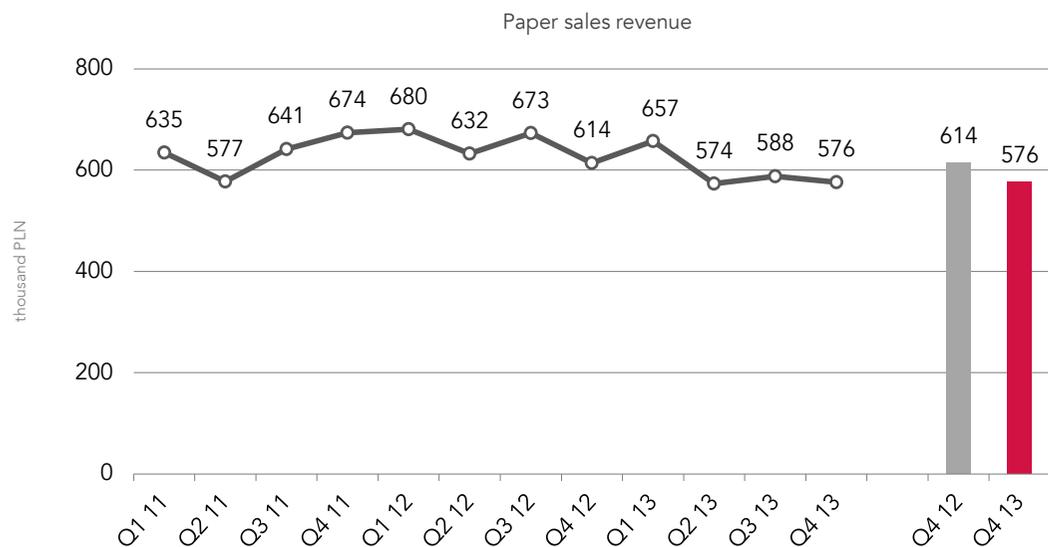
- ▶ In Q4 2013 the use of production capacity for all Group paper mills was 93%, which was +3,3 p.p. higher than in Q3 2013 and -1,2 p.p. lower than in the corresponding period of 2012. The average use of production capacity in the last 12 months was 93%.
- ▶ In Q4 2013 production volume for all Group mills was 189 thousand tons, +2,2% higher than in Q3 2013 and -1,0% lower than the corresponding period 2012.

Paper sales volume

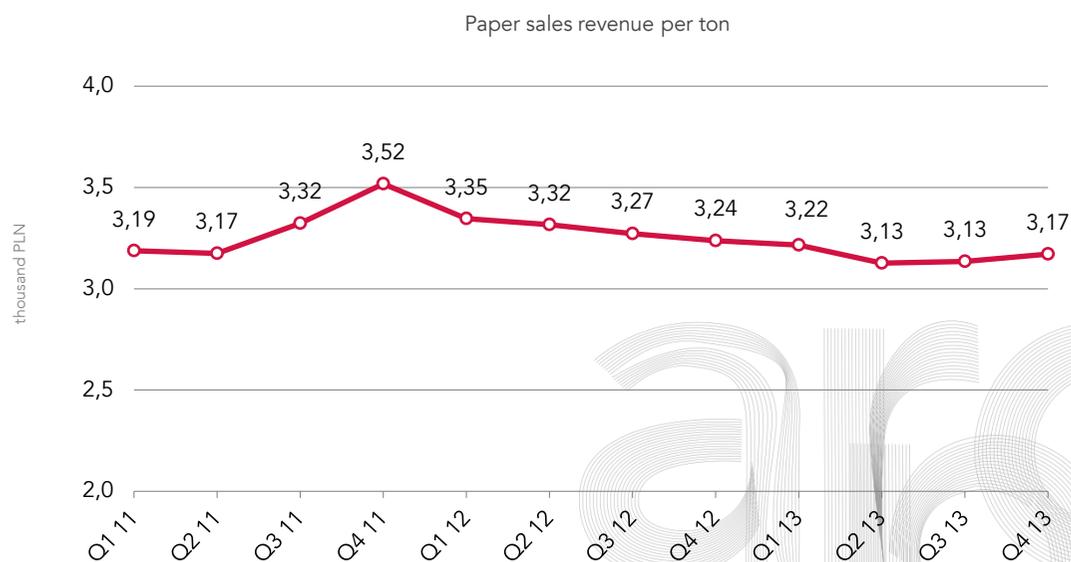


- ▶ In Q4 2013 the Arctic Paper Group noted decrease in sales volume compared to Q3 2013 of -3,2% compared to Q4 2012 of -4,2% and on the YTD basis by -4,1%. Sales volume in Q4 2013 was 182 thousand tons.
- ▶ In Q3 2013 one paper machine at Arctic Paper Mochenwangen with the capacity of 20.000 tons was closed which had a direct impact on the volume.

Paper sales revenue and revenue per ton



- ▶ Arctic Paper Group paper sales revenue in Q4 2013 was PLN 576m, representing a decrease of -2,0% compared to Q3 2013 and decrease of -6,2% compared to Q4 2012. On the YTD basis revenues from paper sales reached the level of PLN 2.394m a decrease of -7,9% compared to 2012.



- ▶ In Q4 2013 paper revenue per ton, expressed in PLN, was PLN 3,17k, which represents increase of 1,2% compared to Q3 2013 and a decrease of -2,1% compared to Q4 2012. On the YTD basis revenue per ton reached PLN 3,16k, 4,0% lower than 2012.

Key consolidated figures

(PLN thousands)	Q4 2013	Q4 2012	Q3 2013	YTD Q4 2013	YTD Q4 2012
Paper sales volume (000' tonnes)	182	190	188	757	789
Pulp sales volume (000' tonnes)	76	0	83	333	0
Revenues	734 894	622 133	784 000	3 104 901	2 631 717
Gross profit on sales	28 921	-160 887	79 910	190 886	157 010
% margin	3,9	-25,9	10,2	6,1	6,0
EBITDA	13 599	218 544	23 549	72 862	352 162
% margin	1,9	35,1	3,0	2,3	13,4
EBIT	-49 760	-61 560	-7 046	-151 641	-19 998
% margin	-6,8	-9,9	-0,9	-4,9	-0,8
Net result	-38 930	7 531	-15 291	-152 153	23 699
% margin	-5,3	1,2	-2,0	-4,9	0,9
Net operating cash flow	39 335	95 554	28 167	14 857	167 054
Capital expenditures	17 595	28 873	26 913	87 337	83 057
Cash and equivalents	118 033	202 710	103 884	118 033	202 710
Total assets	1 784 458	2 045 599	1 869 263	1 784 458	2 045 599
Capital employed	1 070 344	1 247 842	952 555	1 070 344	1 247 842
Total equity	671 532	829 487	724 333	671 532	829 487
Net debt	392 161	293 686	391 041	392 161	293 686
Earnings per share (PLN)	-0,56	0,14	-0,22	-2,20	0,43
Equity / assets ratio (%)	38	41	39	38	41
Net debt / equity ratio (%)	58	35	54	58	35
Net debt / EBITDA (times)	5,38x	0,83x	5,33x	5,38x	0,83x

Q4 2013 paper sales volume were lower than in Q3 2013 (-3,2%) and total revenues were by -6,3% lower compared to Q3 2013 (of this -12,6% is Rottneros revenue decrease and -4,5% the paper segment revenue).

Q4 2013 gross profit margin on a lower level compared to Q3 2013 by PLN 50,1m (of which PLN 36,3m APG mill impairment).

Q4 2013 EBITDA lower by PLN 9,9m compared to Q3 2013 and lower by PLN -12,5m compared to Q4 2012 (excluding Q4 2012 one-off related to badwill on Rottneros).

Positive operating cash flow in the Q4 2013.

Capex under control.

Cash higher by PLN 14,1m comparing to Q3 2013.

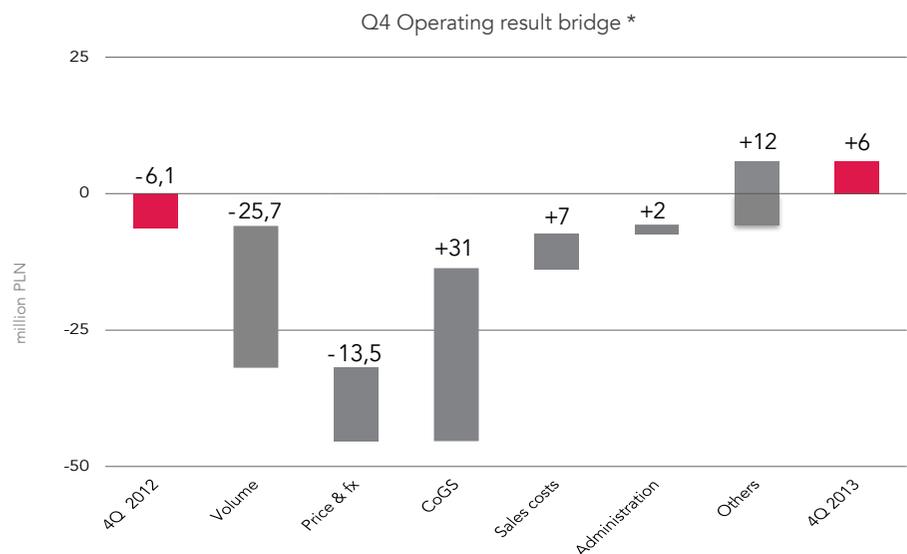
Net debt almost on the same level as in Q3 2013 (+0,3%).

Key consolidated figures after one-offs excluding

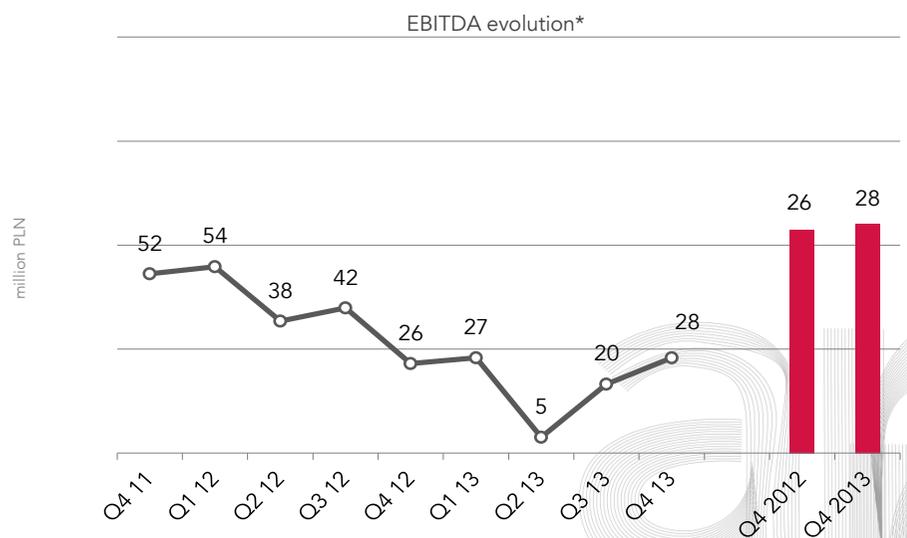
(PLN thousands)	Q4 2013*	Q4 2012*	Q3 2013	YTD Q4 2013*	YTD Q4 2012*
Paper sales volume (000' tonnes)	182	190	188	757	789
Pulp sales volume (000' tonnes)	76	0	83	333	0
Revenues	734 894	622 133	784 000	3 104 901	2 631 717
Gross profit on sales	65 248	87 026	79 910	293 862	404 923
% margin	8,9	14,0	10,2	9,5	15,4
EBITDA	13 599	26 092	23 549	72 862	159 710
% margin	1,9	4,2	3,0	2,3	6,1
EBIT	-13 433	-6 100	-7 046	-48 664	35 462
% margin	-1,8	-1,0	-0,9	-1,6	1,3
Net result	-18 658	15 888	-15 291	-77 894	32 056
% margin	-2,5	2,6	-2,0	-2,5	1,2
Net operating cash flow	39 335	95 554	28 167	14 857	167 054
Capital expenditures	17 595	28 873	26 913	87 337	83 057
Cash and equivalents	118 033	202 710	103 884	118 033	202 710
Total assets	1 784 458	2 045 599	1 869 263	1 784 458	2 045 599
Capital employed	1 070 344	1 247 842	952 555	1 070 344	1 247 842
Total equity	671 532	829 487	724 333	671 532	829 487
Net debt	392 161	293 686	391 041	392 161	293 686
Earnings per share (PLN)	-0,27	0,29	-0,22	-1,12	0,58
Equity / assets ratio (%)	38	41	39	38	41
Net debt / equity ratio (%)	58	35	54	58	35
Net debt / EBITDA (times)	5,38x	1,84x	5,33x	5,38x	1,84x

* - adjusted for one-off related to badwill on Rottneros and mill impairments

Operating result and EBITDA (excluding one-offs and Rottneros)



* - adjusted for one-off related to badwill on Rottneros and mill impairments

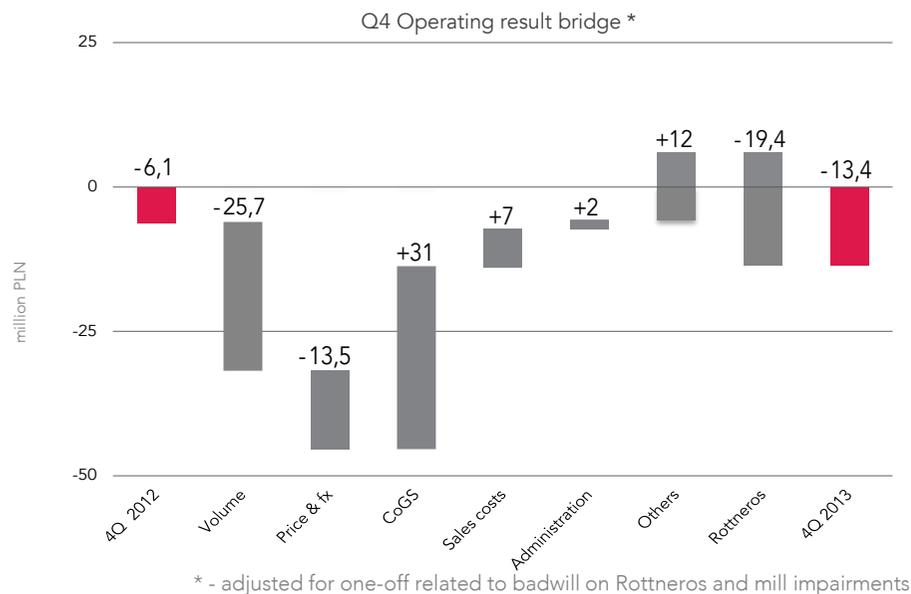


* - adjusted for one-off related to badwill on Rottneros

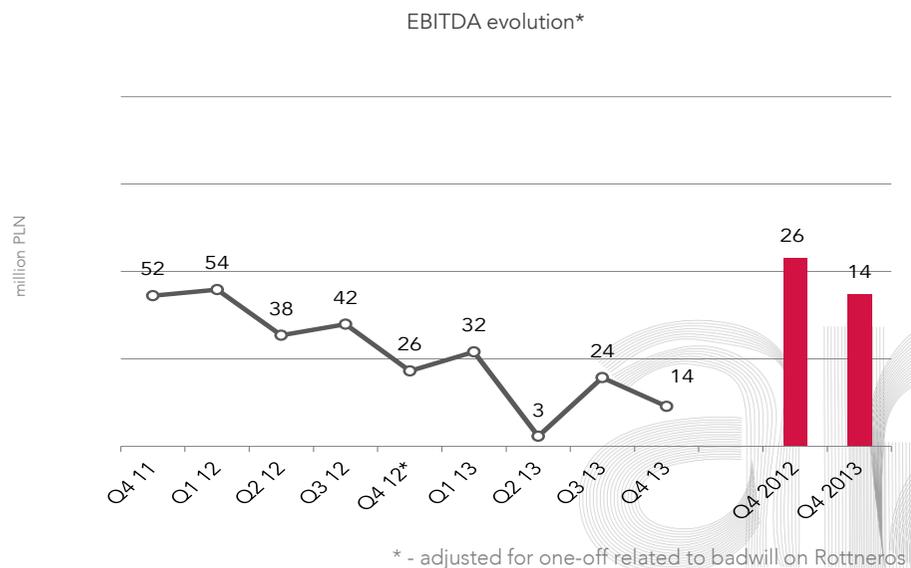
- ▶ Operating result for the Q4 2013 excluding the APG mill impairment reached level of PLN 6,0m compared to PLN -6,1m in Q4 2012 (if exclude one-offs related to badwill of Rottneros and mill impairments). Main contributor to the increase was lower CoGS (PLN +31,0m, part of which, 82% came from lower sale volume), lower sales costs, administration and others. In total the gave the positive effect of PLN +52,0m. The effect was partly offset by volume (PLN -25,7m) and price and exchange rates (PLN -13,5m).

- ▶ In Q4 2013 EBITDA reached the level of PLN 28,0m, which is increase compared to Q3 2013 by PLN +7,6m, mainly due to better product mix sales and lower variable costs than in Q3 2013. Comparing to Q4 2012 achieved EBITDA was higher by PLN +1,7m.

Consolidated operating result and EBITDA



- ▶ Operating result for the Q4 2013 excluding the APG mill impairment reached level of PLN -13,4m compared to PLN -6,1m in Q4 2012 (if exclude one-offs related to badwill on Rottneros and mill impairments). Main contributor to the decrease was lower volume (PLN -25,7m) and price and exchange rates (PLN -13,5m). Part of that was offset by a positive effect from CoGS 82% (mainly due to lower volume). Sales costs, administration and others in total gave positive effect of PLN +21,0m. Rottneros impact on the operating results for the period was negative PLN -19,4m.



- ▶ In Q4 2013 consolidated EBITDA of Arctic Paper Group reached the level of PLN 13,6m, which is decrease compared to Q3 2013, due to negative Rottneros EBITDA of PLN -13,9m. Comparing to Q4 2012 achieved EBITDA was PLN -12,2m lower.



Summary of the 2013

The year 2013 in brief

Market environment

- ▶ Visible change in demand for fine papers in Europe in Q4 2013 (+3,7% compared to Q3 2013 and +0,1% compared to Q4 2012) after poor Q2 and Q3 2013 .
- ▶ The decline of market paper prices continued in the fourth quarter of 2013 for both UWF (-1,7% compared end of Q4 to end of Q3 2013) and CWF (-1,8% compared end of Q4 to end of Q3 2013).
- ▶ Better SEK exchange rate evaluation in second half of 2013 in comparison to the first half.
- ▶ Increasing prices in the first half of 2013 for BHKP and NBSK. Change of trend for BHKP in Q3 2013 and finally decrease by -5,7% in Q3 2013 and by -6,2% in Q4 2013 compared with the the highest Q2 2013 price. NBSK finish the end 2013 with the highest price during the whole year, +12,0% compared to the end of 2012.
- ▶ Slight improvement in market trends, as pulp prices and exchange rate were at a somewhat more favourable level for the company

Arctic Paper Group

- ▶ Generated revenue of PLN 3.1bn, an increase of 18% year-on-year, due to consolidation with the Rottneros Group since 2013.
- ▶ Revenue from paper sales by Arctic Paper was PLN 2.4bn, down 7.9% from 2012. The decrease was due to a drop in sales tonnage (among other reasons related to closure of a paper machine at Arctic Paper Mochenwangen – 20,000 t annually), unfavourable exchange rates and slightly lower prices
- ▶ Write-downs were made for permanent impairment in value of non-financial assets of Arctic Paper Grycksbo in the amount of PLN 102.98m, of which PLN 66,6m was done in Q2 2013 and of PLN 36,3m in Q4 2013. This impacted both the operating and net loss.
- ▶ The utilization of Arctic Papers capacity remained at the high level of 93%.
- ▶ In activity connected with the paper market, Arctic Paper earned a EBITDA result in 4Q 2013 of PLN 27.5m (compared to PLN 26.01m in 4Q 2012 and PLN 19.9m in 3Q2013).



Thank
you

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