

# Arctic Paper Group

Results for the first quarter of 2013

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Warsaw, May 2013



ARCTIC PAPER

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This Presentation should be read together with the 2012 consolidated and standalone annual report as well as the report for the first quarter of 2013.



## Agenda

- ▶ Changes to 2012 consolidated figures
- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary of the first quarter of 2013





## Changes to 2012 consolidated figures

# Main changes to 2012 consolidated figures



(PLN thousands)	YTD 2012*	YTD 2012**
Sales volume (000' tonnes)	789	789
Revenues	2 600 700	2 600 700
Gross profit on sales	405 770	154 237
% margin	15,6	5,9
<b>EBITDA</b>	<b>155 267</b>	<b>351 864</b>
% margin	6,0	13,5
EBIT	31 020	-20 296
% margin	1,2	-0,8
Net result	17 135	23 412
% margin	0,7	0,9
Net operating cash flow	172 918	165 675
Capital expenditures	83 057	83 057
Cash and equivalents	202 710	202 710
Total assets	2 396 230	2 043 409
Capital employed	1 179 010	1 225 996
Total equity	746 468	839 131
Net debt	293 686	293 686
Earnings per share (PLN)	0,31	0,42
Equity / assets ratio (%)	31	41
Net debt / equity ratio (%)	39	35
Net debt / EBITDA (times)	1,89x	0,83x

Negative impact on Gross profit margin from impairments – gross impairments in the amount of PLN 248m (AP Grycksbo PLN 209m and AP Mochenwangen PLN 39m).

Gross profit margin on the level 5,9% compared to 15,6% without impairments.

EBITDA influenced positive way by badwill from Rottneros acquisition in the amount of PLN 204m and in negative way by impairments in the amount of PLN 248m.

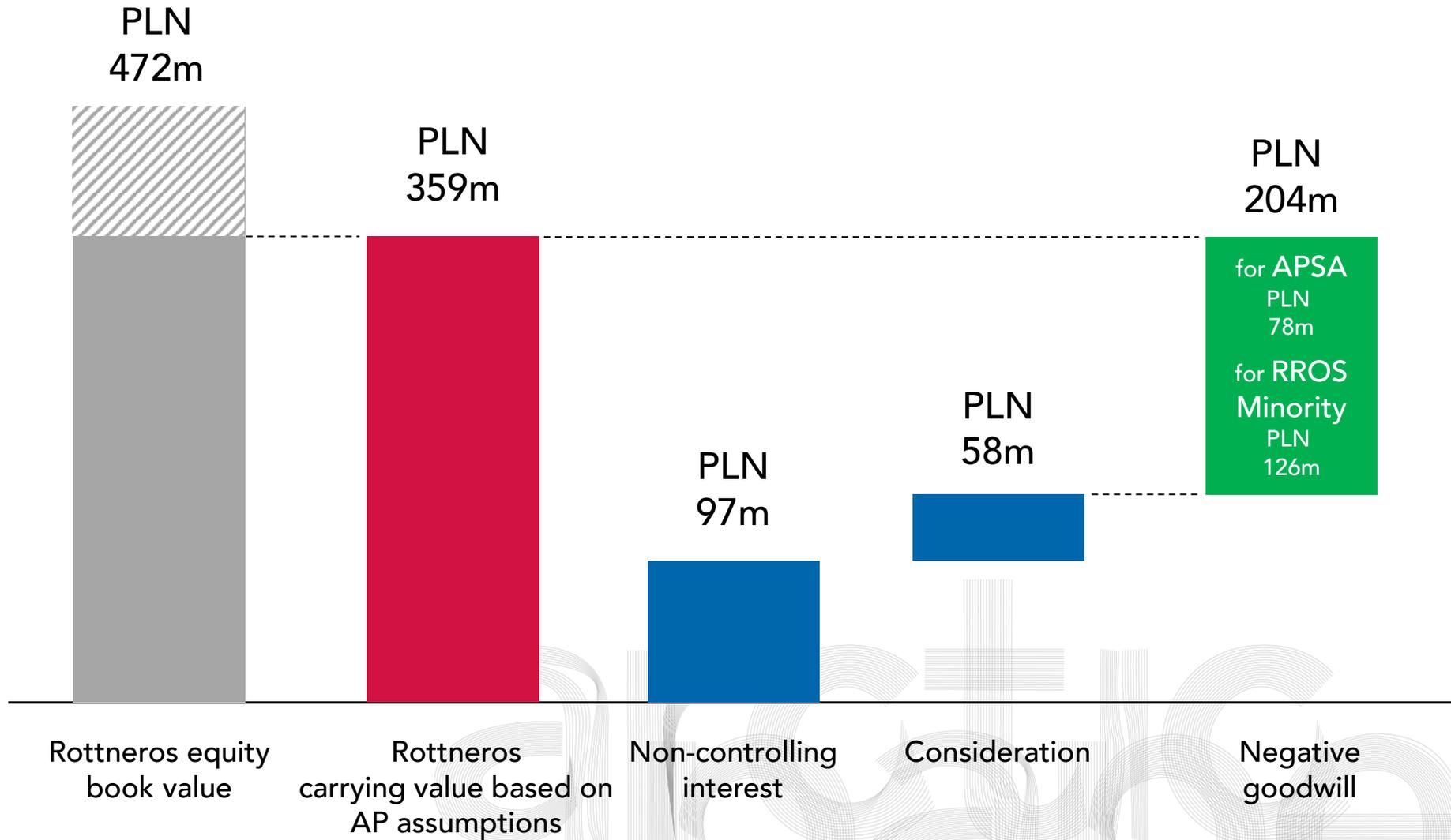
Reclassification of cash flows.

Significant changes in balance sheet mainly due to final settlement of purchase price allocation of Rottneros and recognised impairments.

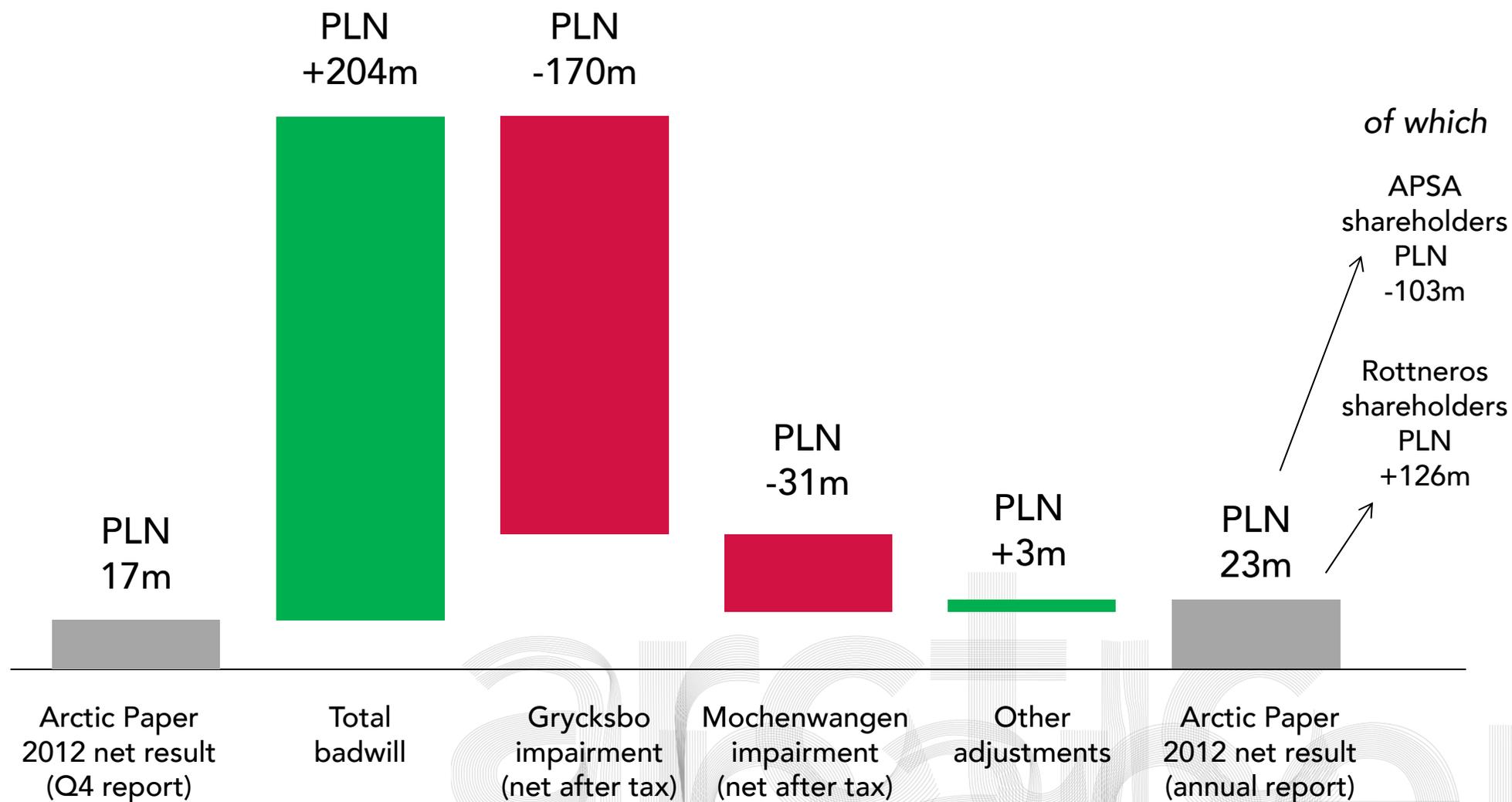
\* - P&L figures according to Q4 2012 Report

\*\* - P&L figures according Annual report of 2012

# How we arrived at badwill?



# Q4 2012 report and annual report bridge

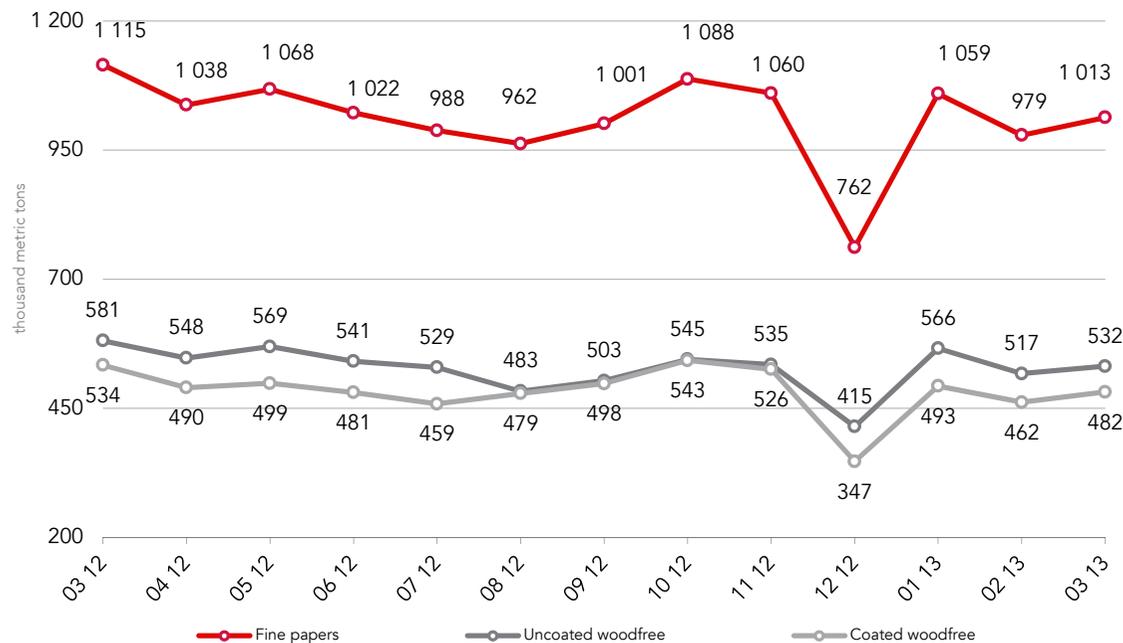




**Market environment**

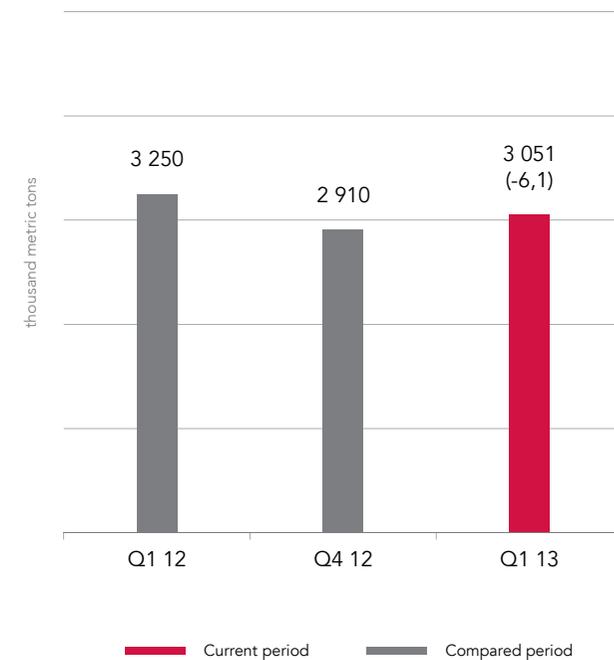
# Deliveries of fine paper

Monthly deliveries of fine paper in Europe



Source: Arctic Paper based on EuroGraph data.

Quarterly and YTD deliveries of fine paper in Europe



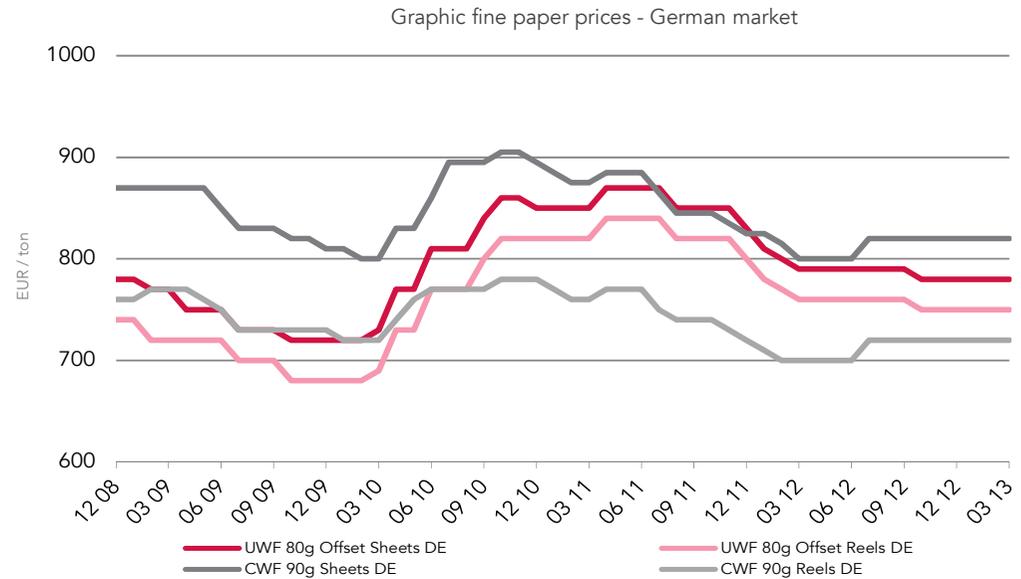
Source: Arctic Paper based on EuroGraph data.

- ▶ In March 2013 deliveries of fine paper in Europe reached the level of 1.013 thousand tons. This means 9,1% decrease compared to March 2012. Deliveries in the uncoated wood-free (UWF) segment were down by 8,5% and down by 9,8% in the coated wood-free (CWF) segment.
- ▶ In Q1 2013 deliveries of fine paper in Europe were higher by 4,9% than in Q4 2012 while approx. 6,1% lower than in Q1 2012. Deliveries in the uncoated wood-free (UWF) segment were up by 8,1% compared to Q4 2012 and down by 5,0% compared to Q1 2012. In the coated wood-free (CWF) segment accordingly up by 1,5% and down by 7,4%.

- ▶ In Q1 2013 Arctic Paper sales volume was 7,7% over Q4 2012 and 0,4% over the corresponding period of 2012. In the second part of the first quarter of 2013 we noticed decrease in the number of orders received.

# Fine paper prices

- ▶ At the end of March 2013 the average prices for UWF decreased by -0,2% and for CWF stayed on the same level as at the end of Q4 2012.
- ▶ Fine paper prices as at the end of Q1 2013 were lower compared to the end of Q1 2012. The average price decrease was -0,8% for UWF and -1,2% for CWF.



Source: Arctic Paper based on RISI data.

Change in price for graphic paper in EUR - Western Europe

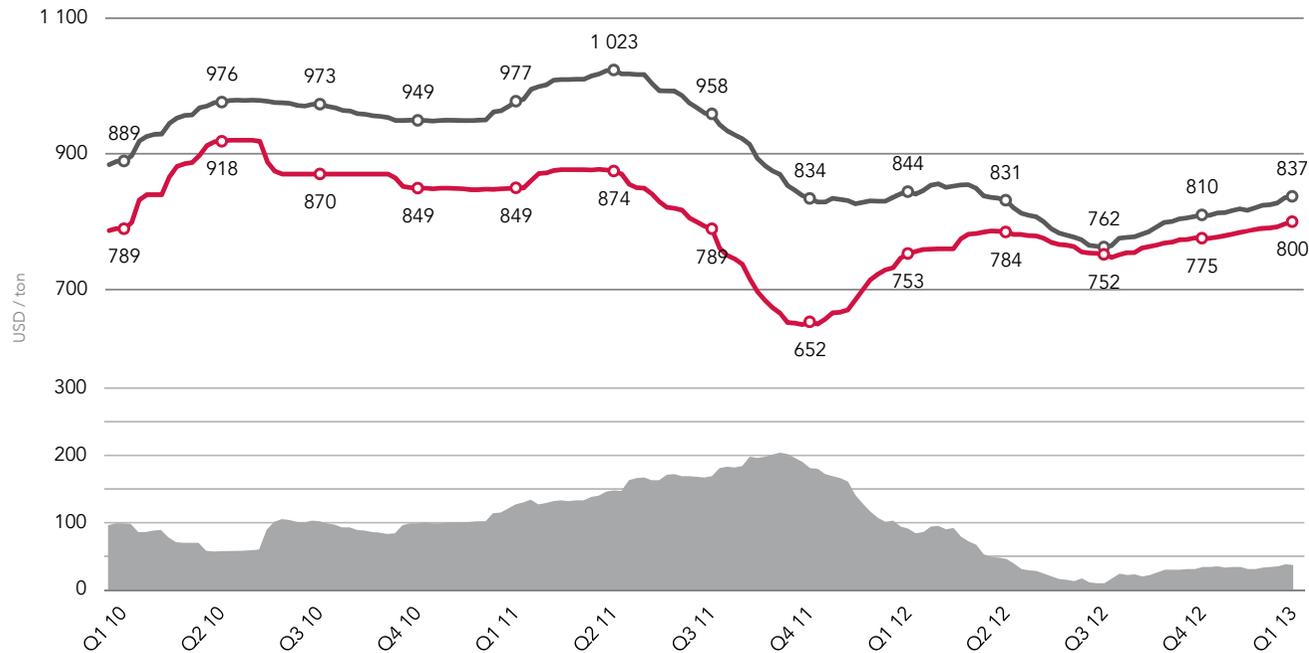
	03 13 vs. 12 12			03 13 vs. 03 12		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-0,3%	-0,2%	-0,1%	-1,0%	-0,8%	-0,7%
CWF	-0,1%	0,0%	0,1%	-1,7%	-1,2%	-0,9%

Source: Arctic Paper based on RISI data

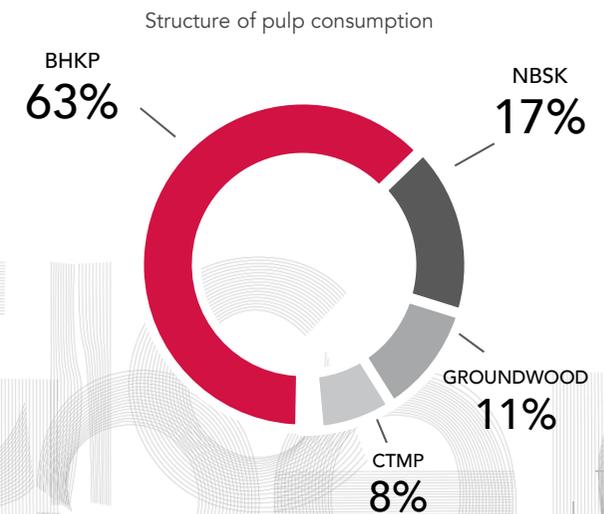
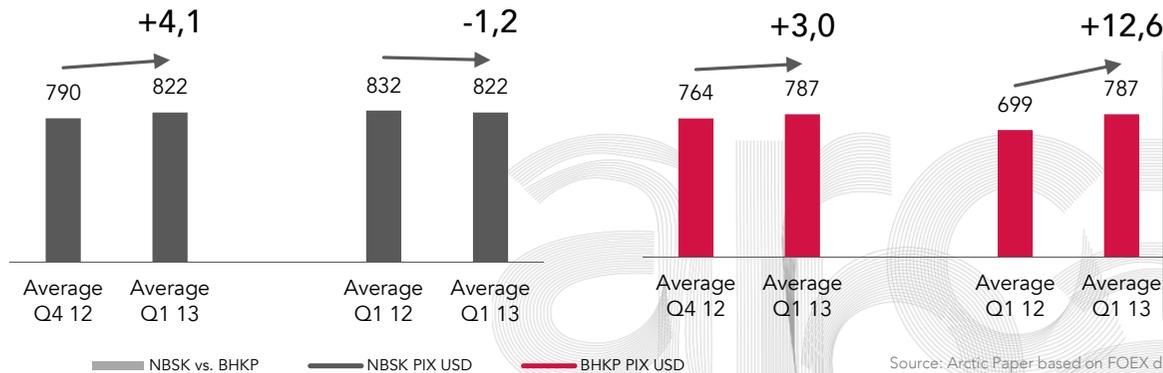
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from December 2012 to March 2013 within the range of -1,1% to +0,6%, while in the CWF segment from -2,3% to +0,8%.

# Pulp prices

Pulp PIX Indexes Europe



- ▶ As at the end of Q1 2013 pulp prices were at USD 837 per ton for NBSK and USD 800 per ton for BHKP. The average price for NBSK in Q1 2013 was 1,2% lower than in the corresponding period of 2012, while BHKP was up by 12,6%. In Q1 2013 average NBSK pulp price was 4,1% higher while BHKP pulp price was 3,0% higher than in Q4 2012.
- ▶ The average cost of pulp per ton for AP Group in Q1 2013, expressed in PLN, was up by 2,0% compared to Q4 2012 and up by 3,5% compared to Q1 2012.



Source: Arctic Paper based on FOEX data.

# Currency exposure

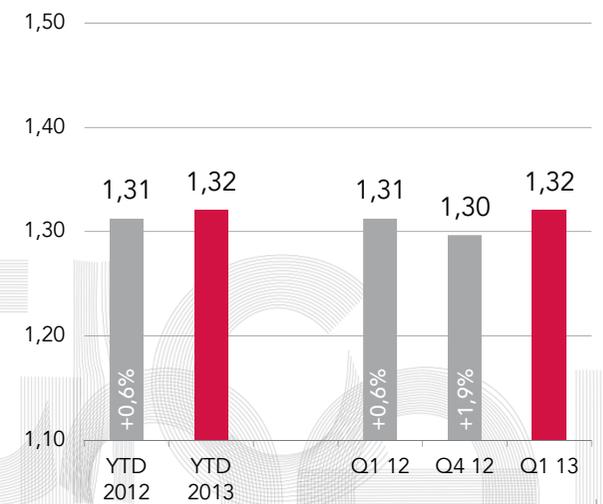
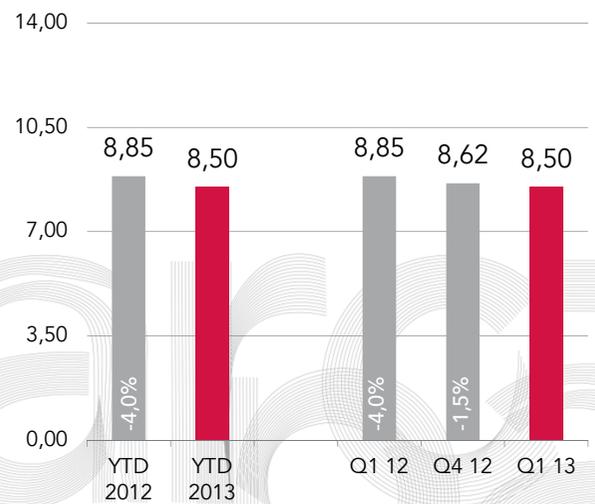
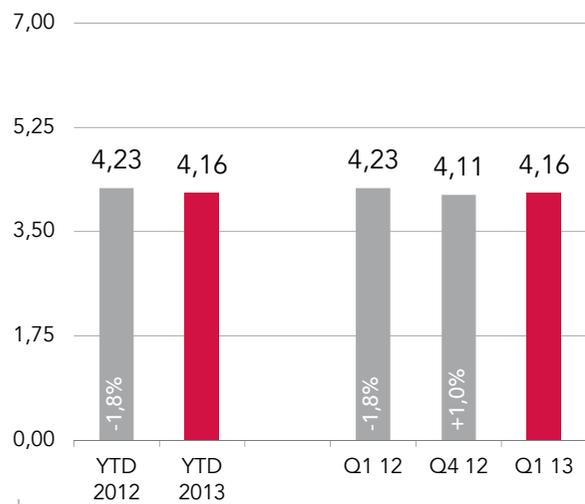
EUR/PLN changes



EUR/SEK changes



EUR/USD changes

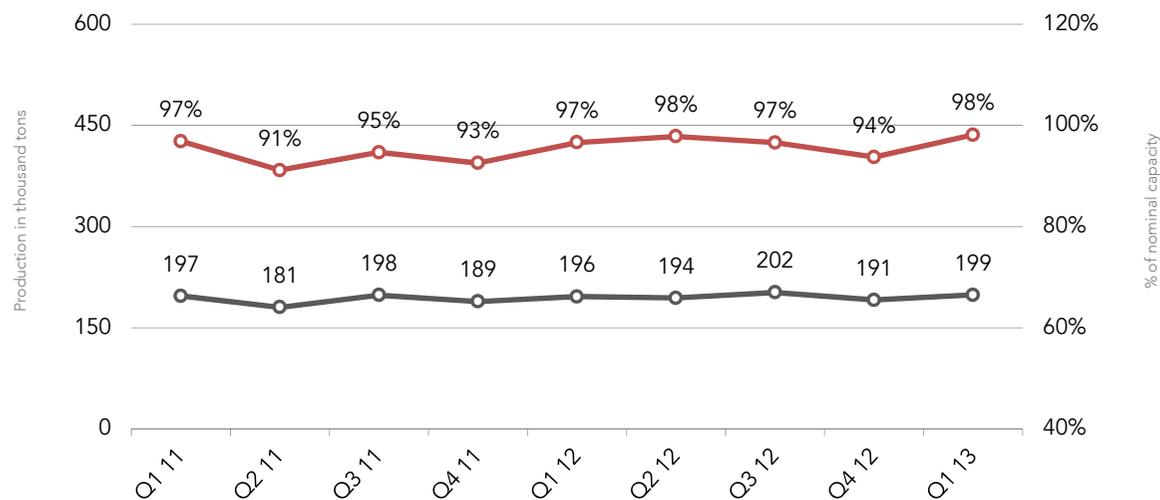




# Operating and financial results

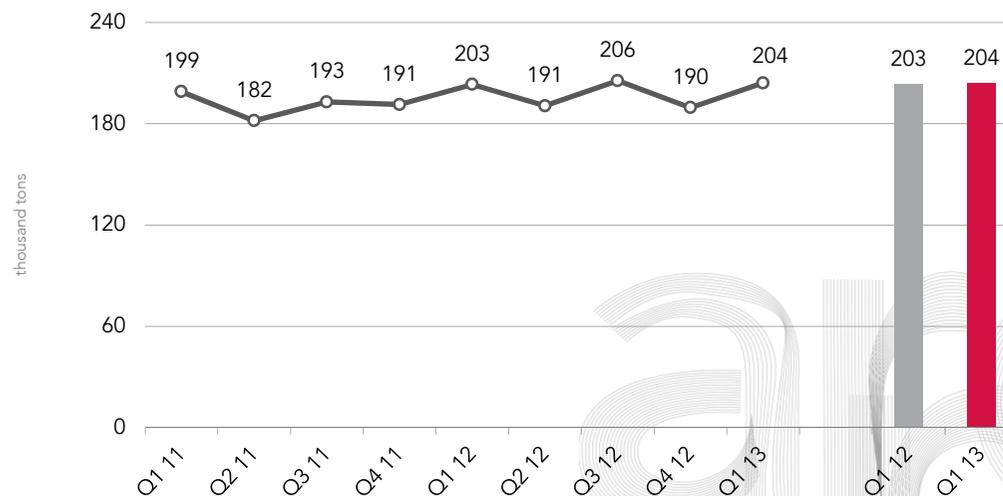
# Production capacity and sales volume

Production and use of production capacity for all paper mills



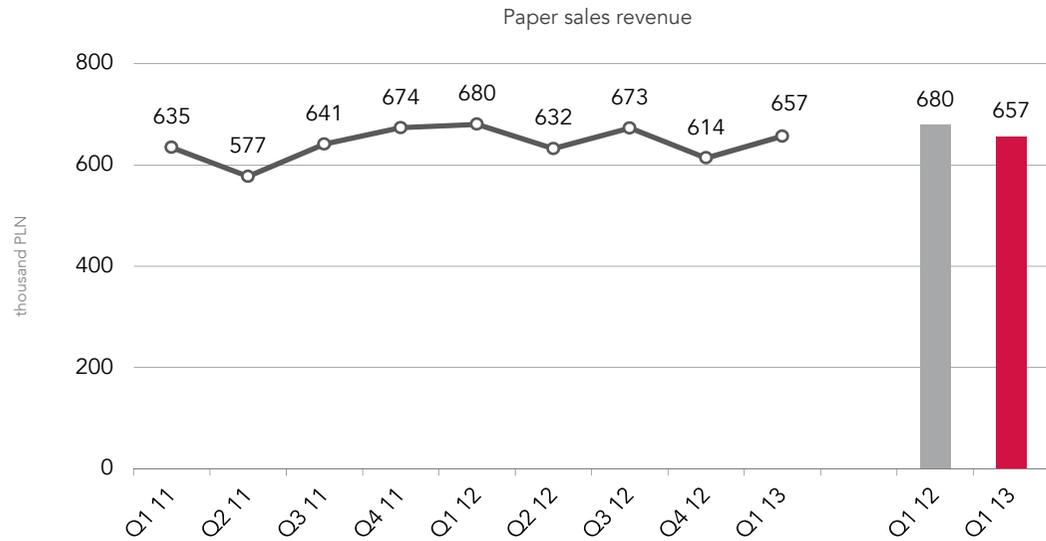
- ▶ In Q1 2013 use of production capacity for all Group paper mills was 98% and 4,7 p.p. higher than in Q4 2012 and 1,5% higher than in the corresponding period of 2011. The average use of production capacity in the last 12 months was 97%.
- ▶ In Q1 2013 production volume for all Group mills was 199 thousand tons and 4,0 p.p. higher than in Q4 2012 and 1,3% higher than corresponding period of 2012.

Paper sales volume

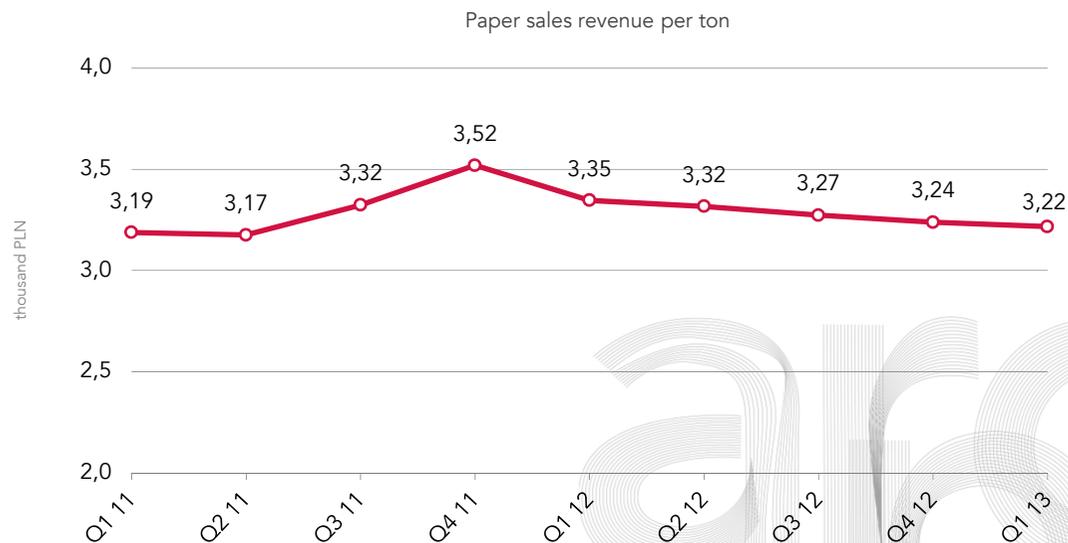


- ▶ In Q1 2013 the Arctic Paper Group noted increase in sales volume compared to Q4 2012 of about 7,7% and increase compared to Q1 2012 of 0,4%. Sales volume in Q1 2013 was 204 thousand tons.

# Paper sales revenue and revenue per ton



- ▶ Arctic Paper Group paper sales revenue in Q1 2013 was PLN 657 million, representing increase of 7,0% compared to Q4 2012 and decrease of 3,4% compared to Q1 2012.



- ▶ In Q1 2013 paper revenue per tonne of paper sold, expressed in PLN, was PLN 3.217, which represents decrease of 0,7% compared to the result achieved in Q4 2012 and an decrease of 3,9% compared to Q1 2012.

# Key consolidated figures

(PLN thousands)	Q1 2013	Q1 2012	Q4 2012*
Paper sales volume (000' tonnes)	204	203	190
Pulp sales volume (000' tonnes)	86	0	0
Revenues	814 405	680 420	615 106
Gross profit on sales	89 421	114 553	-167 858
<b>% margin</b>	<b>11,0</b>	<b>16,8</b>	<b>-27,3</b>
<b>EBITDA</b>	<b>32 368</b>	<b>53 734</b>	<b>212 050</b>
<b>% margin</b>	<b>4,0</b>	<b>7,9</b>	<b>34,5</b>
EBIT	312	23 311	-68 054
<b>% margin</b>	<b>0,0</b>	<b>3,4</b>	<b>-11,1</b>
Net result	-6 080	9 611	2 507
<b>% margin</b>	<b>-0,7</b>	<b>1,4</b>	<b>0,4</b>
Net operating cash flow	-75 053	21 564	95 555
Capital expenditures	19 325	15 710	28 873
Cash and equivalents	138 048	155 350	202 710
Total assets	2 057 547	1 830 513	2 045 599
Capital employed	1 307 080	1 155 602	1 228 186
Total equity	845 767	659 953	829 654
Net debt	374 877	310 680	293 686
Earnings per share (PLN)	-0,09	0,17	0,05
Equity / assets ratio (%)	41	36	41
Net debt / equity ratio (%)	44	47	35
Net debt / EBITDA (times)	1,21x	1,86x	0,85x

Q1 2013 sales volume higher than in Q4 2012 (+7,3%) and revenues higher by +32,4% (of which +28,1% is Rottneros revenue and +4,3% the revenue increase).

Q1 2013 gross profit margin on lower level in comparison with Q1 2012 (-5,9pp).

Q1 2013 EBITDA lower by 21,4 MPLN (-39,8%) compared to Q1 2012 and higher by +18 MPLN (+28,6%) compared to Q4 2012 EBITDA adjusted for one-off related to badwill on Rottneros and mill impairments.

Negative operating cash flow in the Q1 2013.

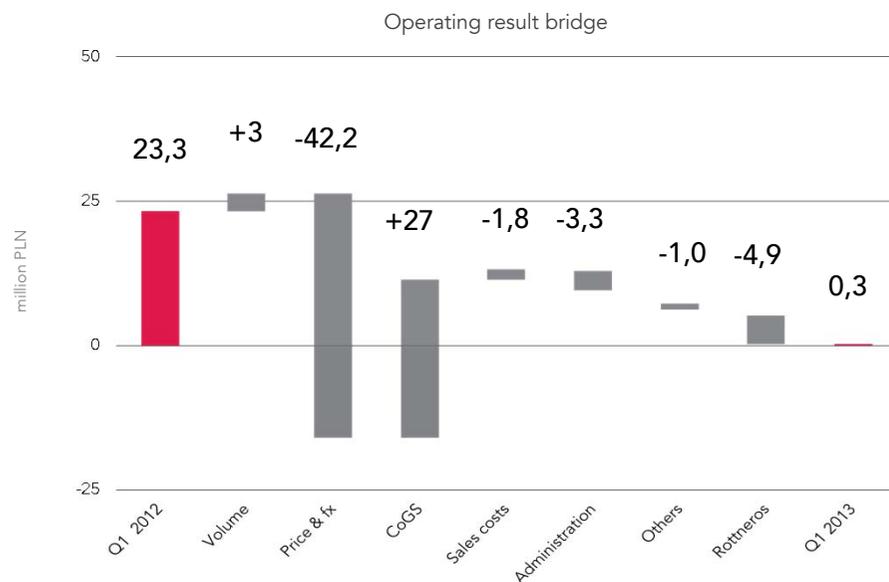
Capex under control.

Cash remains on stable level.

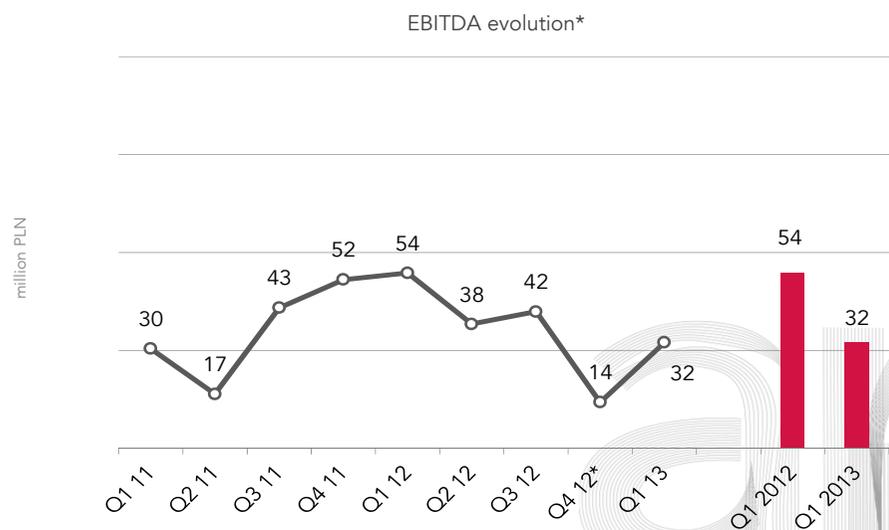
Net debt increased compared to the Q1 2012 by +64,2 MPLN (of which 16 MPLN is net debt of Rottneros)

\* - P&L figures according to the Q1 2013 Report

# Operating result and EBITDA



- ▶ Operating result for the first quarter of 2013 reached level of 0,3 MPLN compared to 23,3 MPLN in the corresponding period of 2012. Main contributor to such a decrease was price & fx (-42,2 MPLN). Part of that was offset by positive effect from CoGS +27% and by volume +3%. Sales costs, administration and others gave negative effect of -6,1 MPLN. Rottneros impact on the operating results for that period was negative -4,9 MPLN.



- ▶ In Q1 2013 EBITDA of Arctic Paper Group noted an increase compared to adjusted Q4 2012 EBITDA and decrease of about 40.7% compared to Q1 2012.

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



# Summary of the first quarter of 2013

# The first quarter in brief

## Arctic Paper Group

- ▶ Lower sales prices in comparison to 4Q 2012 due to decreased demand especially in the second part of the quarter (by -1% in local currencies and decrease by 2-3% at Swedish mills due to stronger Swedish kronor).
- ▶ Decreased level of orders in the second part of the first quarter of 2013,
- ▶ Increased sales volume and sales revenue compared to the 4Q 2012 despite tough market conditions and poor paper demand.
- ▶ High use of production capacity and stable production outcome.
- ▶ Lower EBITDA result in comparison to Q1 2012 mainly due to decreased sales prices and increase of pulp prices (increase of BHKP and NBSK PIX by 26 USD and 27 USD respectively during Q1 2013).
- ▶ Full repayment of the bonds in Q1 2013 (3-year and 2-year bonds issued in 2010 and 2011).

## Market environment

- ▶ Weak demand for fine papers in Europe in Q1 2013, particularly in the second part of the quarter.
- ▶ Continued decline of market paper prices in the first quarter of 2013. Lower market prices compared to the corresponding period of the previous year.
- ▶ Increase of pulp prices in Q1 2013 compared to the previous quarter (+4,1% for NBSK, +3,0% for BHKP). Lower level of NBSK prices by - 1,2% and higher prices of BHKP by + 12,6% in the first quarter of 2013 compared to Q1 2012. Higher average Arctic Paper pulp cost per ton in the current quarter comparing to Q4 2012 and Q1 2012.

**you** Thank

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