

Arctic Paper Group

Results for the first quarter of 2014

Wolfgang Lübbert, CEO
Małgorzata Majewska-Śliwa, CFO
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ARCTIC PAPER

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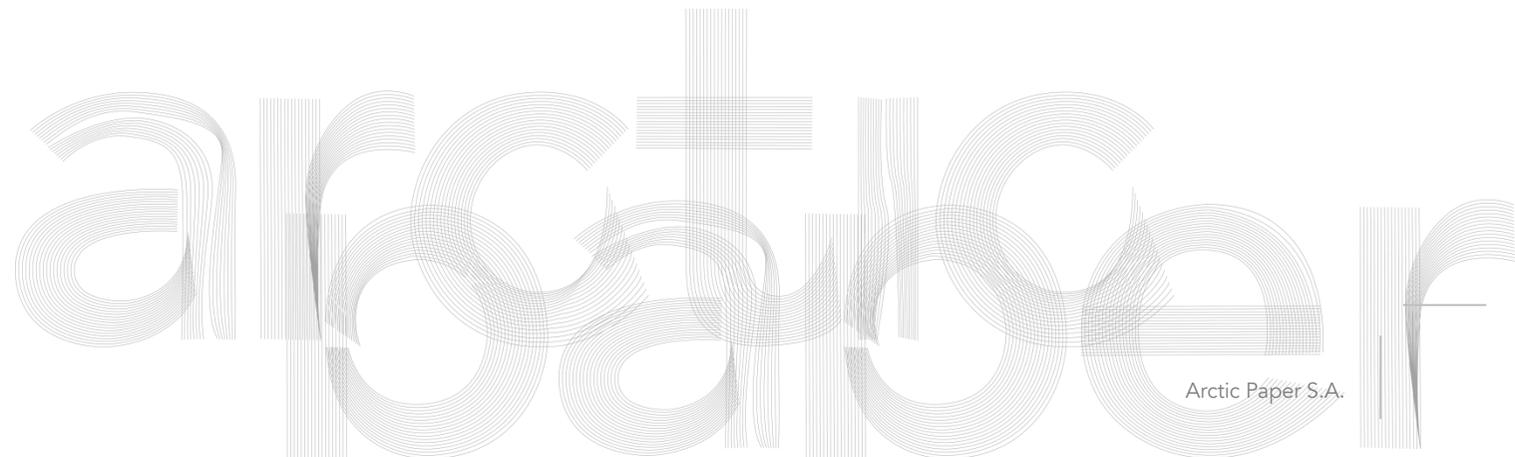
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This Presentation should be read together with the 2013 consolidated and standalone annual report as well as the report for the 1st quarter of 2014.



Agenda

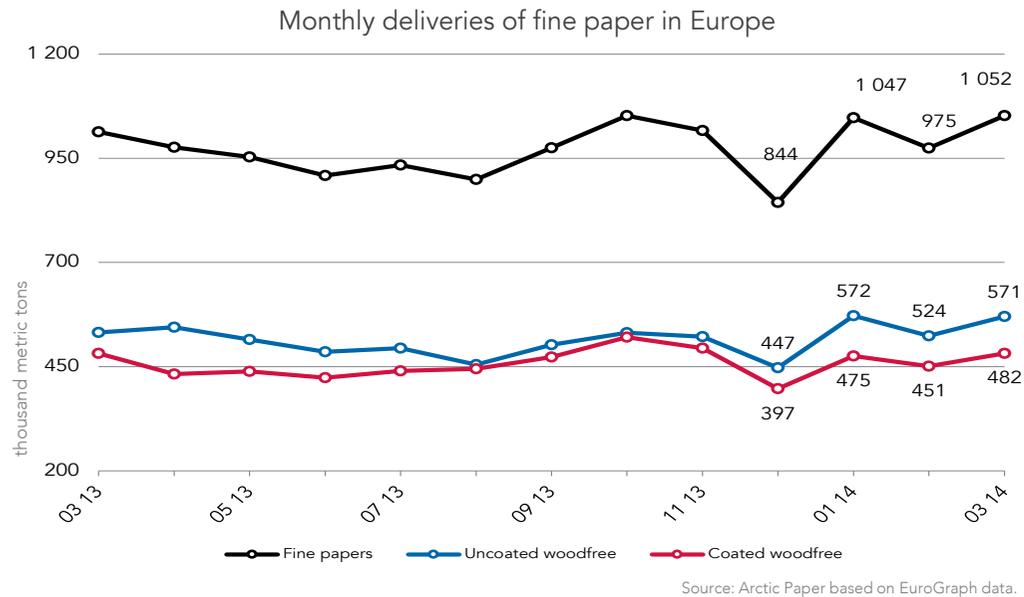
- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary for the first quarter of 2014





Market environment

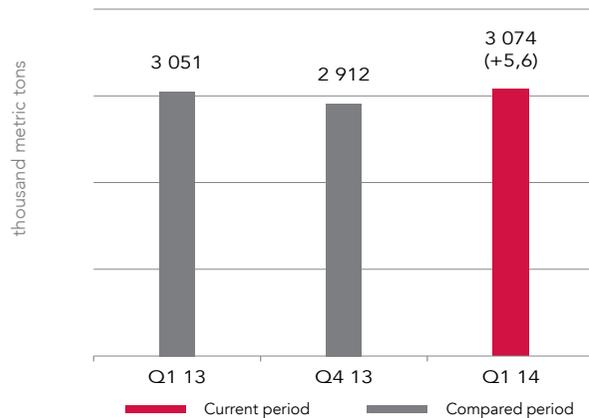
Deliveries of fine paper



- ▶ Q1 2014 vs. Q4 2013 + 5,6 %
 - ▶ Uncoated woodfree up + 11,0%
 - ▶ Coated woodfree down - 0,3%
 - ▶ Arctic Paper volume up + 8,5%
- ▶ Q1 2014 vs. Q1 2013 + 0,8%
 - ▶ Uncoated woodfree up + 3,2%
 - ▶ Coated woodfree down - 2,0%
 - ▶ Arctic Paper volume down - 3,5%*

* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

Quarterly deliveries of fine paper in Europe

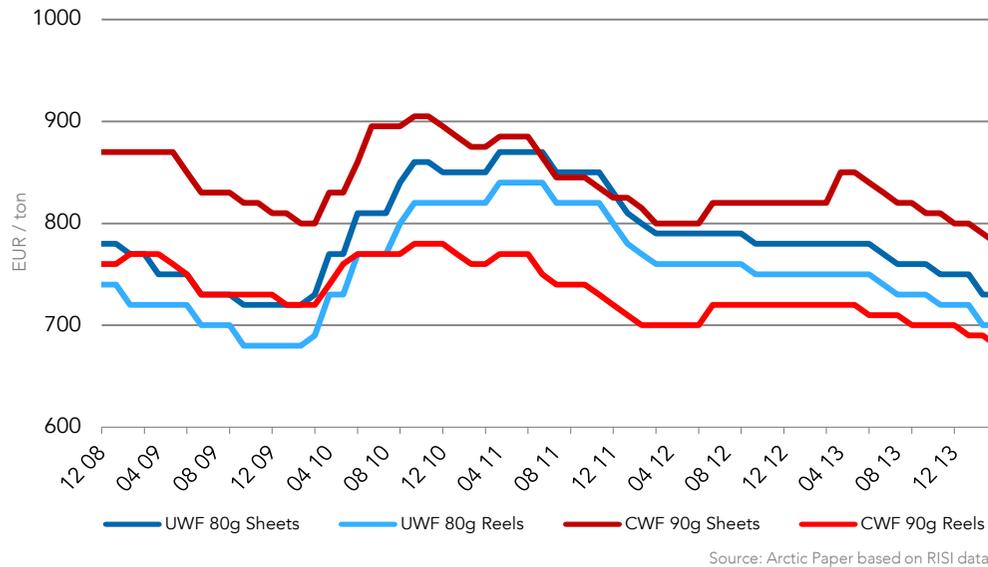


Arctic Paper Q1 2014 volume structure



Fine paper prices

Graphic fine paper prices - German market



▶ March 2014 vs. December 2013

- ▶ UWF segment average price change -1,8% (Arctic Paper -0,7%)
- ▶ CWF segment average price change -1,1% (Arctic Paper -0,9%)

▶ March 2014 vs. March 2013

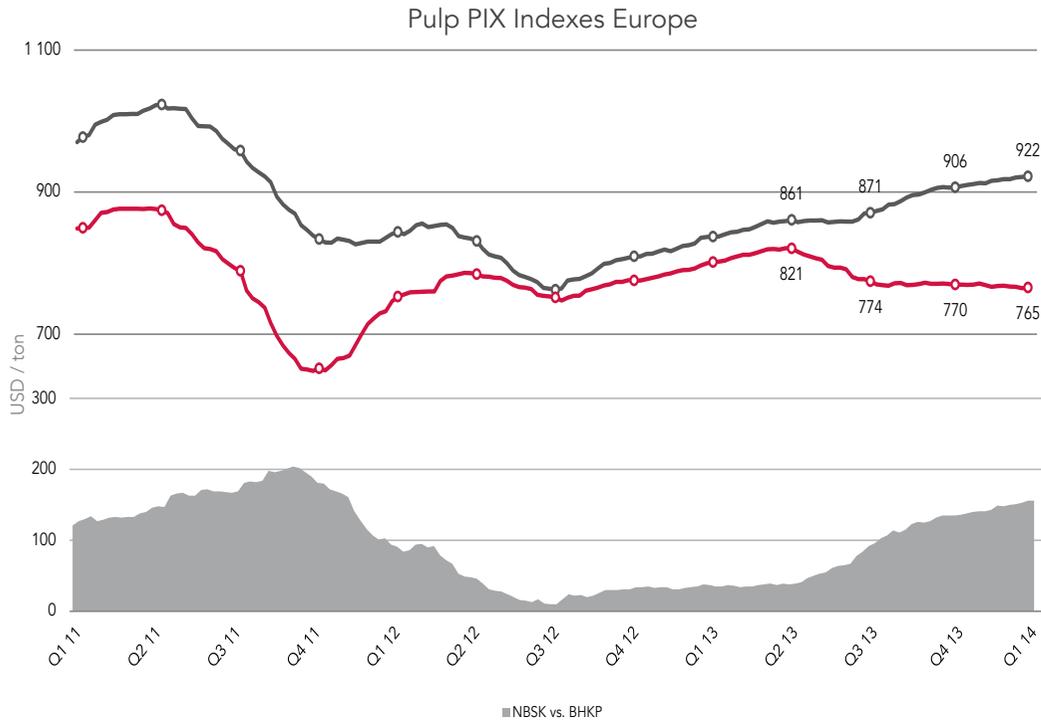
- ▶ UWF segment average price change - 5,4% (Arctic Paper -3,2%)
- ▶ CWF segment average price change - 3,5% (Arctic Paper -4,4%)

Change in price for graphic paper in EUR - Western Europe

	03 14 vs. 12 13			03 14 vs. 03 13		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,8%	-1,8%	-1,7%	-4,9%	-5,4%	-5,9%
CWF	-0,7%	-1,1%	-1,5%	-2,7%	-3,5%	-4,2%

Source: Arctic Paper based on EuroGraph data

Pulp prices



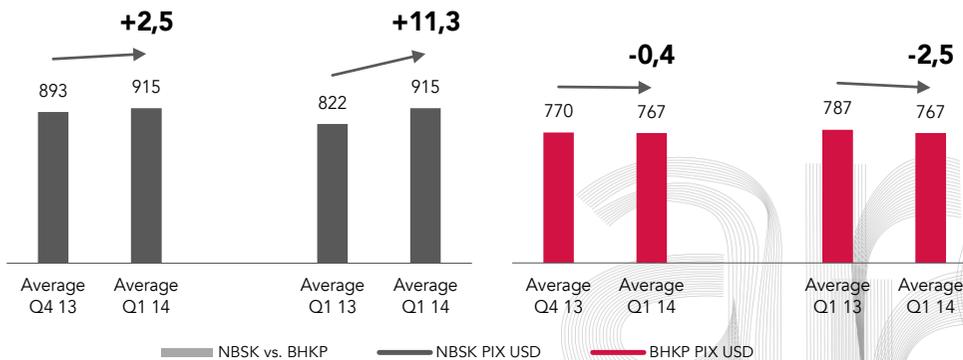
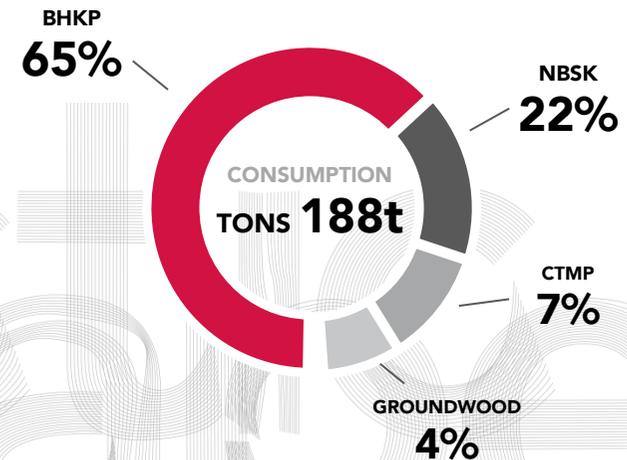
▶ Average price Q1 2014 compared to Q4 2013

- ▶ NBSK (long fibre) 2,5% higher
- ▶ BHKP (short fibre) 0,4% lower
- ▶ Arctic Paper pulp cost 3,5% lower

▶ Average price Q1 2014 compared to Q1 2013

- ▶ NBSK 11,3% higher
- ▶ BHKP 2,5% lower
- ▶ Arctic Paper pulp cost 0,5% lower

Arctic Paper Q1 2014 Structure of pulp consumption



Source: Arctic Paper based on FOEX data.

Currency exposure



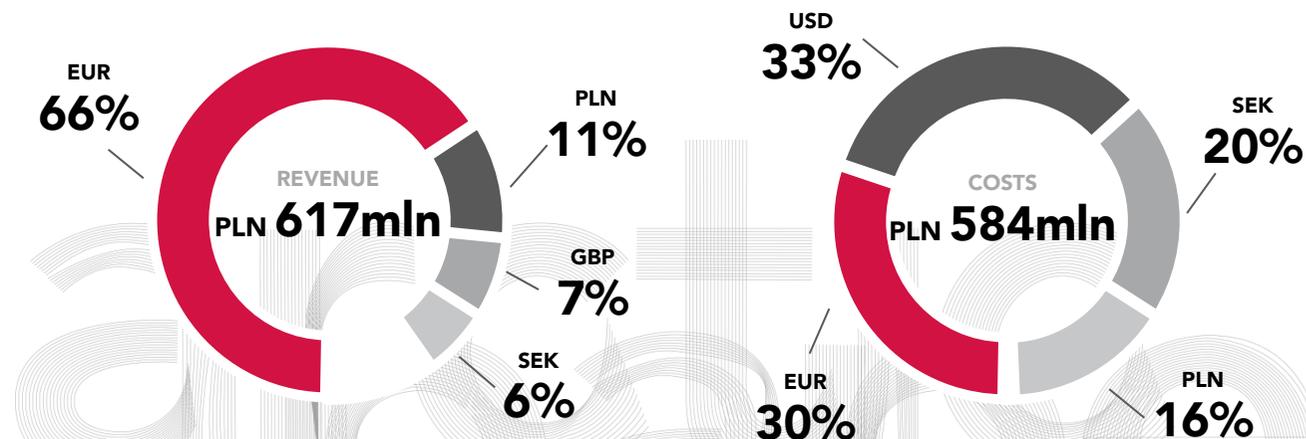
▶ Average exch. rate Q1 2014 compared to Q4 2013

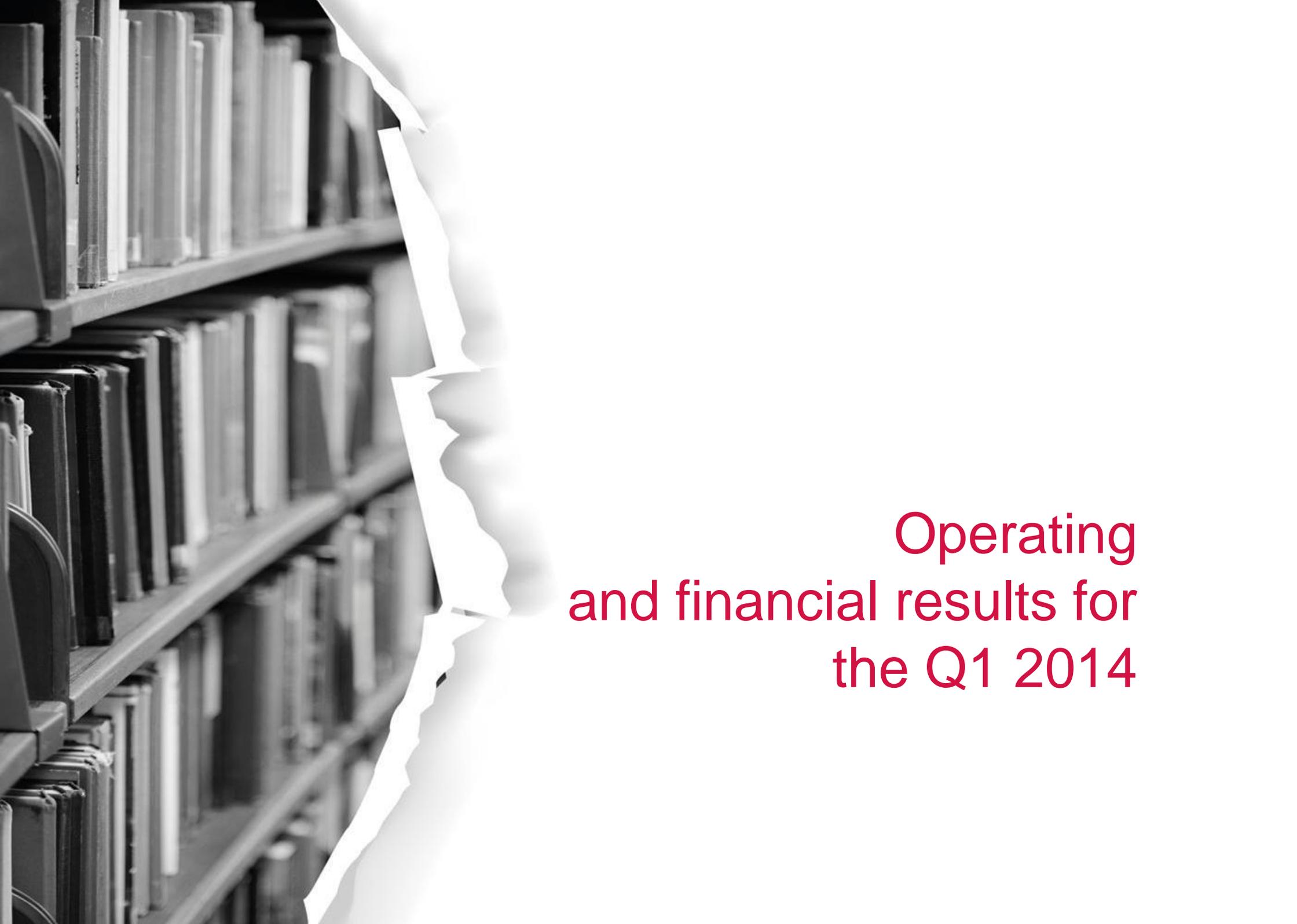
- ▶ EUR/PLN 0,0%
- ▶ EUR/SEK 0,0%
- ▶ EUR/USD +0,6%

▶ Average exch. rate Q1 2014 compared to Q1 2013

- ▶ EUR/PLN +0,7%
- ▶ EUR/SEK +4,3%
- ▶ EUR/USD +3,7%

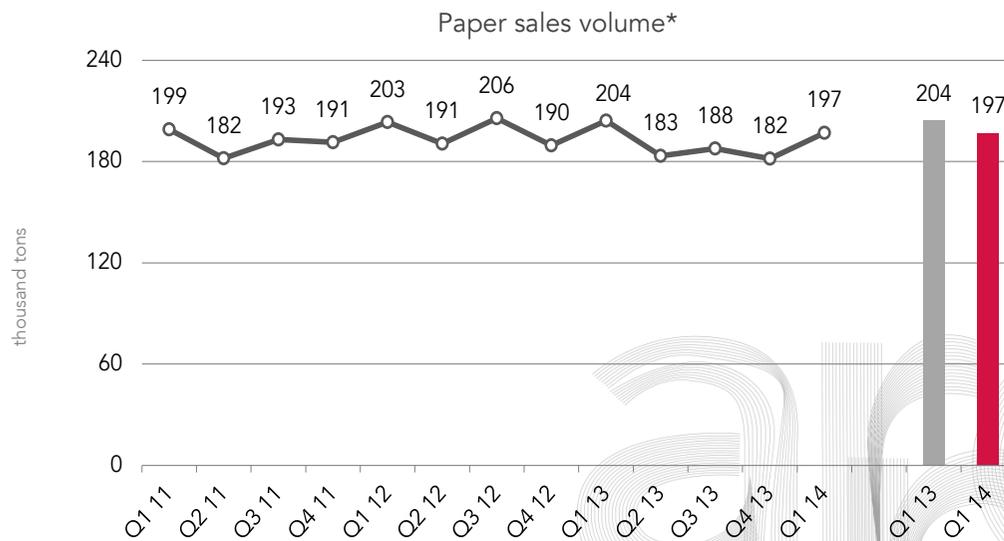
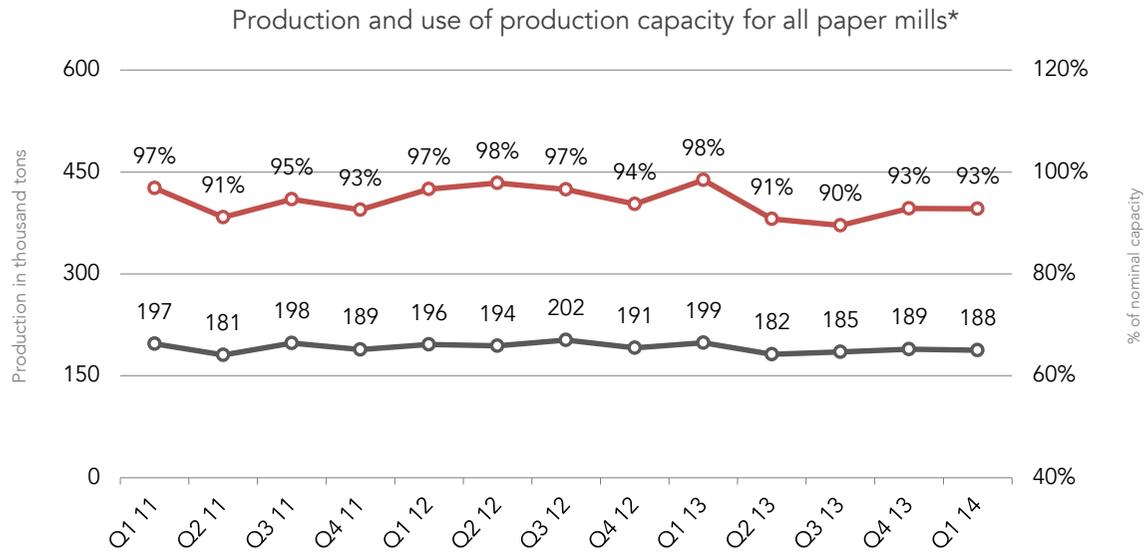
Arctic Paper Q1 2014 Revenue and Costs Structure



A black and white photograph of a library bookshelf. The shelves are filled with books, and the image is partially obscured by a white, torn paper effect on the right side. The text is overlaid on the white area.

Operating
and financial results for
the Q1 2014

Production capacity and sales volume



* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

▶ **Q1 2014 average use of production capacity 93%**

- ▶ - 0,1 % lower than Q4 2013
- ▶ - 5,7 % lower than Q1 2013*

▶ **Q1 2014 total production volume 188' tons**

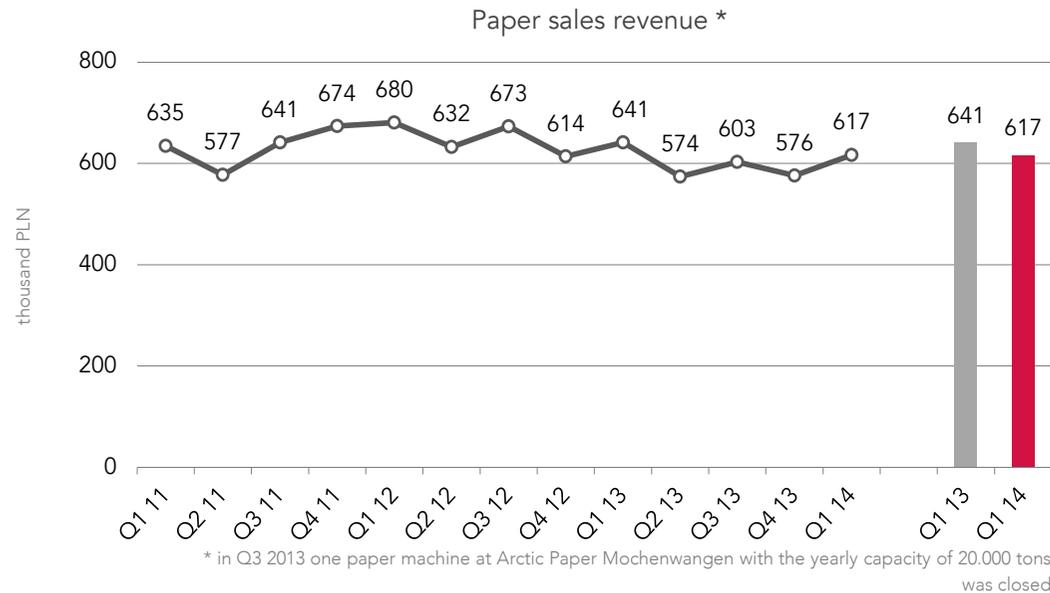
- ▶ - 0,7% lower than Q4 2013
- ▶ - 5,5% lower than Q1 2013*

▶ **Q1 2014 paper sales volume**

- ▶ + 8,5% increase compared to Q4 2013
- ▶ - 3,5% decrease compared to Q1 2013*

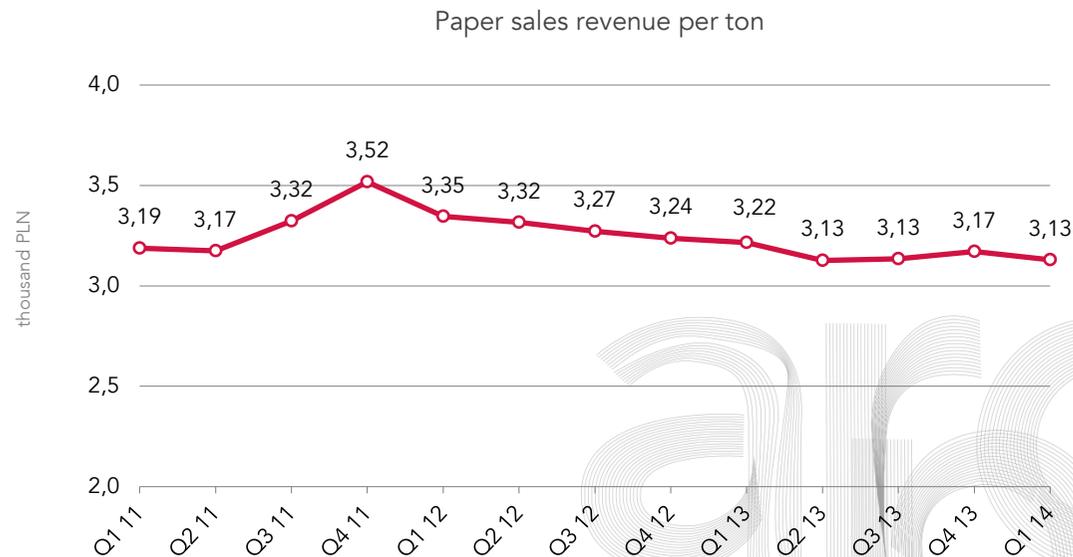
* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

Paper sales revenue and revenue per ton



- ▶ Q1 2014 (PLN 616m) up + 7,1% compared to Q4 2013
- ▶ Q1 2014 down - 3,8% compared to Q1 2013*

* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed



- ▶ Q1 2014 PLN 3,10k a decrease of - 2,2% compared to Q4 2013
- ▶ Down -3,6% compared to Q1 2013

Key consolidated figures

(PLN thousands)	Q1 2014	Q1 2013	Q4 2013
Paper sales volume (000' tonnes)	197	204	182
Pulp sales volume (000' tonnes)	87	86	76
Revenues	804 492	822 339	734 894
Gross profit on sales	103 645	89 867	28 921
% margin	12,9	10,9	3,9
EBITDA	48 389	32 368	13 598
% margin	6,0	3,9	1,9
EBIT	19 325	312	-49 759
% margin	2,4	0,0	-6,8
Net result	8 908	-6 080	-38 930
% margin	1,1	-0,7	-5,3
Net operating cash flow	31 386	-75 053	39 335
Capital expenditures	-11 251	-19 076	-15 401
Cash and equivalents	97 030	138 048	118 033
Total assets	1 767 140	2 057 547	1 784 458
Capital employed	1 063 711	1 307 080	1 070 344
Total equity	672 264	845 601	671 532
Net debt	386 277	390 874	392 276
Earnings per share (PLN)	0,13	-0,09	-0,56
Equity / assets ratio (%)	38	41	38
Net debt / equity ratio (%)	57	46	58
Net debt / EBITDA (times)	4,35x	3,09x	5,38x

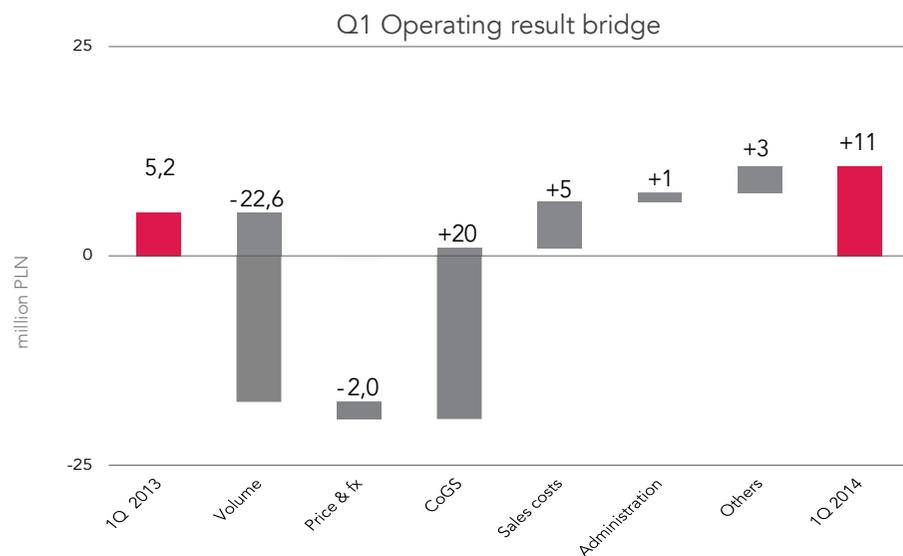
Q1 2014 total revenues down - 2,2% compared to Q4 2013 (-3,8% paper segment, +3,7% pulp revenue).

Q1 2014 EBITDA on the level of PLN 48,4m, Net result of PLN 8,9m.

Positive operating cash flow in the Q1 2014.
Cash on the level of PLN 97,0m.

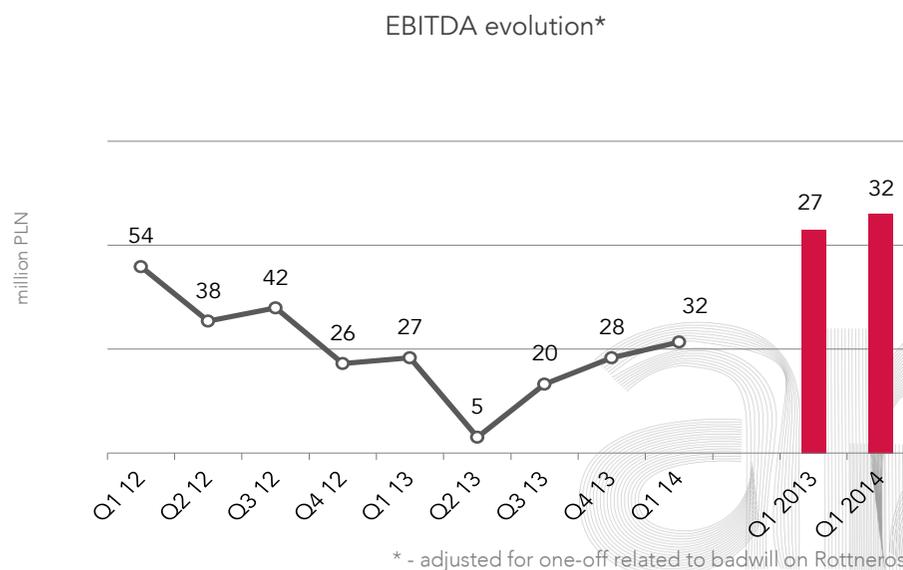
Net debt on the level of PLN 386,0m.

Operating result and EBITDA (excluding Rottneros)



▶ Operating result for the Q1 2014 10,6m PLN

- ▶ + 40,9 m PLN higher than Q4 2013
- ▶ + 5,4 m PLN higher than Q1 2013

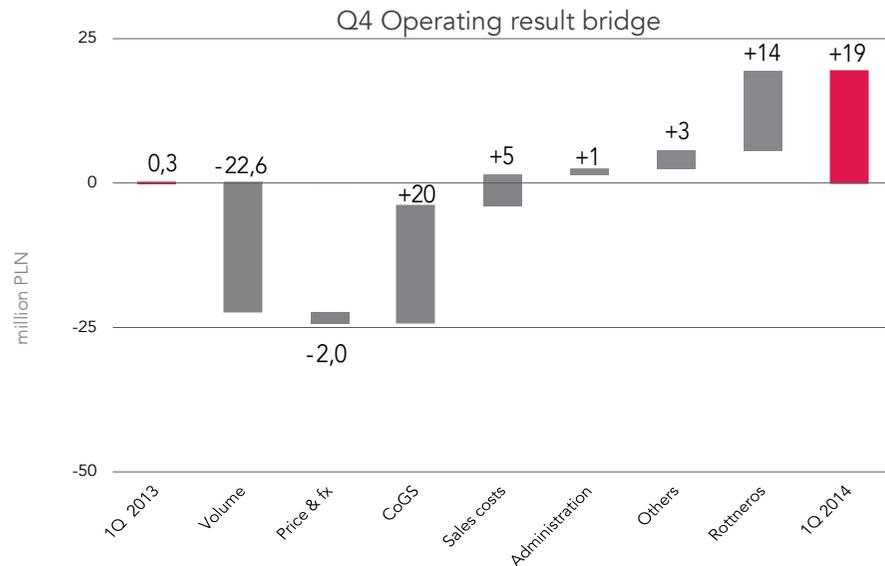


▶ Q1 2014 EBITDA 32,0m PLN

- ▶ + 4,6 m PLN higher than Q4 2013
- ▶ + 4,5 m PLN higher than Q1 2013

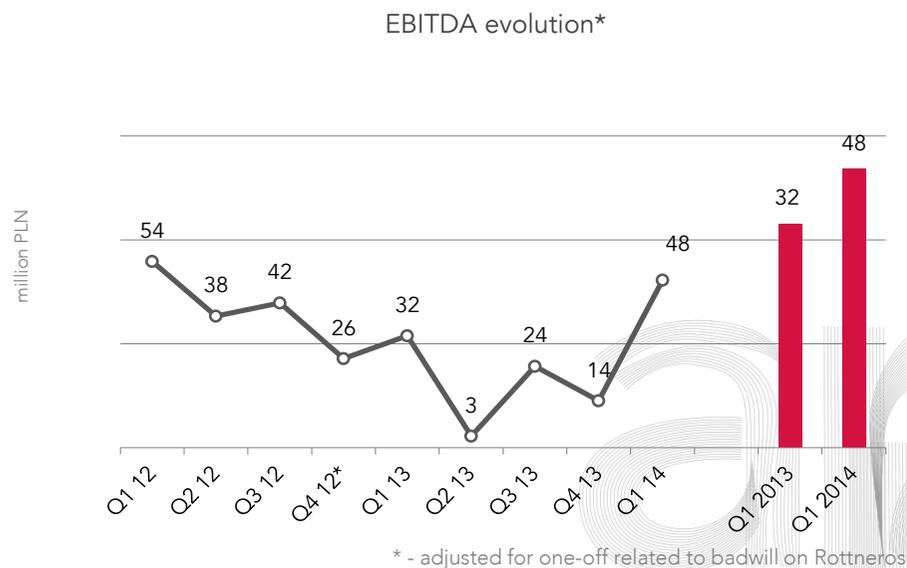
* - adjusted for one-off related to badwill on Rottneros

Consolidated operating result and EBITDA



▶ Operating result for the Q1 2014 19,3m PLN

- ▶ + 30,4 m PLN higher than Q4 2013
- ▶ + 19,0 m PLN higher than Q1 2013



▶ Q1 2014 EBITDA 48,4m PLN

- ▶ + 34,8 m PLN higher than Q4 2013
- ▶ + 16,0 m PLN higher than Q1 2013

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



Summary of the Q1 2014

Q1 2014 in brief

Current situation

- ▶ Huge overcapacities in the graphic paper market lead to price decreases, as the same time as market demand stabilises somewhat.
- ▶ Arctic Paper show more constant deliveries of tonnage and better price stability than the overall market.
- ▶ Pulp prices positive for the Arctic Paper mills as well as for the pulp mills within Rottneros.
- ▶ Currency exchange rate stable since Q4 2013, and slightly preferable compared to Q1 2013.
- ▶ Despite closure of one paper machine, Arctic Paper delivers stable tonnages and capacity usage.
- ▶ The effectiveness of the restructuring plan of Arctic Paper contributed to an improved EBIDTA of 32 MPLN and net result of 2,3 MPLN in Q1 2014
- ▶ The efficient operations of Rottneros improved EBIDTA with 16 MPLN and the net result with 6,6 MPLN in Q1 2014
- ▶ Overall EBIDTA amounted in Q1 2014 to 48 MPLN and the net result of 8,9 MPLN.



Thank
you

Wolfgang Lübbert, CEO
ARCTIC PAPER GROUP

Małgorzata Majewska –Śliwa, CFO
ARCTIC PAPER GROUP

www.arcticpaper.com

Arctic Paper S.A. | Jana Henryka Dabrowskiego 334A | PL-60406 | Poznan | Poland
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