

Arctic Paper Group

Results for the first half of 2014

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ARCTIC PAPER

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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 half of 2014.



Agenda

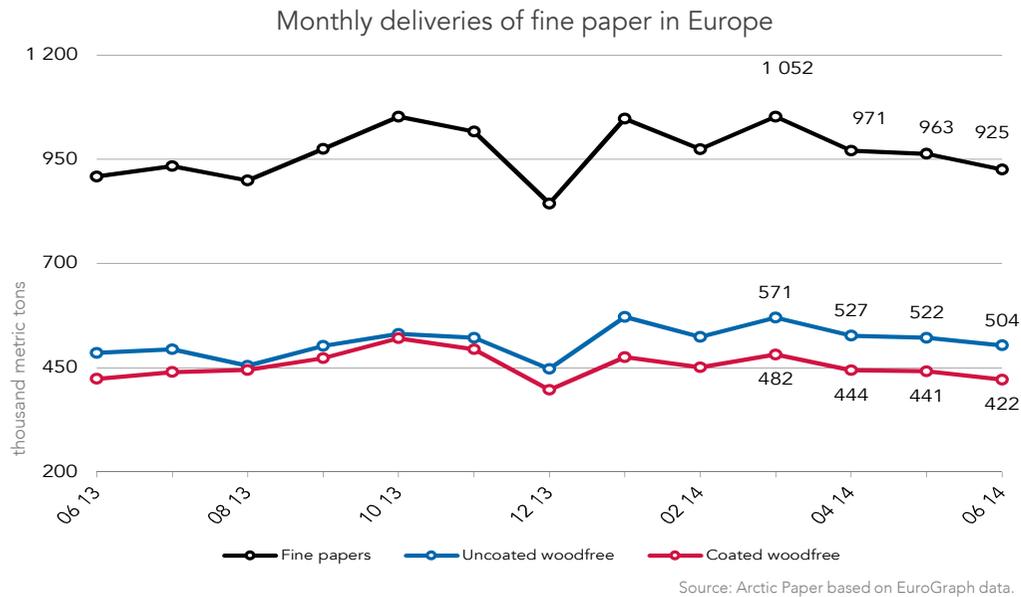
- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary for the first half of 2014





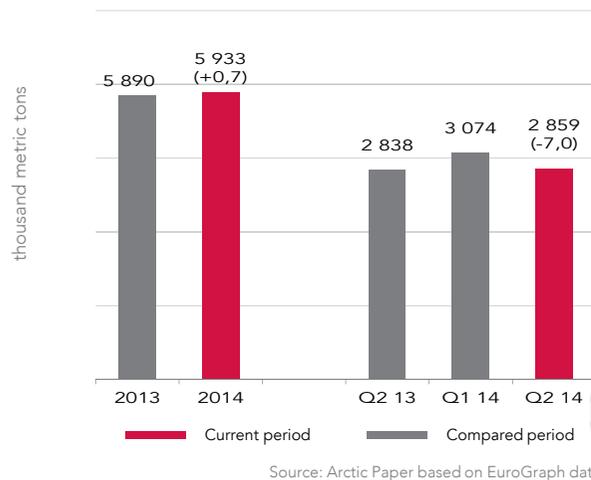
Market environment

Deliveries of fine paper

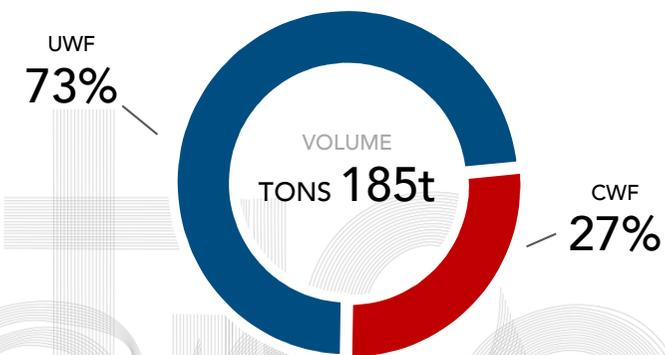


- ▶ Q2 2014 vs. Q1 2014 - 7,0 %
 - ▶ Uncoated woodfree down - 6,8%
 - ▶ Coated woodfree down - 7,2%
 - ▶ Arctic Paper volume down - 6,1%
- ▶ Q2 2014 vs. Q2 2013 + 0,7%
 - ▶ Uncoated woodfree up + 0,5%
 - ▶ Coated woodfree up + 1,0%
 - ▶ Arctic Paper volume up + 0,9%

Quarterly deliveries of fine paper in Europe

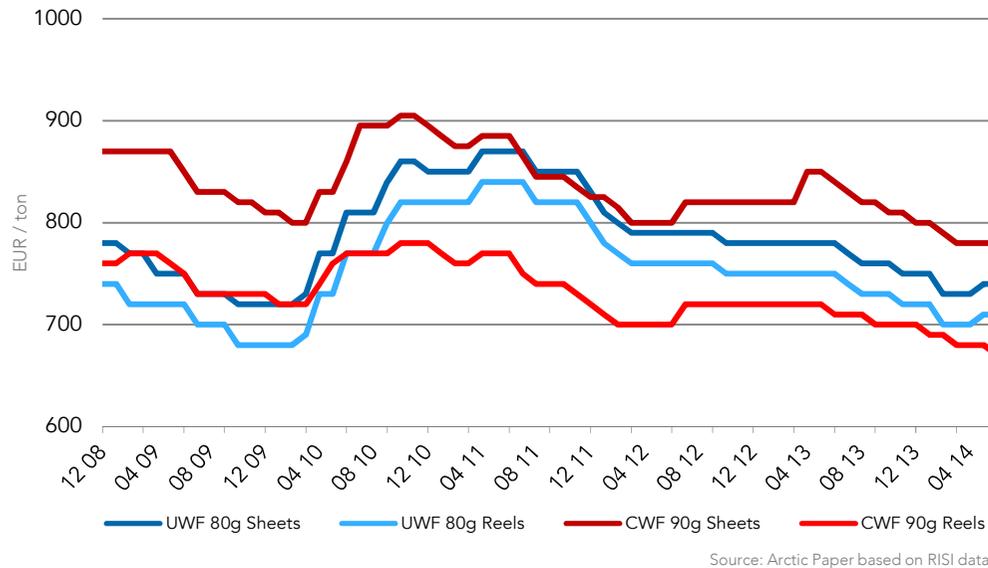


Arctic Paper Q2 2014 volume structure



Fine paper prices

Graphic fine paper prices - German market



Change in price for graphic paper in EUR - Western Europe

	06 14 vs. 03 14			06 14 vs. 06 13		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	0,4%	0,6%	0,8%	-4,5%	-4,7%	-4,9%
CWF	-0,4%	-0,5%	-0,6%	-4,4%	-5,1%	-5,6%

Source: Arctic Paper based on RISI data

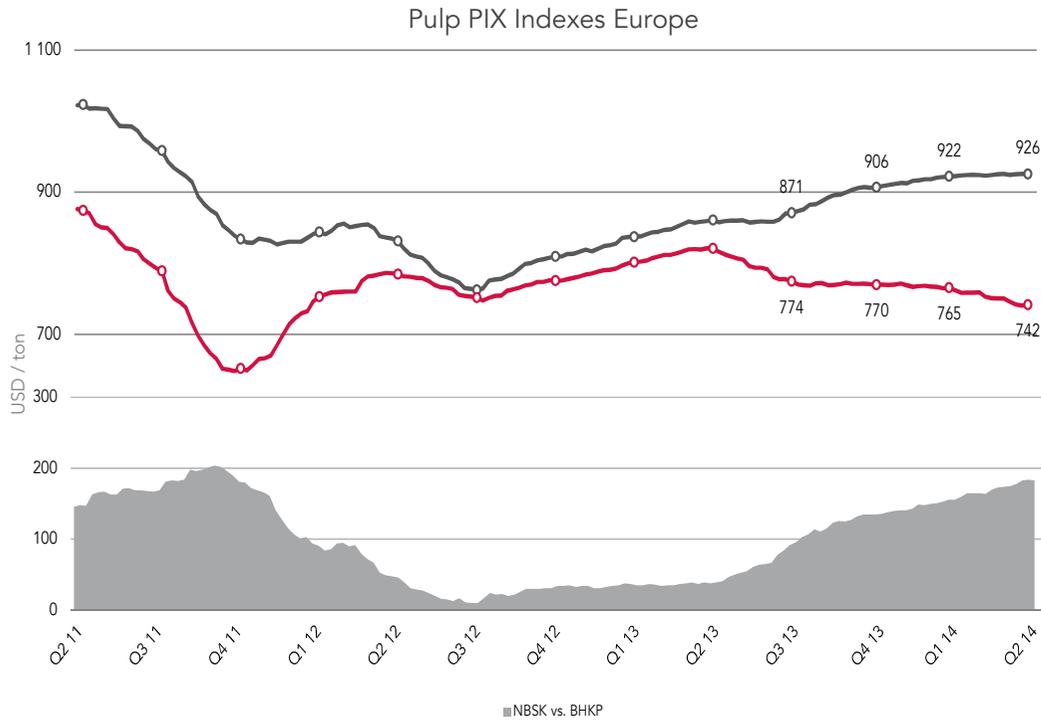
▶ June 2014 vs. March 2014

- ▶ UWF segment average price change + 0,6% (Arctic Paper + 1,4%)
- ▶ CWF segment average price change - 0,5% (Arctic Paper - 2,5%)

▶ June 2014 vs. June 2013

- ▶ UWF segment average price change - 4,7% (Arctic Paper - 1,5%)
- ▶ CWF segment average price change - 5,1% (Arctic Paper - 6,4%)

Pulp prices

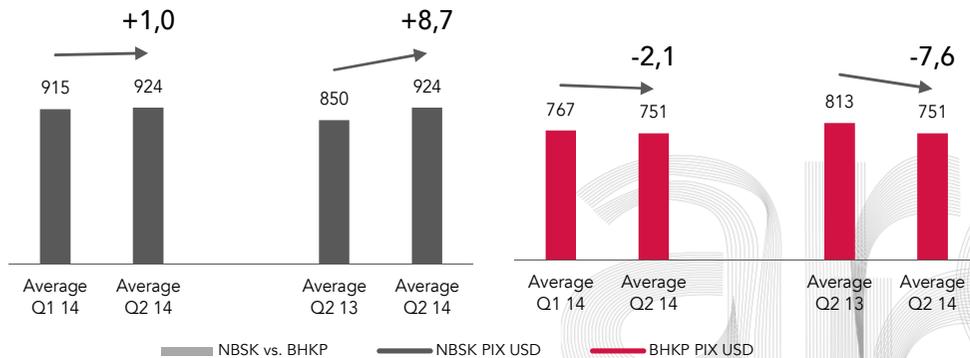


▶ Average price Q2 2014 compared to Q1 2014

- ▶ NBSK (long fibre) 1,0% higher
- ▶ BHKP (short fibre) 2,1% lower
- ▶ Arctic Paper pulp cost 3,3% lower

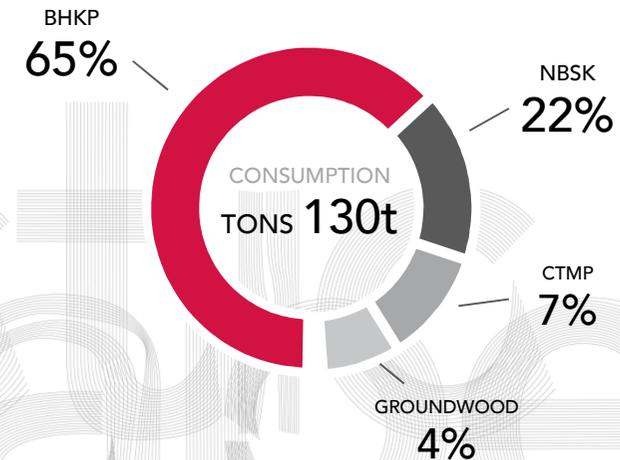
▶ Average price Q2 2014 compared to Q2 2013

- ▶ NBSK 8,7% higher
- ▶ BHKP 7,6% lower
- ▶ Arctic Paper pulp cost 6,2% lower

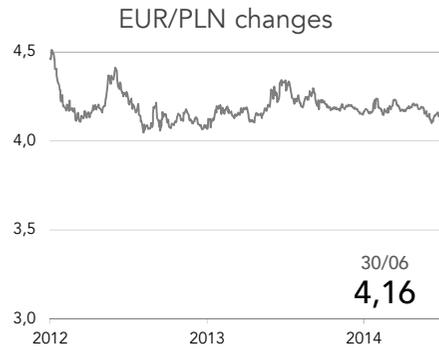


Source: Arctic Paper based on FOEX data.

Arctic Paper Q2 2014 Structure of pulp consumption



Currency exposure



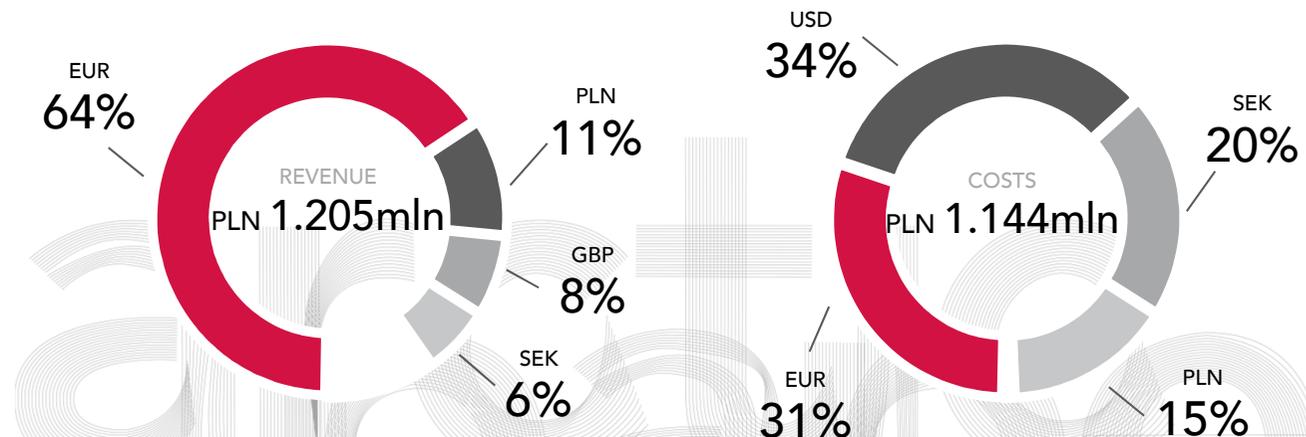
▶ Average exch. rate Q2 2014 compared to Q1 2014

- ▶ EUR/PLN - 0,4%
- ▶ EUR/SEK +2,2%
- ▶ EUR/USD +0,1%

▶ Average exch. rate Q2 2014 compared to Q2 2013

- ▶ EUR/PLN - 0,8%
- ▶ EUR/SEK +5,7%
- ▶ EUR/USD +5,0%

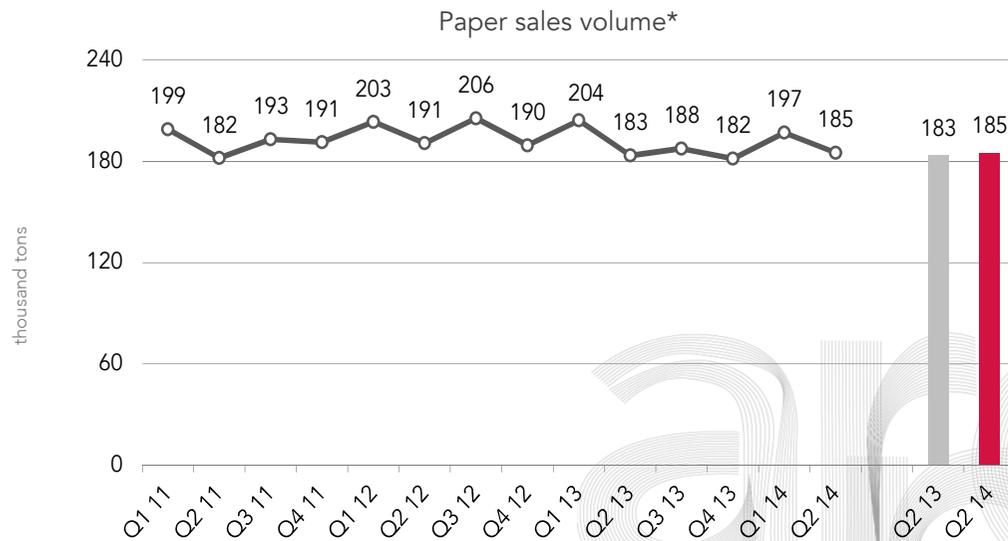
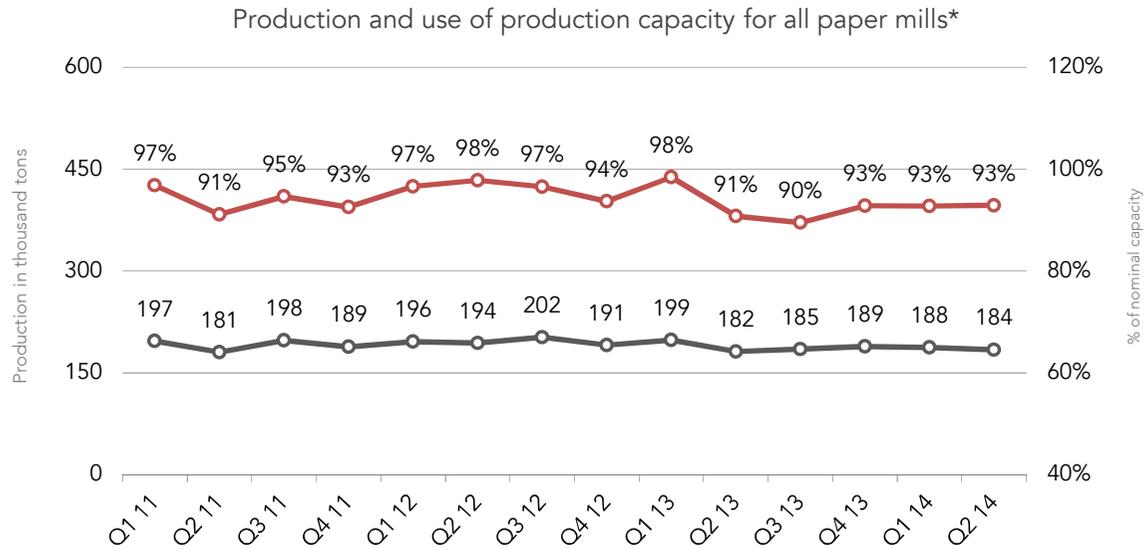
Arctic Paper H1 2014 Revenue and Costs Structure





**Operating
and financial results for
the Q2 2014**

Production capacity and sales volume



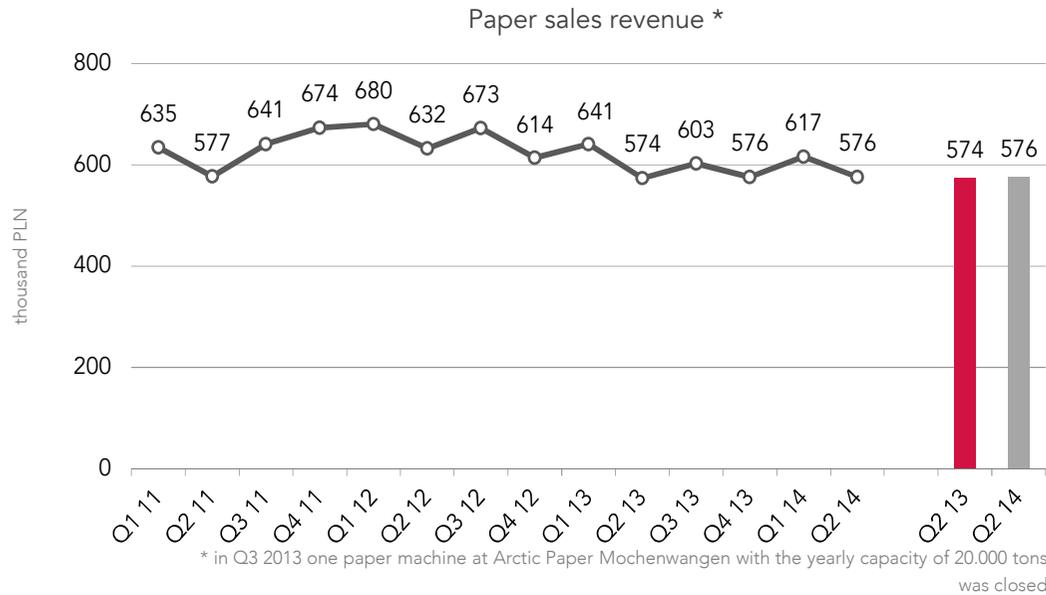
* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

- ▶ **Q2 2014 average use of production capacity 93%**
 - ▶ 0,2 % higher than Q1 2014
 - ▶ 2,2 % higher than Q2 2013*
- ▶ **Q2 2014 total production volume 184' tons**
 - ▶ 1,9% lower than Q1 2014
 - ▶ 1,3% higher than Q2 2013*

- ▶ **Q2 2014 paper sales volume**
 - ▶ 6,1% decrease compared to Q1 2014
 - ▶ 0,9% increase compared to Q2 2013*

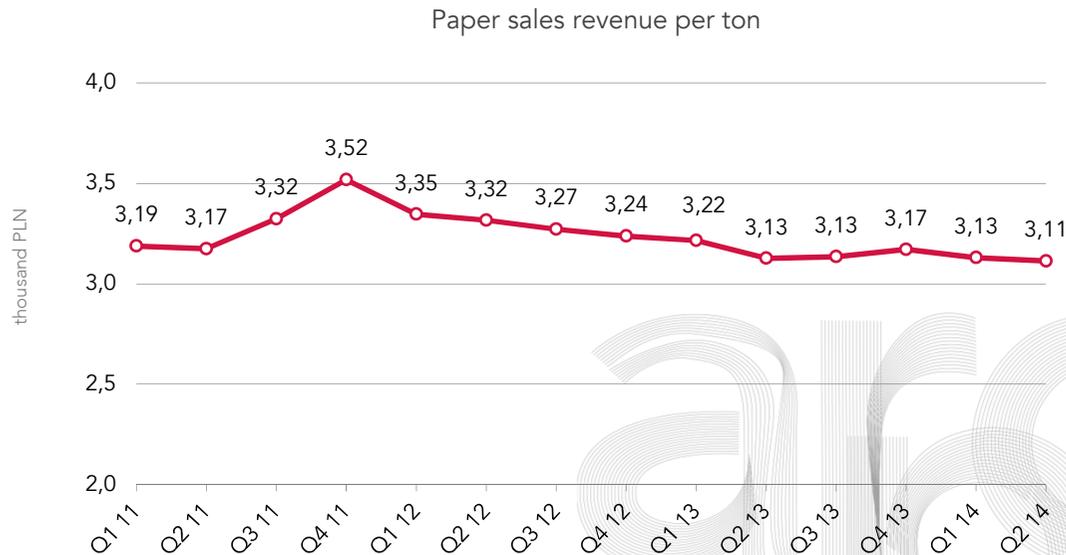
* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

Paper sales revenue and revenue per ton



- ▶ Q2 2014 (PLN 576m) down 6,6% compared to Q1 2014
- ▶ Q2 2014 up 0,3% compared to Q2 2013*

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



- ▶ Q2 2014 (PLN 3,11k) a decrease of 0,5% compared to Q1 2013
- ▶ Down 0,4% compared to Q2 2013

Key consolidated figures

(PLN thousands)	Q2 2014	Q2 2013*	Q1 2014	YTD Q2 2014	YTD Q2 2013*
Paper sales volume (000' tonnes)	185	183	197	382	388
Pulp sales volume (000' tonnes)	88	88	85	173	177
Revenues	753 883	763 668	804 492	1 558 375	1 586 007
Gross profit on sales	100 759	-7 812	103 645	204 404	82 056
% margin	13,4	-1,0	12,9	13,1	5,2
EBITDA	52 820	3 346	48 389	101 209	35 714
% margin	7,0	0,4	6,0	6,5	2,3
EBIT	24 218	-95 148	19 325	43 543	-94 836
% margin	3,2	-12,5	2,4	2,8	-6,0
Net result	13 475	-91 852	8 908	22 383	-97 932
% margin	1,8	-12,0	1,1	1,4	-6,2
Net operating cash flow	29 936	22 407	31 386	61 321	-52 645
Capital expenditures	21 466	24 406	11 251	32 717	49 608
Cash and equivalents	95 216	134 578	97 030	95 216	134 578
Total assets	1 725 072	1 959 916	1 767 140	1 725 072	1 959 916
Capital employed	1 021 643	958 441	1 063 711	1 021 643	958 441
Total equity	678 665	736 030	672 264	678 665	736 030
Net debt	375 455	405 885	386 277	375 455	405 885
Earnings per share (PLN)	0,19	-1,33	0,13	0,32	-1,41
Equity / assets ratio (%)	39	38	38	39	38
Net debt / equity ratio (%)	55	55	57	55	55
Net debt / EBITDA (times)	2,71x	4,43x	4,35x	2,71x	4,43x

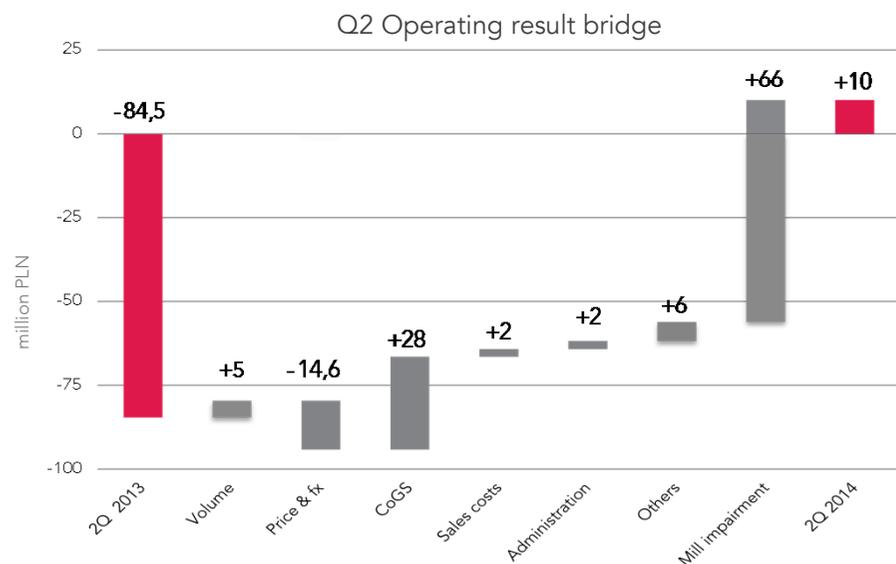
Q2 2014 EBITDA on the level of PLN 52,8m, Net result of PLN 13,5m.

Positive operating cash flow in the Q2 2014.
Cash on the level of PLN 95,2m.

Net debt on the level of PLN 375,5m.

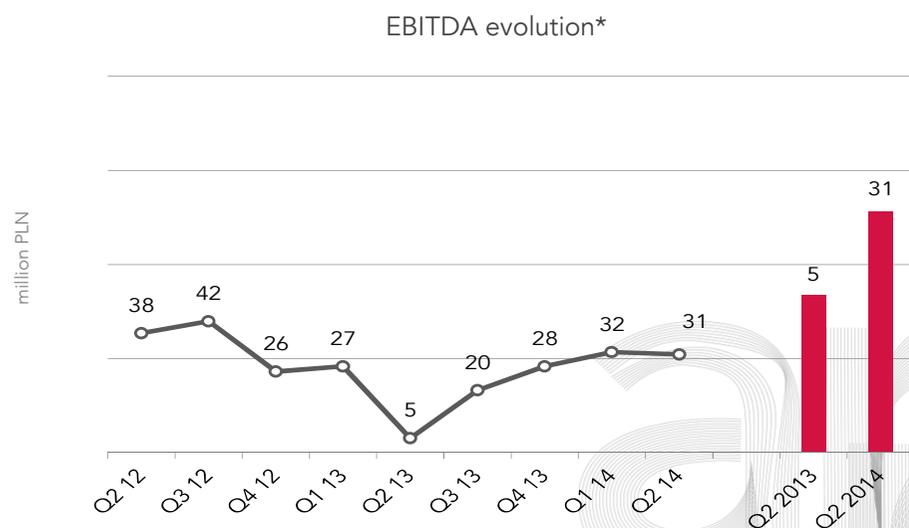
* - included one-off transactions related to mill impairments of 66,6 m PLN

Operating result and EBITDA (excluding Rottneros)



▶ Operating result for the Q2 2014 10,1 m PLN

- ▶ - 0,5 m PLN lower than Q1 2014
- ▶ + 94,7 m PLN higher than Q2 2013

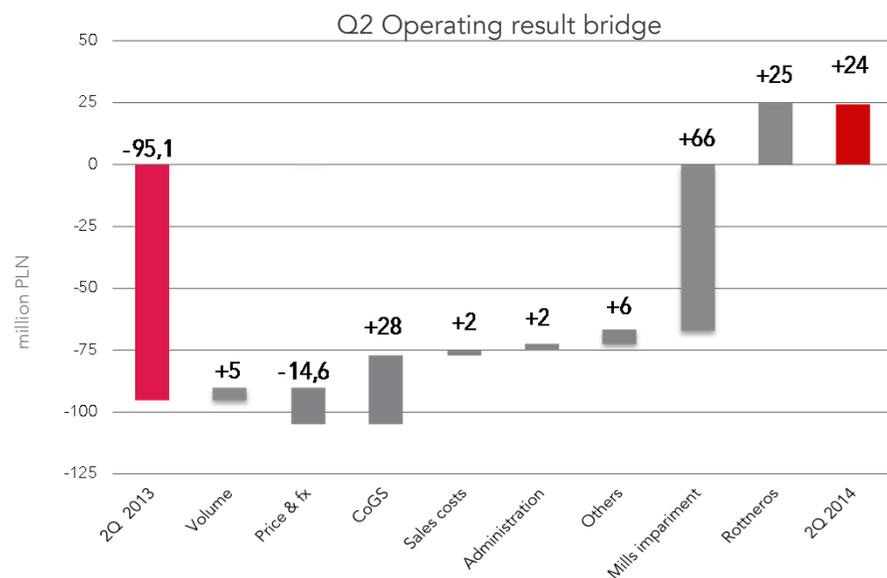


▶ Q2 2014 EBITDA 31,3m PLN

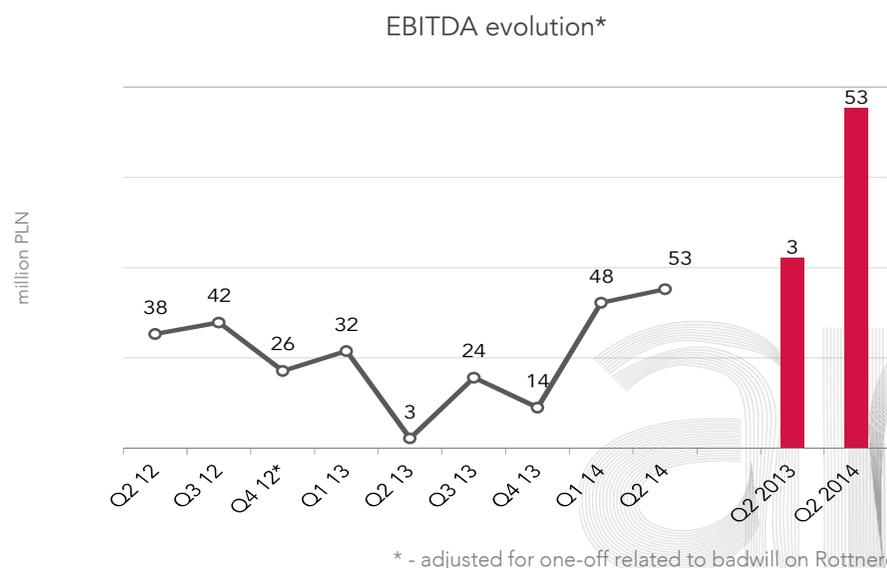
- ▶ - 0,8 m PLN lower than Q1 2014
- ▶ + 26,7 m PLN higher than Q2 2013

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

Consolidated operating result and EBITDA (including Rottneros)



- ▶ Operating result for the Q2 2014 24,2 m PLN
 - ▶ + 4,9 m PLN higher than Q1 2014
 - ▶ + 119,4 m PLN higher than Q2 2013



- ▶ Q2 2014 EBITDA 52,8m PLN
 - ▶ + 4,4 m PLN higher than Q1 2014
 - ▶ + 49,5 m PLN higher than Q2 2013

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



Summary of the first half 2014

First half of 2014 in brief

Current situation

Arctic Paper has during Q2 continued in the same profitable way as Q1 and thereby adding up to a positive result for the first half year. Arctic Paper has, on a market of overcapacity and turbulence, shown adaptability. Even though the demand continues to shrink compared with Q1 the trend of 2014 is somewhat less severe than in 2013. Arctic Paper has been able to move in a more positive direction compared with the market total.

The market situation has, not surprisingly, led to further price decreases, where Arctic Paper has, especially in the UWF market, been able to show better price stability than the overall market. The trend of Arctic Paper showing more constant deliveries of tonnage and better than the overall market, continues.

The situation as to pulp prices has in this period been advantageous for the Arctic paper mills as well as for the pulp mills within Rottneros.

The currency exchange rates (aggregated total) have improved in favour of Arctic Paper during the second quarter compared to both Q1 2014 and Q2 2013. Arctic Paper has continued during Q2 to deliver stable tonnages and use of capacity, well above the figures of Q22013.

With EBIDTA of 31,3 MPLN and net result of 10,1 MPLN in Q22014 Arctic Paper proceeded to prove the effectiveness of its restructuring plan.

The impressive and efficient operations of Rottneros improved EBIDTA with 21,5 MPLN and the net result with 14,1 MPLN in Q2 2014.

Outlook for the next quarters

There is potential that the trend of positive, profitable results will continue for the coming quarters. Even though the market remains both troublesome and turbulent Arctic Paper foresees that further improvements through its restructuring plan can be made.



Thank
you

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