

Arctic Paper Group

Results for Q3 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 3rd quarter of 2014.



Agenda

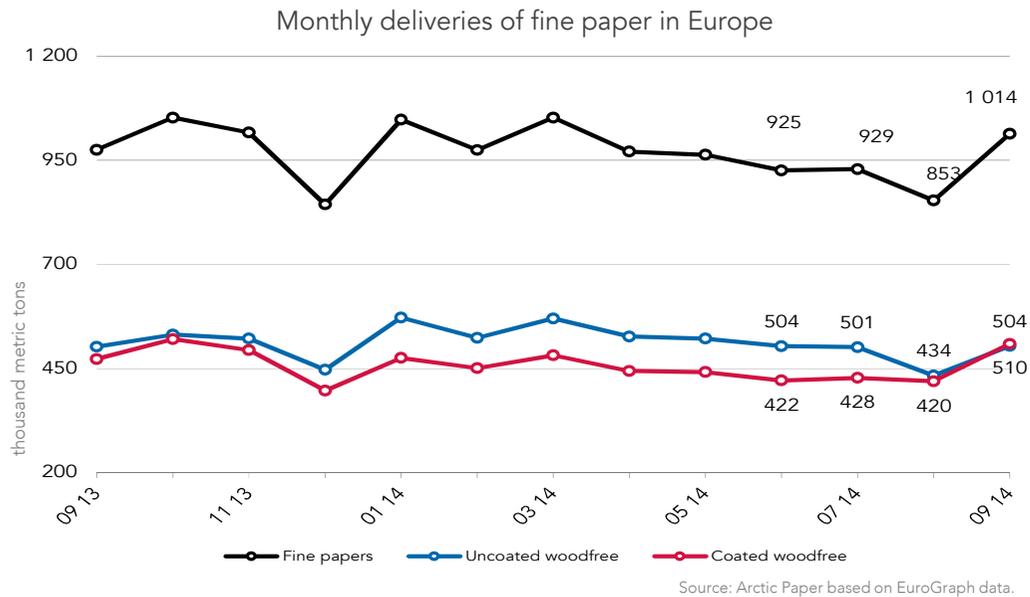
- ▶ Market environment
- ▶ Operating and financial results
- ▶ Summary for the 3rd quarter of 2014





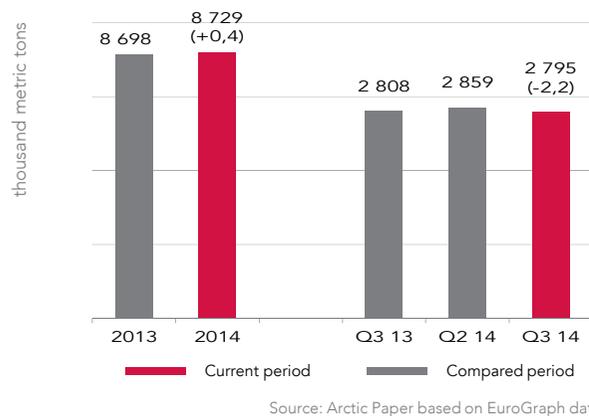
Market environment

Deliveries of fine paper



- ▶ Q3 2014 vs. Q2 2014 - 2,2 %
 - ▶ Uncoated woodfree down - 7,3%
 - ▶ Coated woodfree up + 3,8%
 - ▶ Arctic Paper volume up + 3,9%
- ▶ Q3 2014 vs. Q3 2013 - 0,4%
 - ▶ Uncoated woodfree down - 0,8%
 - ▶ Coated woodfree 0,0%
 - ▶ Arctic Paper volume up + 2,5%

Quarterly deliveries of fine paper in Europe

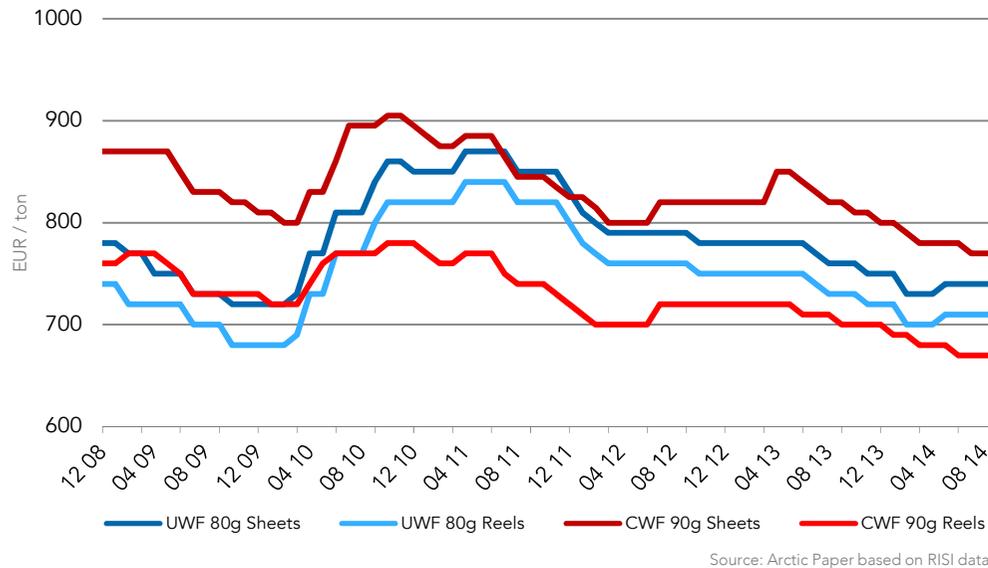


Arctic Paper Q3 2014 volume structure



Fine paper prices

Graphic fine paper prices - German market



Change in price for graphic paper in EUR - Western Europe

	09 14 vs. 06 14			09 14 vs. 09 13		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	0,0%	0,0%	0,0%	-3,1%	-2,8%	-2,5%
CWF	-1,0%	-0,9%	-0,8%	-3,8%	-4,3%	-4,7%

Source: Arctic Paper based on RISI data

▶ September 2014 vs. June 2014

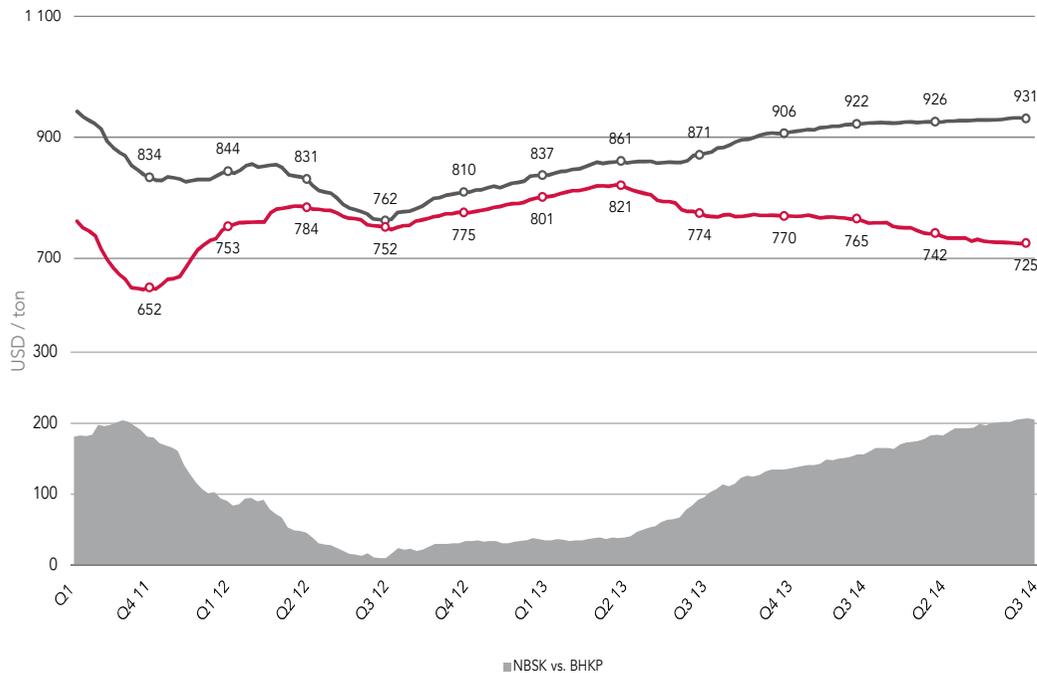
- ▶ UWF segment average price change 0,0% (Arctic Paper - 1,1%)
- ▶ CWF segment average price change - 0,9% (Arctic Paper + 0,5%)

▶ September 2014 vs. September 2013

- ▶ UWF segment average price change - 2,8% (Arctic Paper - 0,4%)
- ▶ CWF segment average price change - 4,3% (Arctic Paper - 4,0%)

Pulp prices

Pulp PIX Indexes Europe

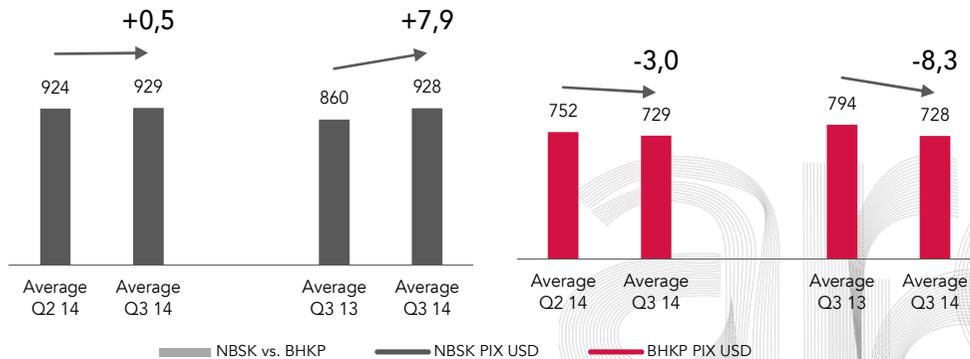


▶ Average price Q3 2014 compared to Q2 2014

- ▶ NBSK (long fibre) 0,5% higher
- ▶ BHKP (short fibre) 3,0% lower
- ▶ Arctic Paper pulp cost 1,1% higher

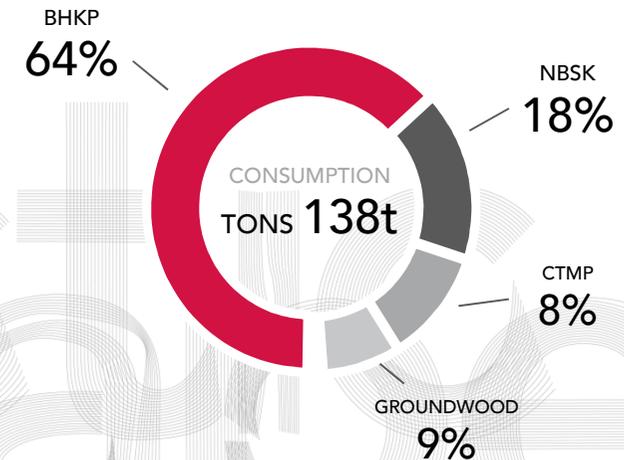
▶ Average price Q3 2014 compared to Q3 2013

- ▶ NBSK 7,9% higher
- ▶ BHKP 8,3% lower
- ▶ Arctic Paper pulp cost 7,2% lower

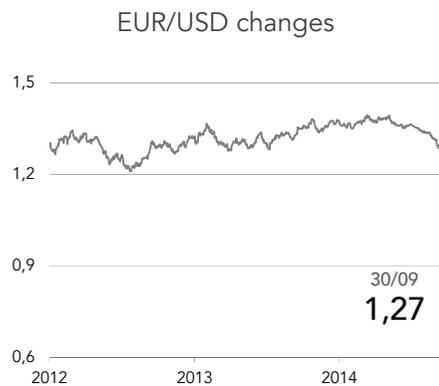
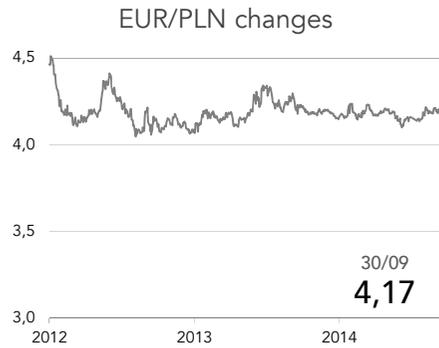


Source: Arctic Paper based on FOEX data.

Arctic Paper Q3 2014 Structure of pulp consumption



Currency exposure



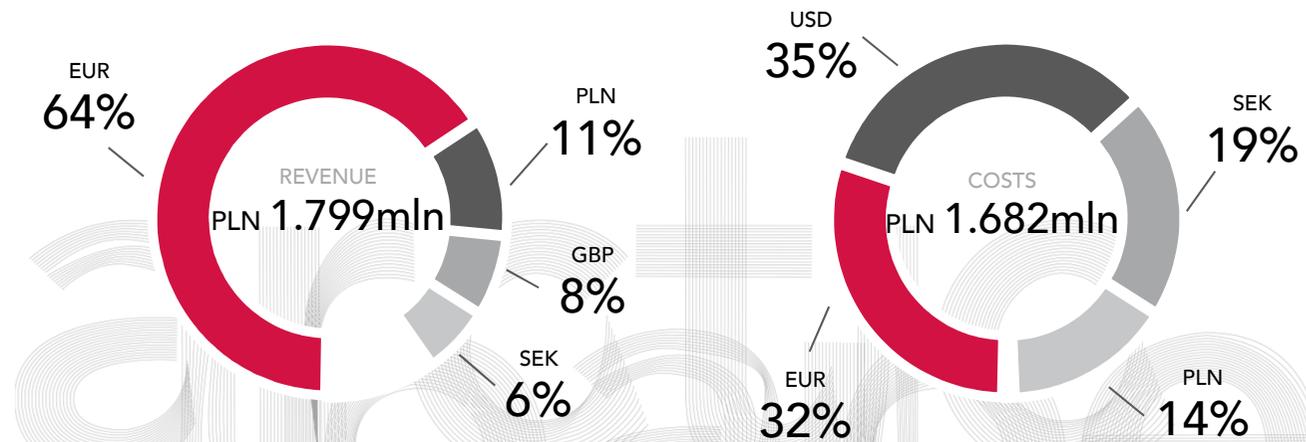
▶ Average exch. rate Q3 2014 compared to Q2 2014

- ▶ EUR/PLN +0,2%
- ▶ EUR/SEK +1,7%
- ▶ EUR/USD -3,3%

▶ Average exch. rate Q3 2014 compared to Q3 2013

- ▶ EUR/PLN -1,7%
- ▶ EUR/SEK +6,1%
- ▶ EUR/USD +0,1%

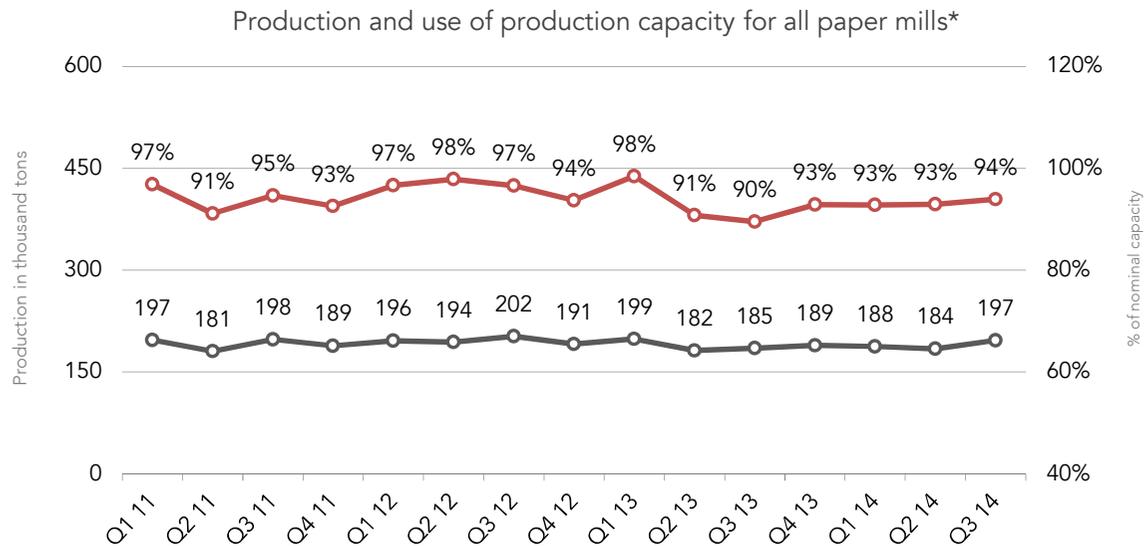
Arctic Paper YTD SEP 2014 Revenue and Costs Structure





**Operating
and financial results for
the Q3 2014**

Production capacity and sales volume

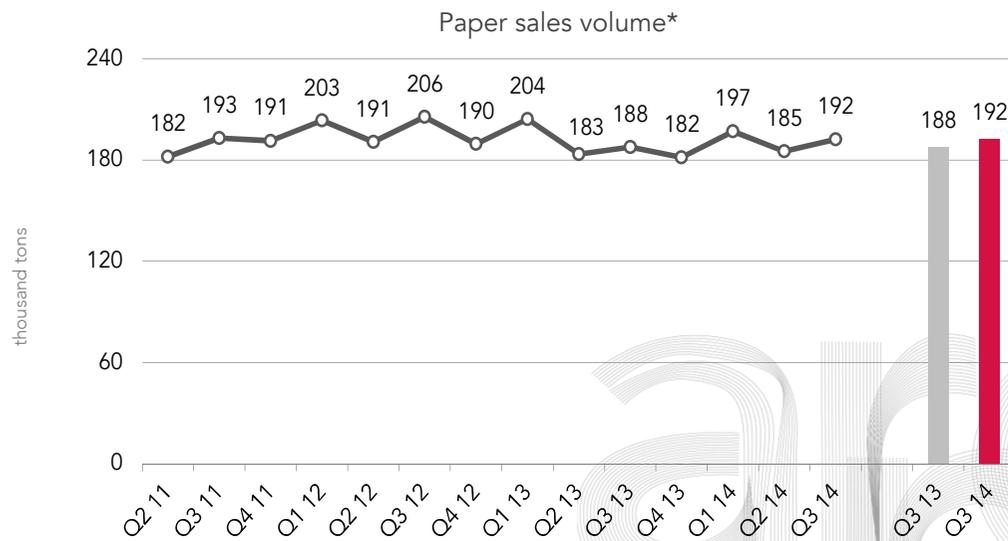


▶ Q3 2014 average use of production capacity **94%**

- ▶ 1,0 % higher than Q2 2014
- ▶ 4,4 % higher than Q3 2013*

▶ Q3 2014 total production volume **197' tons**

- ▶ 6,8% higher than Q2 2014
- ▶ 6,2% higher than Q3 2013*



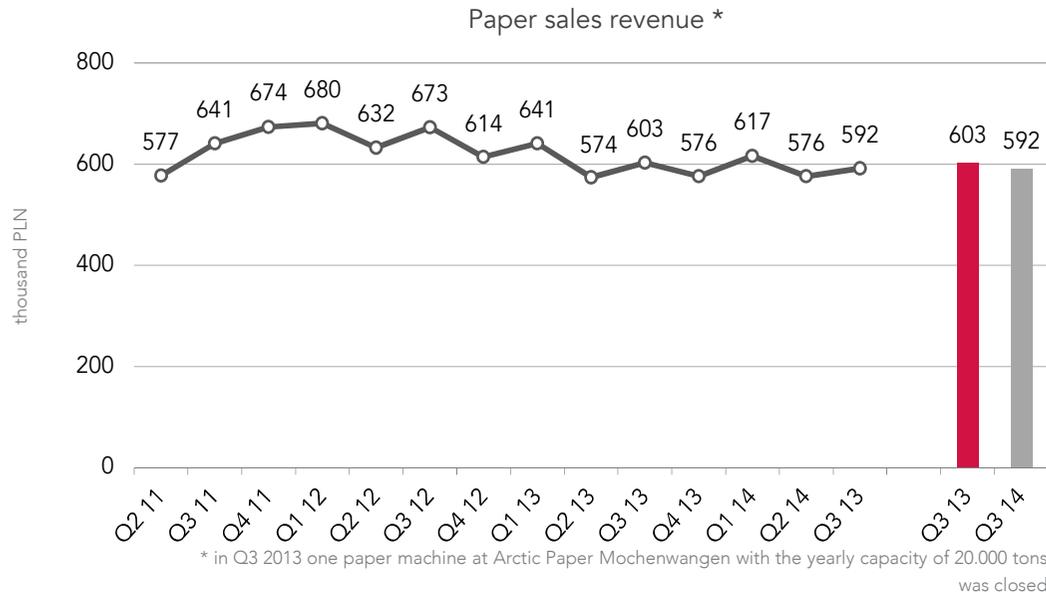
▶ Q3 2014 paper sales volume

- ▶ 3,9% increase compared to Q2 2014
- ▶ 2,5% increase compared to Q3 2013*

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

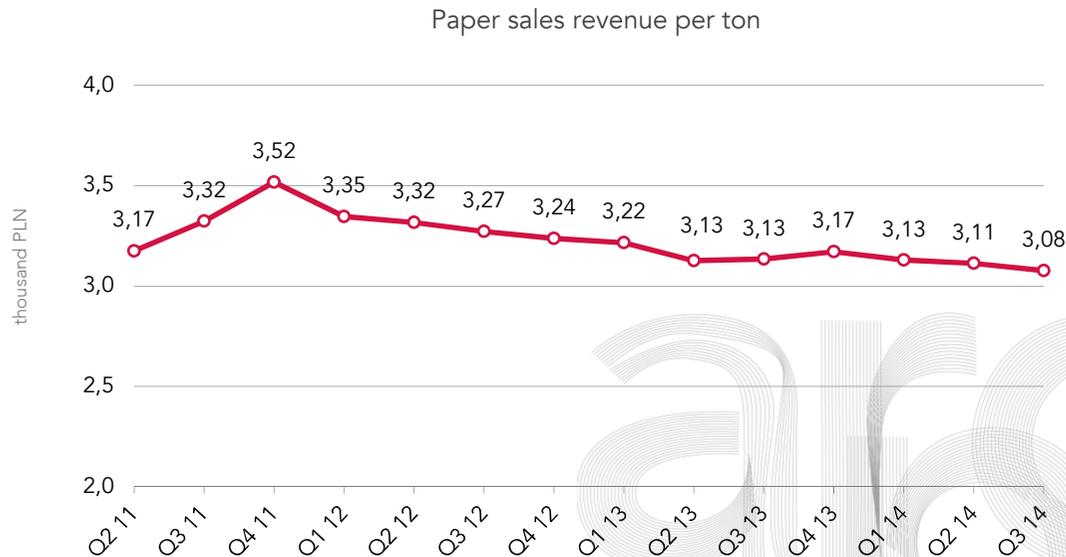
* in Q3 2013 one paper machine at Arctic Paper Mochenwangen with the yearly capacity of 20.000 tons was closed

Paper sales revenue and revenue per ton



- ▶ Q3 2014 (PLN 592m) up 2,7 % compared to Q2 2014
- ▶ Q3 2014 down 1,9% compared to Q3 2013*

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



- ▶ Q3 2014 (PLN 3,08k) a decrease of 1,2% compared to Q2 2014
- ▶ Down 1,8% compared to Q3 2013

Key consolidated figures

(PLN thousands)	Q3 2014	Q3 2013*	Q2 2014	YTD Q3 2014	YTD Q3 2013*
Paper sales volume (000' tonnes)	192	188	185	574	575
Pulp sales volume (000' tonnes)	89	83	88	266	256
Revenues	785 219	784 000	753 883	2 343 594	2 370 007
Gross profit on sales	132 487	79 910	100 759	336 891	161 965
% margin	16,9	10,2	13,4	14,4	6,8
EBITDA	82 552	23 549	52 820	183 761	59 263
% margin	10,5	3,0	7,0	7,8	2,5
EBIT	53 708	-7 046	24 218	97 251	-101 881
% margin	6,8	-0,9	3,2	4,1	-4,3
Net result	34 382	-15 291	13 475	56 765	-113 223
% margin	4,4	-2,0	1,8	2,4	-4,8
Net operating cash flow	117 661	28 167	29 936	178 983	-24 478
Capital expenditures	5 550	26 913	21 466	38 267	76 521
Cash and equivalents	137 908	103 884	95 216	137 908	103 884
Total assets	1 766 464	1 869 263	1 725 072	1 766 464	1 869 263
Capital employed	1 080 497	922 530	1 021 643	1 080 497	958 441
Total equity	719 740	724 333	678 665	719 740	736 030
Net debt	265 637	391 044	375 455	265 637	405 885
Earnings per share (PLN)	0,50	-0,22	0,19	0,82	-1,63
Equity / assets ratio (%)	41	39	39	41	39
Net debt / equity ratio (%)	37	54	55	37	55
Net debt / EBITDA (times)	1,35x	5,33x	2,71x	1,35x	4,43x

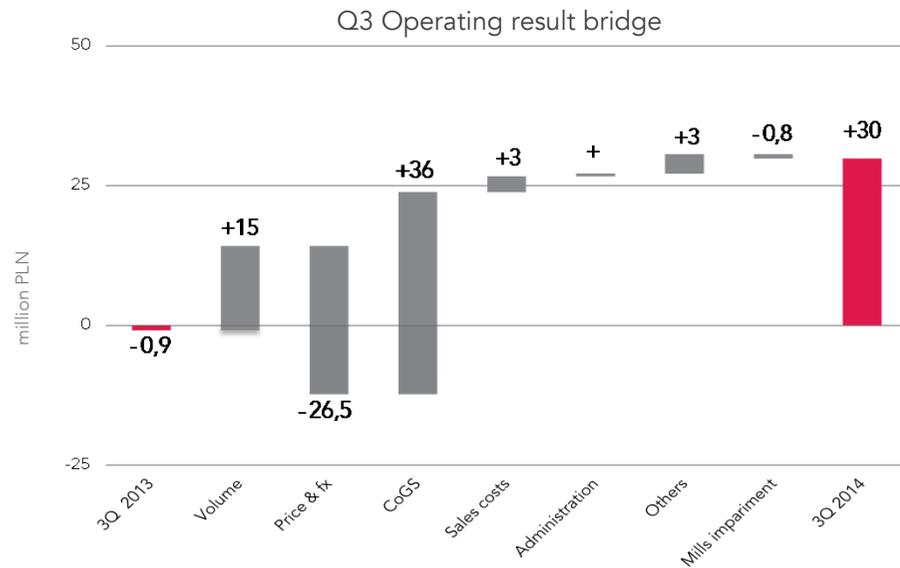
Q3 2014 EBITDA on the level of PLN 82,5m, Net result of PLN 34,4m.

Cash on the level of PLN 137,9m.

Net debt on the level of PLN 265,6m.

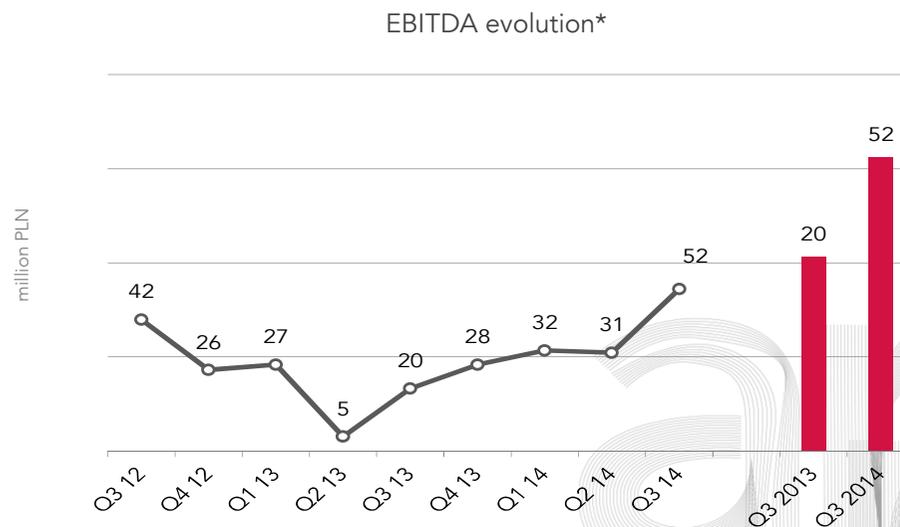
* - included one-off transactions related to mill impairments of 66,6 m PLN

Operating result and EBITDA (excluding Rottneros)



▶ Operating result for the Q3 2014 29,9 m PLN

- ▶ + 19,8 m PLN higher than Q2 2014
- ▶ + 30,8 m PLN higher than Q3 2013

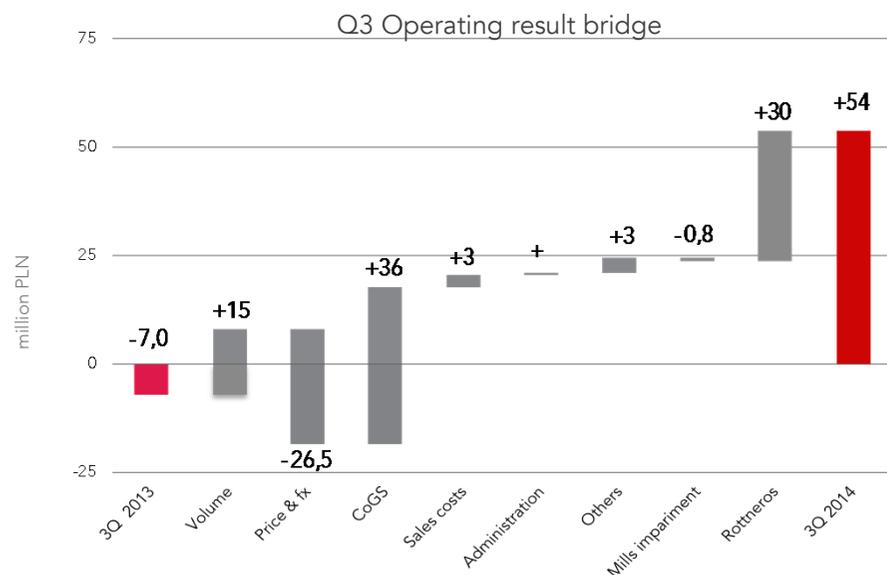


▶ Q3 2014 EBITDA 51,6m PLN

- ▶ + 20,3 m PLN higher than Q2 2014
- ▶ + 31,7 m PLN higher than Q3 2013

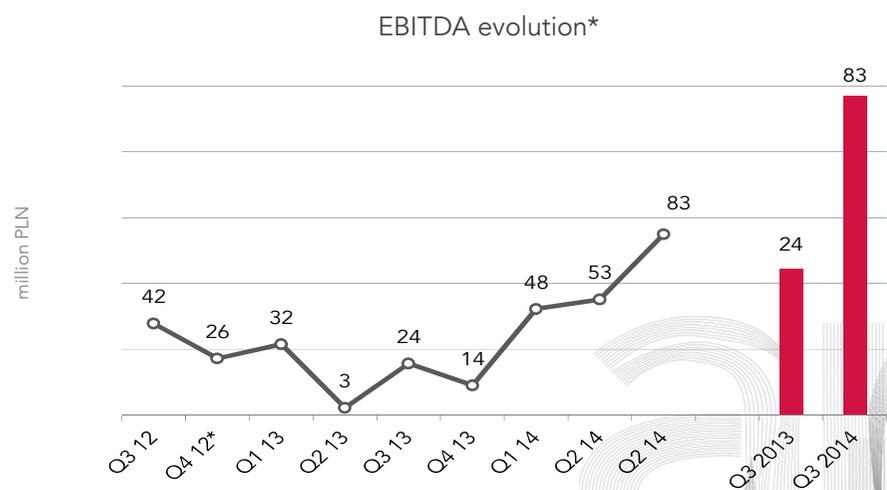
* - adjusted for one-off related to badwill on Rottneros

Consolidated operating result and EBITDA (including Rottneros)



▶ Operating result for the Q3 2014 53,7 m PLN

- ▶ + 29,5 m PLN higher than Q2 2014
- ▶ + 59,0 m PLN higher than Q3 2013



▶ Q3 2014 EBITDA 82,5m PLN

- ▶ + 29,7 m PLN higher than Q2 2014
- ▶ + 59,0 m PLN higher than Q3 2013

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



Summary of Q3 2014

The Q3 2014 in brief

Current situation

- ▶ The market decline in paper prices continued – but at a slower rate – during the third quarter 2014.
- ▶ The accumulated pulp prices were stable, but the third quarter of 2014 showed a decrease (-3,0%) of BHKP, favourable for Arctic Paper S.A., and an increase (+0,5%) of NBSK, favourable for Rottneros, compared to 2Q 2014.
- ▶ Still favourable EUR/SEK improving the revenues and getting stronger USD vs EUR in the second part of quarter influenced on higher pulp cost.
- ▶ Arctic Paper shows a raise to 94% in the utilization of its production capacity for the third quarter of 2014.
- ▶ Arctic Paper continued to show profitable and growing figures, EBIDTA of 51,6 MPLN and net result of 16,3 MPLN in Q3 2014.
- ▶ The efficient operations of Rottneros improved EBIDTA with 30,9 MPLN and the net result with 18,0 MPLN in Q3 2014.
- ▶ External factors such as pulp prices and exchange rates had continued impact on the result of the third quarter.
- ▶ Beside the strong results of the third quarter the seasonally frail last part of the year, combined with a continuously stronger US dolar, requires more careful expectations.



Thank
you

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