



ARCTIC PAPER

Arctic Paper results for the 1st half of 2012



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Agenda



- Market environment
- Operating and financial results
- Summary of the first half of the year 2012



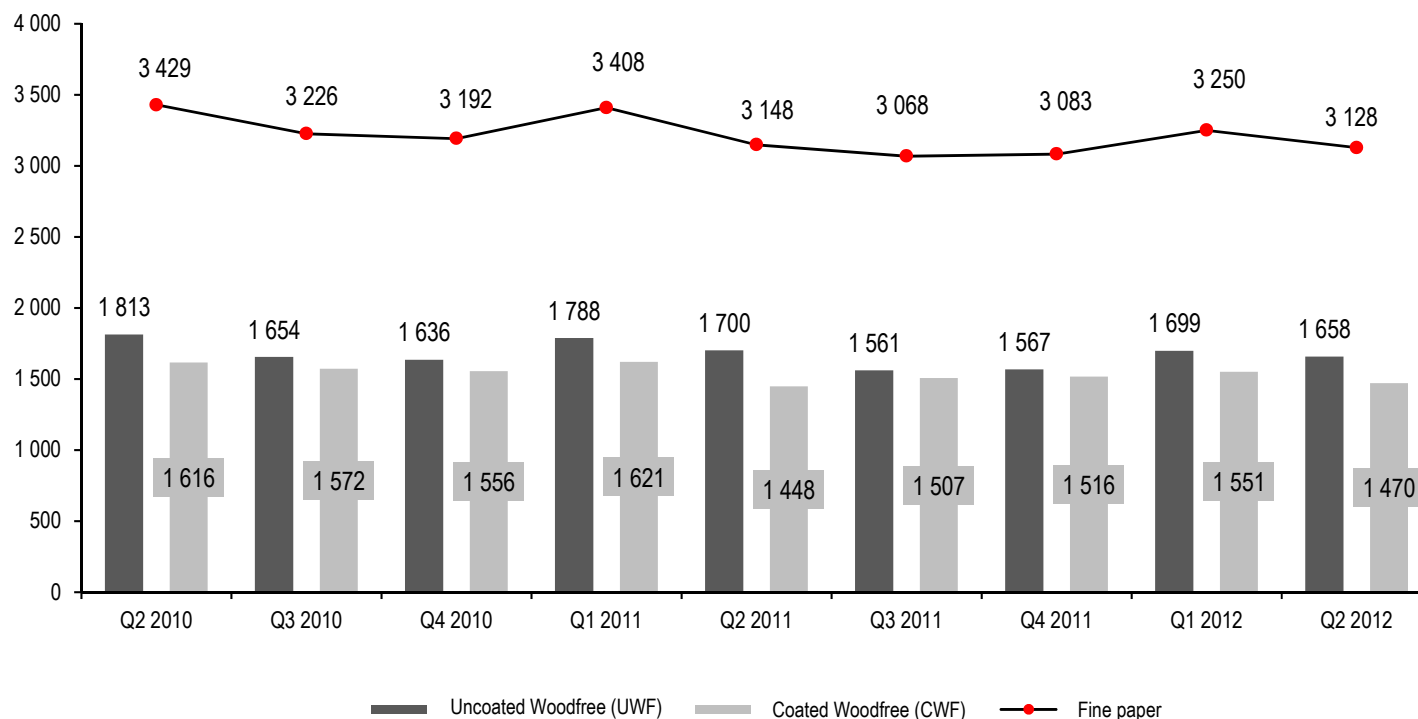
Market environment



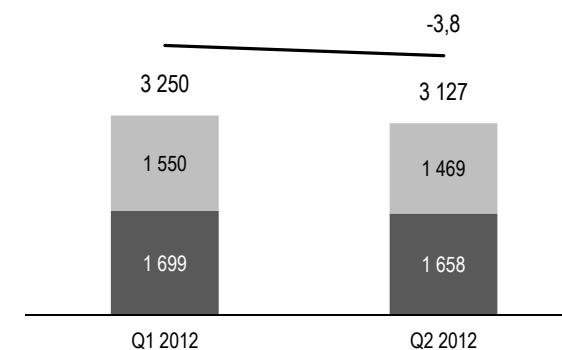
Market environment

Deliveries of fine paper

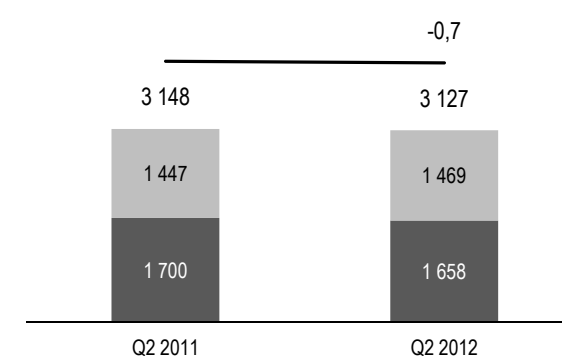
Deliveries of paper in Europe ('000 metric tonnes)



Change Q2 2012 vs Q1 2012



Change Q2 2012 vs. Q2 2011



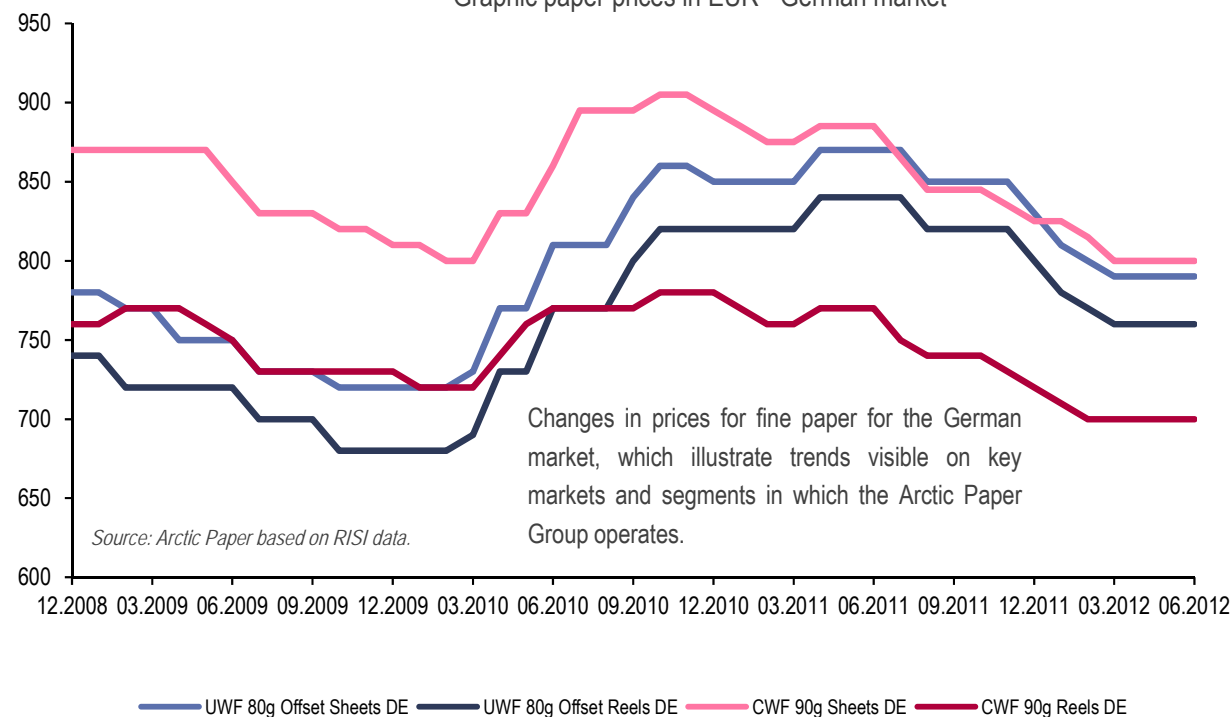
- ▶ In Q2 2012 deliveries of fine paper in Europe were lower by -3,8% than in Q1 2012 and by -0,7% than in Q2 2011. Deliveries in the uncoated wood-free (UWF) segment were down by -2,4% compared to Q1 2012 and down by -2,5% compared to Q2 2011. In the coated wood-free (CWF) segment accordingly down by -5,2% and up by +1,5%.
- ▶ In Q2 2012 sales volume of Arctic Paper Group was -6.2% below Q1 2012 and +4.8% higher than in the corresponding period of 2011. In the second quarter of 2012 the number of orders received remained stable.

Market environment

Fine paper prices

- ▶ As at the end of the first half of the year 2012 prices of fine paper in Europe experienced a decrease compared to the prices at the end of 2011. The average prices decrease was -1.5% for UWF and -2.8% for CWF.
- ▶ The average prices for UWF at the end of June 2012 were slightly higher than at the end of the first quarter of 2012 (+0.6%), while for CWF slightly lower (-0.2%).
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from March to June 2012 within the range of +0.4% to +1.5%, while in the CWF segment from -3.7% to +0.1%.

Graphic paper prices in EUR - German market



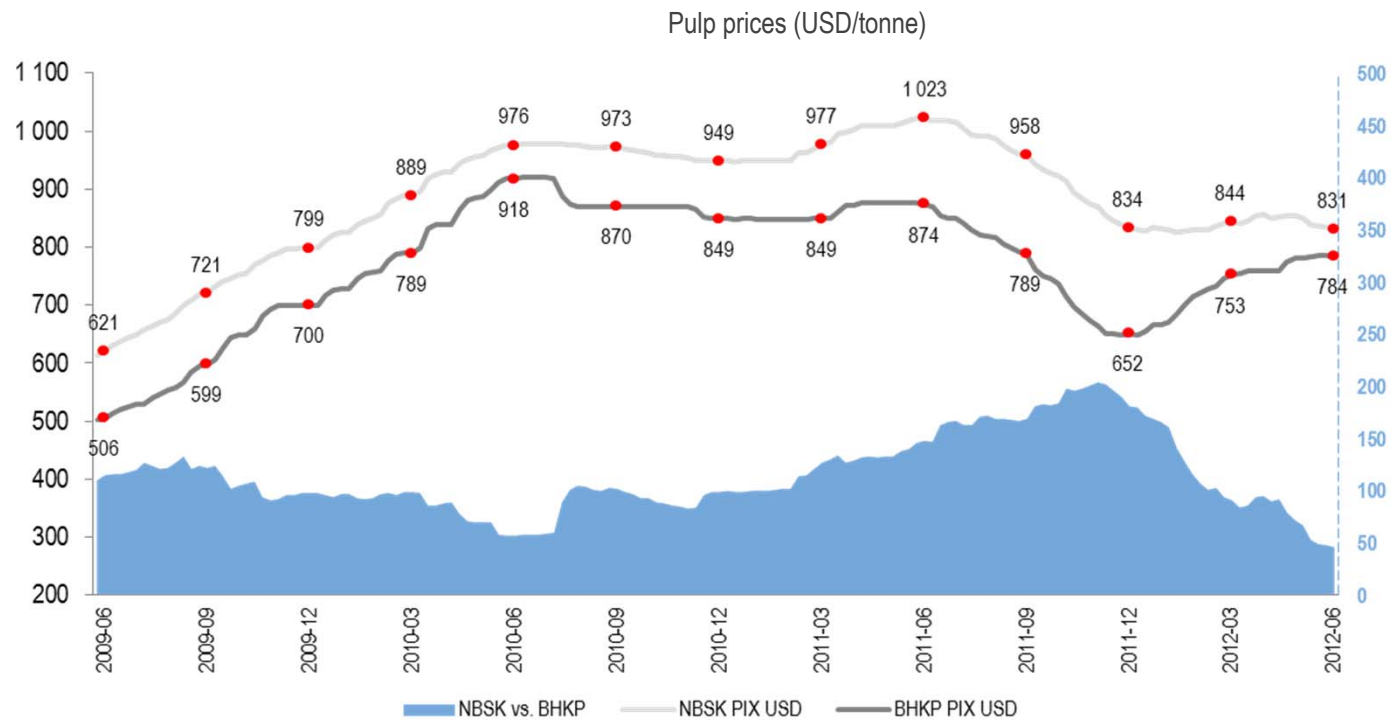
Change in prices for graphic paper in EUR and GBP - selected Western Europe countries

	06.2012 vs. 03.2012			06.2012 vs. 12.2011		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	1,0%	0,6%	0,3%	-0,9%	-1,5%	-2,0%
CWF	-0,3%	-0,2%	-0,1%	-2,7%	-2,8%	-2,9%

Source: Arctic Paper based on RISI data

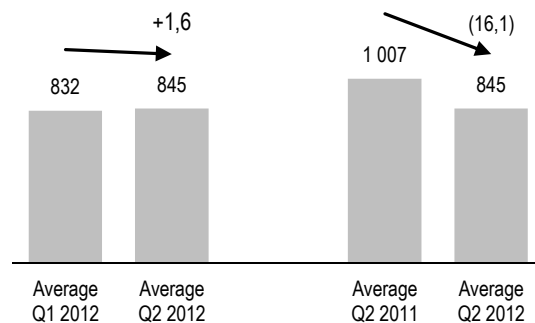
Market environment

Pulp prices

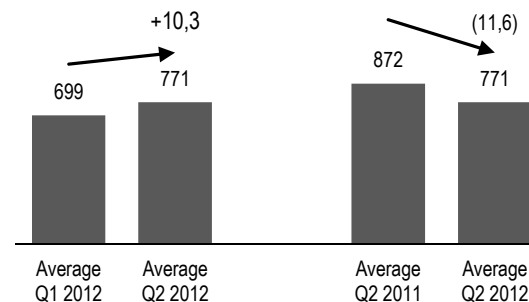


- ▶ As at the end of Q2 2012 pulp prices were at USD 831 per tonne for NBSK and USD 784 per tonne for BHKP. The average price for NBSK in Q2 2012 was -16.1% lower than in Q2 2011, while BHKP was down by -11.6%. In Q2 2012 average NBSK pulp price was +1.6% higher while BHKP pulp price was +10.3% higher than in Q1 2012.
- ▶ The average cost of pulp per tonne for AP Group in Q2 2012, expressed in PLN, was up by +7% compared to Q1 2012 and by +1% compared to Q2 2011.
- ▶ The share of pulp costs in total costs of sales after 6 months of 2012 amounted to 47% compared to app. 49% in the first half of the previous year.
- ▶ Pulp usage for AP Group production was BHKP 60%, NBSK 18%, and other 22%.

NBSK (USD/tonne)

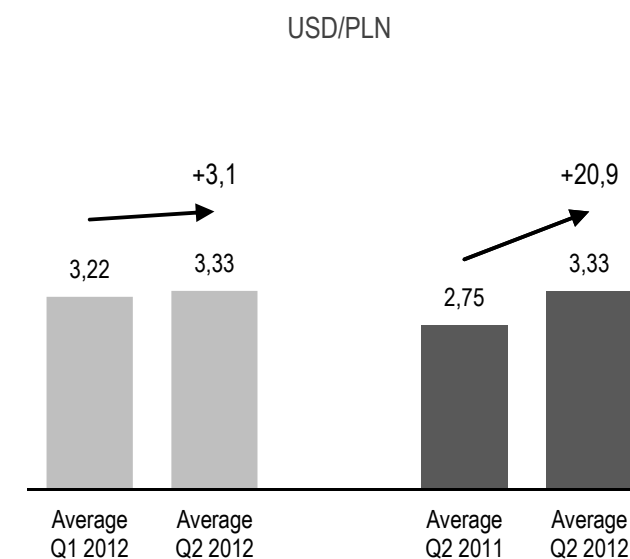
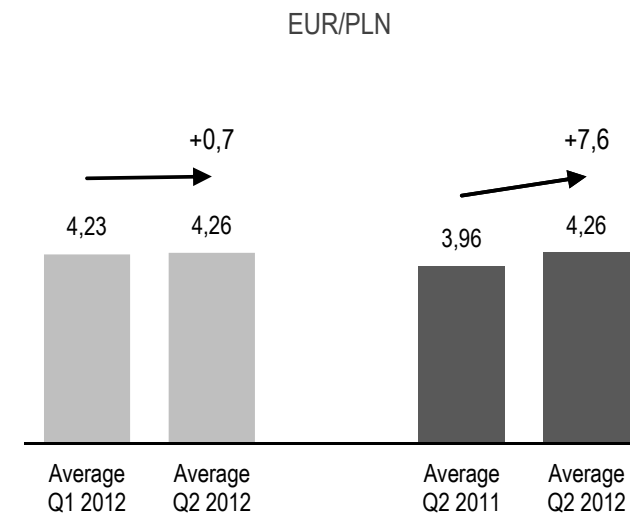
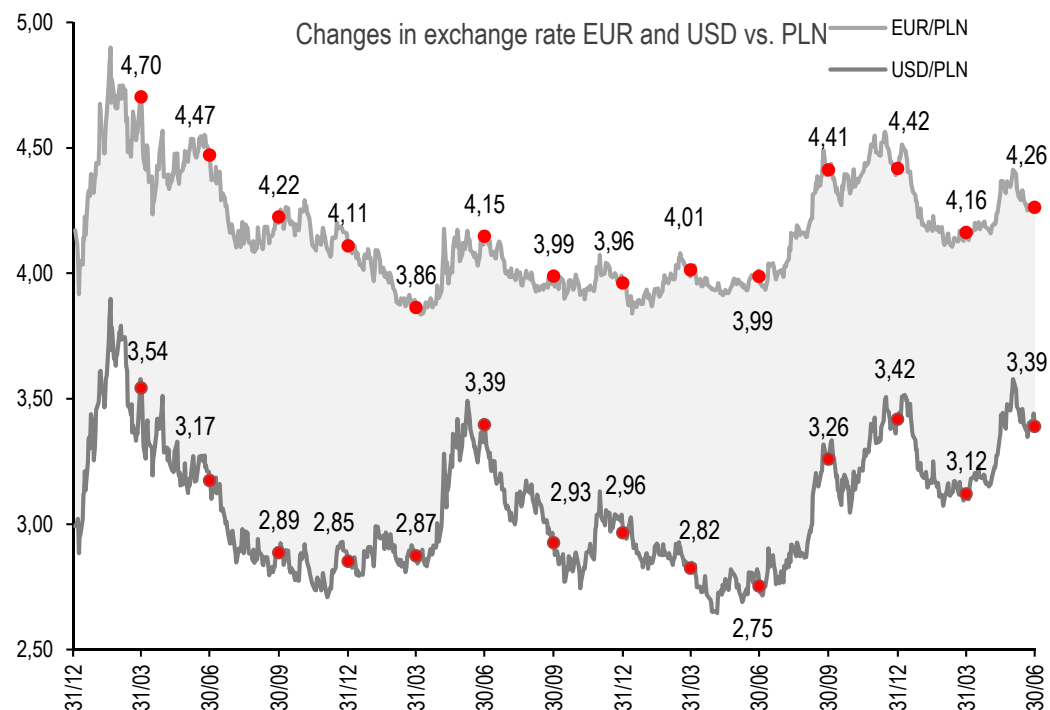


BHKP (USD/tonne)



Market environment

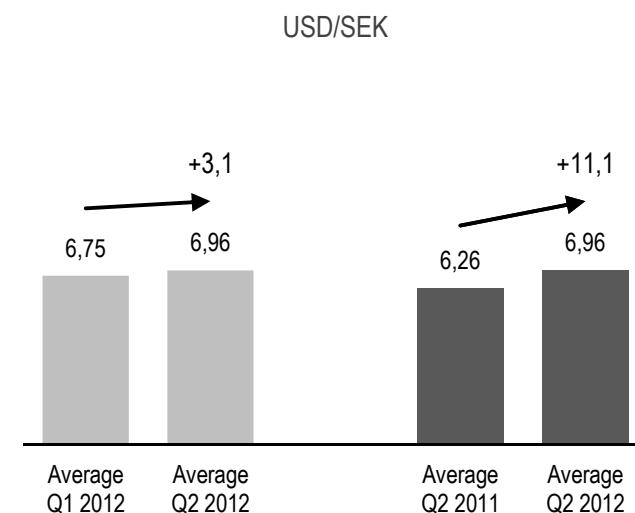
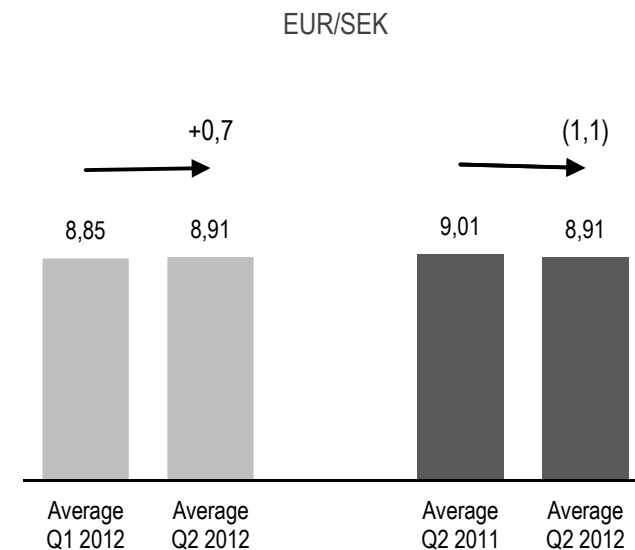
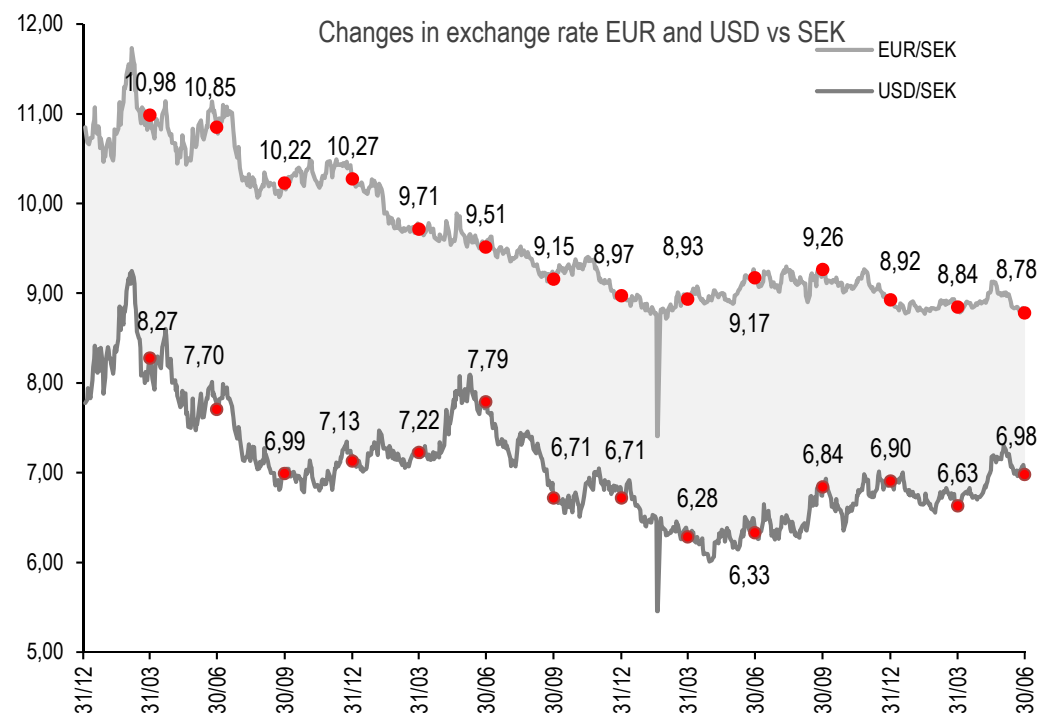
Exchange rates



- ▶ In Q2 2012 the average EUR/PLN exchange rate amounted to 4.26 and was +0.7% higher than in Q1 2012 and +7.6% higher than in Q2 2011.
- ▶ In Q2 2012 the average USD/PLN exchange rate amounted to 3.33 and was by +3.1% higher than in Q1 2012 and by +20.9% higher than in Q2 2011.
- ▶ Compared to Q2 2011, the EUR/PLN rate positively influenced levels of sales revenue realized in Arctic Paper Kostrzyn. Compared to Q1 2012 the exchange rate was neutral considering the results. The change of USD/PLN exchange rate had a major adverse impact on pulp costs expressed in PLN, particularly compared to Q2 2011.

Market environment

Exchange rates

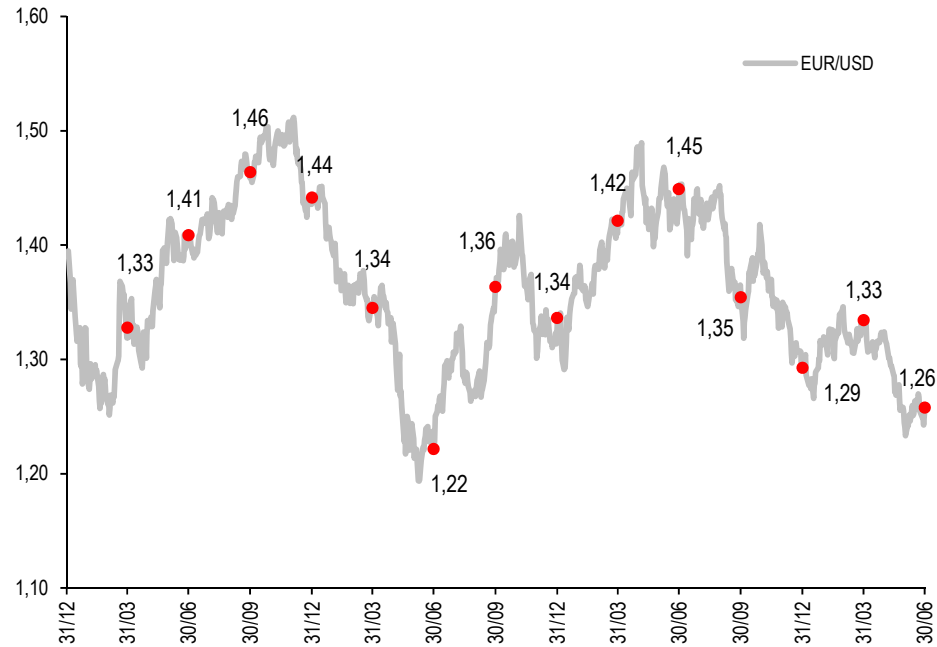


- ▶ In Q2 2012 the average EUR/SEK exchange rate increased by +0.7% compared to Q1 2012 and was down by -1.1% compared to Q2 2011. The appreciation of SEK towards EUR has a major adverse effect on the level of revenue invoiced in EUR in Swedish mills (AP Munkedals and AP Grycksbo).
- ▶ In the same period the average USD/SEK exchange rate increased by +3.1% compared to Q1 2012 and by +11.1% compared to Q2 2011. The change of average exchange rate had a negative effect on profitability of Swedish mills causing the increase of pulp costs expressed in SEK.

Market environment

Exchange rates

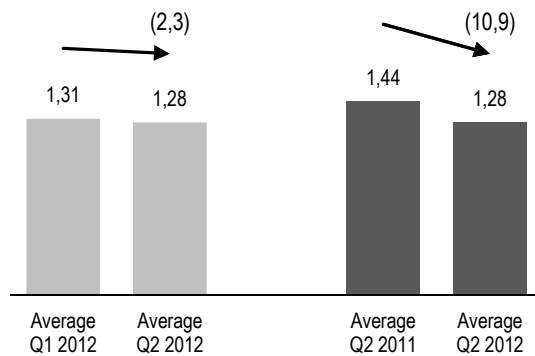
Changes in exchange rate EUR vs. USD



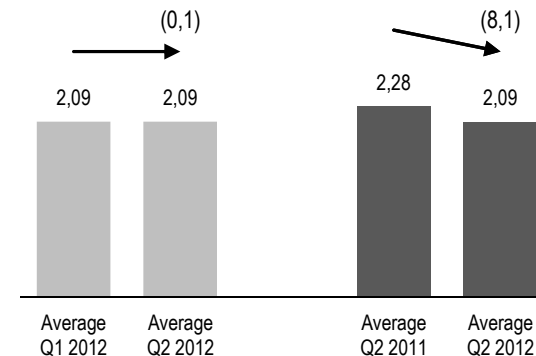
Changes in exchange rate PLN vs. SEK



EUR/USD



PLN/SEK

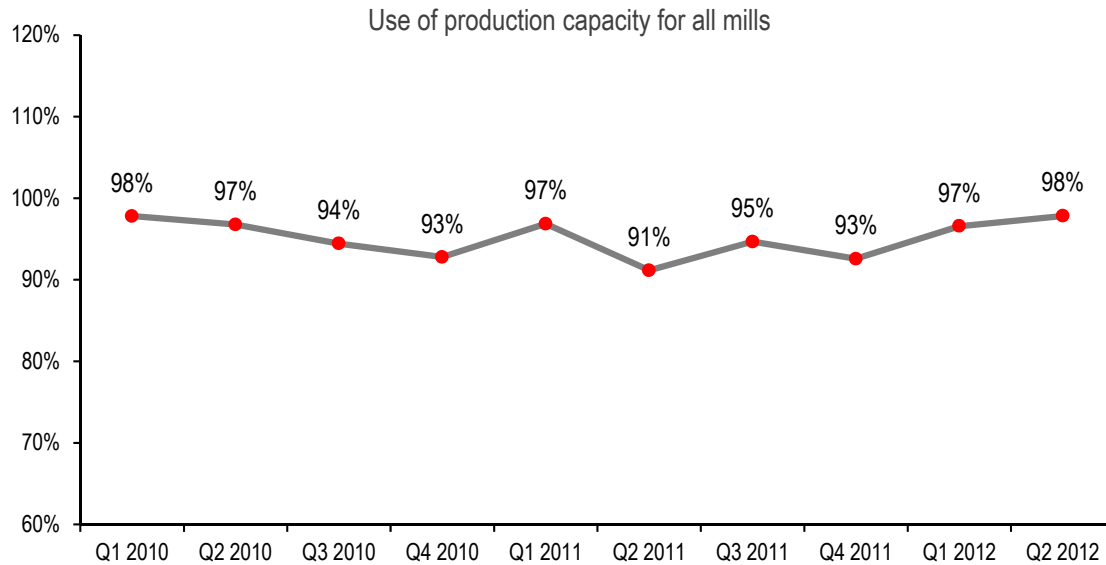


Operating and financial results

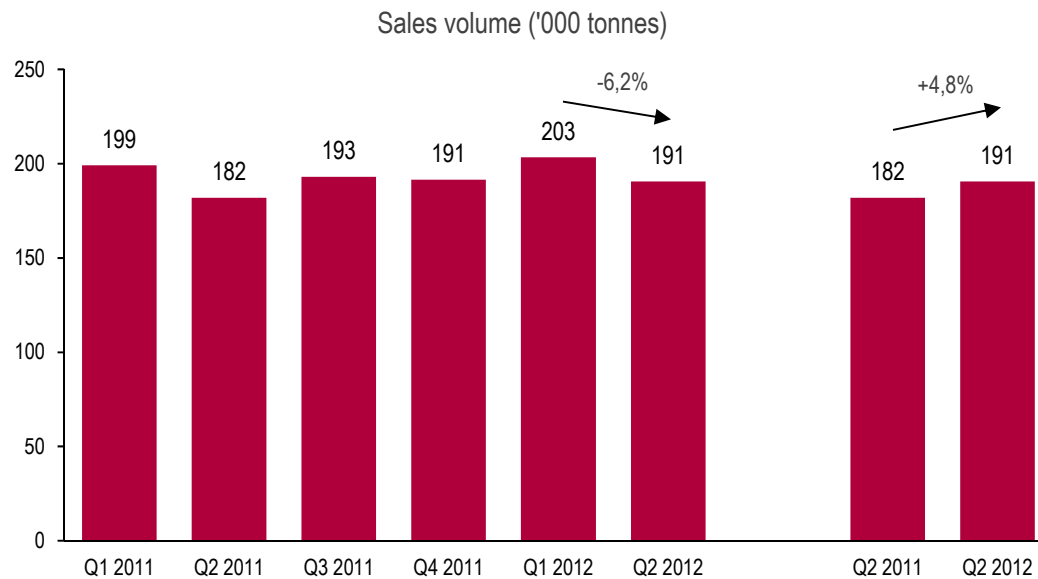


Operating and financial results

Use of production capacity and sales volume



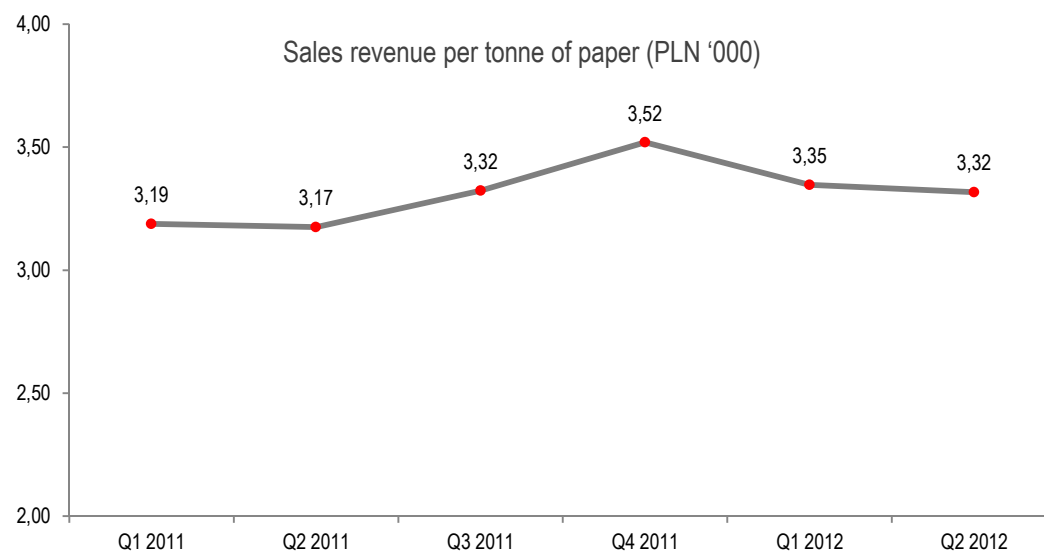
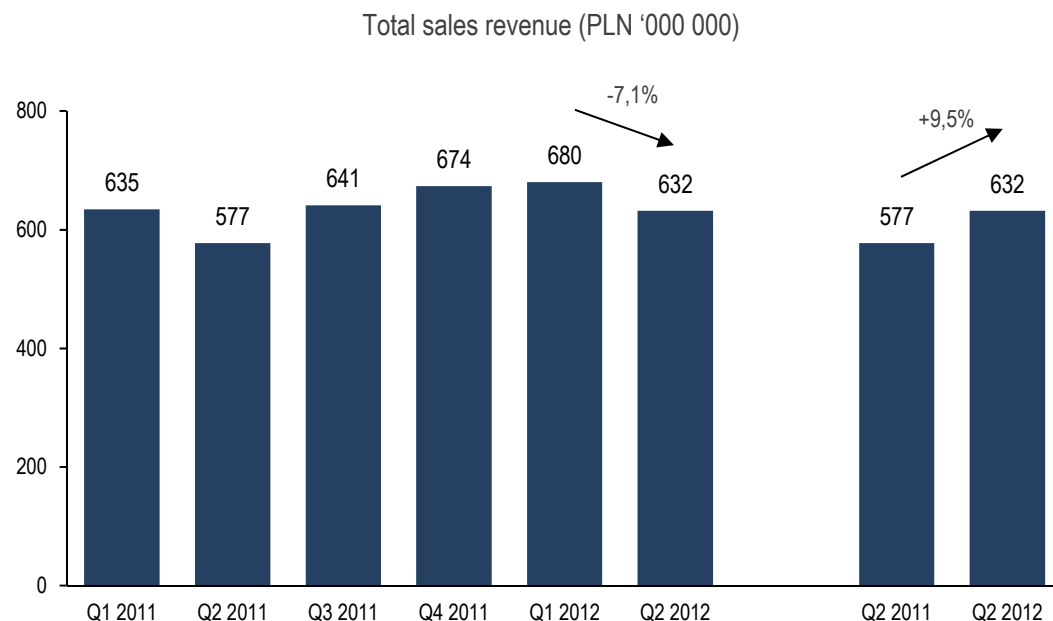
- ▶ In Q2 2012 use of production capacity for all Group mills was 98% and 1.2 p.p. higher than in Q1 2012 and 6.6 p.p. higher than in Q2 2011. The average use of production capacity in the last 12 months was app. 95%.



- ▶ In Q2 2012 the AP Group noted an increase in sales volume compared to Q2 2011 of about +4.8% and decrease of -6.2% compared to Q1 2012. Sales volume in the current quarter amounted to 191 thousand tonnes and in six months of 2012 to 394 thousand tonnes. The result in the first half of the year 2012 was better by +3.4% compared to the corresponding period of the previous year.

Operating and financial results

Sales revenue



▶ AP Group sales revenue in Q2 2012 was PLN 632 million, representing an increase of +9.5% compared to Q2 2011 and a decrease of -7.1% compared to Q1 2012.

▶ Cumulative sales revenue after six months of 2012 amounted to PLN 1,313 thousand which means an increase of +8.3% compared to the corresponding period of the previous year.

▶ Revenue per tonne of paper sold, expressed in PLN, was PLN 3,316 in Q2 2012 which represents a decrease of -0.9% compared to the result achieved in Q1 2012 and an increase of +4.5% compared to Q2 2011.

Operating and financial results

Main items of profit and loss statement

PLN'000	Q2 2012	Q1 2012	Q2 2011	Q2 2012 vs. Q1 2012 Change %	Q2 2012 vs. Q2 2011 Change %	YTD Q2 2012	YTD Q2 2011	YTD Q2'2012 vs. YTD Q2'2011 Change %
Revenues	632 354	680 420	577 487	-7,1%	9,5%	1 312 774	1 212 119	8,3%
Gross profit on sales (w/h D&A)	127 399	144 977	101 423	-12,1%	25,6%	272 376	216 704	25,7%
<i>% of sales</i>	<i>20,1%</i>	<i>21,3%</i>	<i>17,6%</i>	<i>-1 p.p.</i>	<i>3 p.p.</i>	<i>20,7%</i>	<i>17,9%</i>	<i>3 p.p.</i>
Depreciation & Amortization	-30 289	-30 424	-31 738	-0,4%	-4,6%	-60 712	-63 399	-4,2%
Gross profit on sales	97 111	114 553	69 685	-15,2%	39,4%	211 664	153 305	38,1%
<i>% of sales</i>	<i>15,4%</i>	<i>16,8%</i>	<i>12,1%</i>	<i>-1 p.p.</i>	<i>3 p.p.</i>	<i>16,1%</i>	<i>12,6%</i>	<i>3 p.p.</i>
EBITDA	38 038	53 734	16 548	-29,2%	129,9%	91 772	47 046	95,1%
<i>% of sales</i>	<i>6,0%</i>	<i>7,9%</i>	<i>2,9%</i>	<i>-2 p.p.</i>	<i>3 p.p.</i>	<i>7,0%</i>	<i>3,9%</i>	<i>3 p.p.</i>
EBIT	7 749	23 311	-15 190	-66,8%	<i>n.a.</i>	31 060	-16 353	<i>n.a.</i>
<i>% of sales</i>	<i>1,2%</i>	<i>3,4%</i>	<i>-2,6%</i>	<i>-2 p.p.</i>	<i>4 p.p.</i>	<i>2,4%</i>	<i>-1,3%</i>	<i>4 p.p.</i>
Net profit / loss	8 040	9 611	-41 647	-16,3%	<i>n.a.</i>	17 650	-50 113	<i>n.a.</i>
<i>% of sales</i>	<i>1,3%</i>	<i>1,4%</i>	<i>-7,2%</i>	<i>-0 p.p.</i>	<i>8 p.p.</i>	<i>1,3%</i>	<i>-4,1%</i>	<i>5 p.p.</i>
Earnings per share [PLN]	0,15	0,17	-0,75	<i>n.a.</i>	<i>n.a.</i>	0,32	-0,90	<i>n.a.</i>

- ▶ Increase of sales revenue compared to H1 2011 as a result of increase of sales in tonnes by +3.4% and of favorable exchange rates fluctuations, particularly EUR/PLN (+7,4%).
- ▶ Sales profit and sales profit margin in the first half of the year higher than in the corresponding period of 2011.
- ▶ EBITDA (PLN 91.8 million) and EBITDA margin (7.0%) in H1 2012 nearly doubled compared to the corresponding period of 2011. Decrease of these both factors in Q2 compared to Q1 2012.
- ▶ H1 2012 operating profit of PLN 31.1 million compared to significant loss in operating activity in 1H 2011.
- ▶ Net profit in H1 2012 of PLN +17.7 million compared to loss of PLN -50.1 million in H1 2011. In Q2 net profit of PLN +8.0 million PLN compared to profit of PLN +9.6 million in the first quarter of 2012.

Summary of the first half of the year 2012



Summary of the first half of the year 2012

Arctic Paper Group

- ▶ Stable level of orders received and increase of sales volume and sales revenue.
- ▶ High level of production capacity use.
- ▶ Significantly better financial results in H1 2012 compared to the corresponding period of the previous year, however, worse results compared to the first quarter of 2012.

The market

- ▶ Poor demand for high-quality papers in Europe in Q2 2012.
- ▶ Stabilization of market paper prices in the second half of Q2 2012. Significantly lower market prices compared to the corresponding period of the previous year.
- ▶ Increase of pulp prices in Q2 2012 compared to the previous quarter. Lower pulp prices in the first half of the year compared to the corresponding period of the previous year.
- ▶ Positive influence of exchange rates fluctuations in H1 2012 on the levels of revenues realized (EUR/PLN, EUR/SEK) as well as stronger adverse impact on the level of pulp costs expressed in PLN (USD/PLN, USD/SEK, SEK/PLN). However, negative impact of currencies on Q2 2012 vs. Q1 2012.



Thank you

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