

Arctic Paper results for 1st quarter of 2012

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This Presentation should be read together with the 2011 consolidated and standalone annual report as well as the report for the first quarter of 2012.



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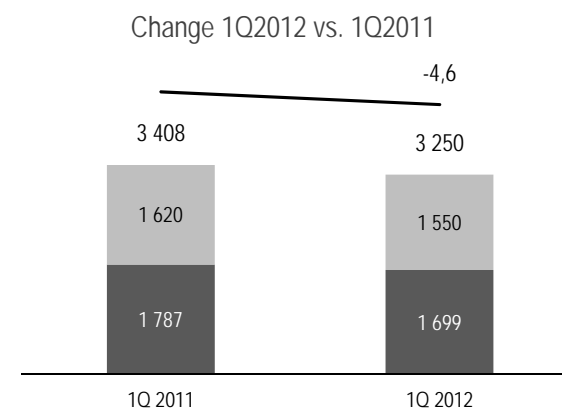
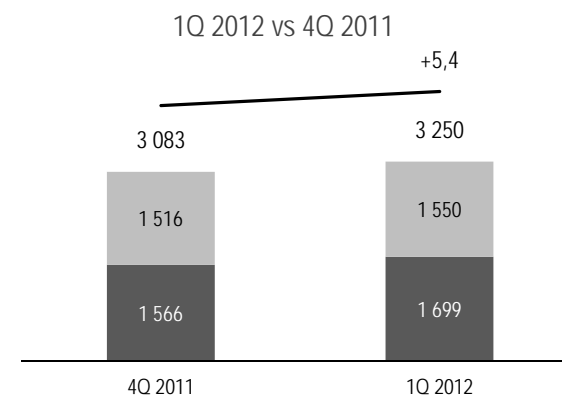
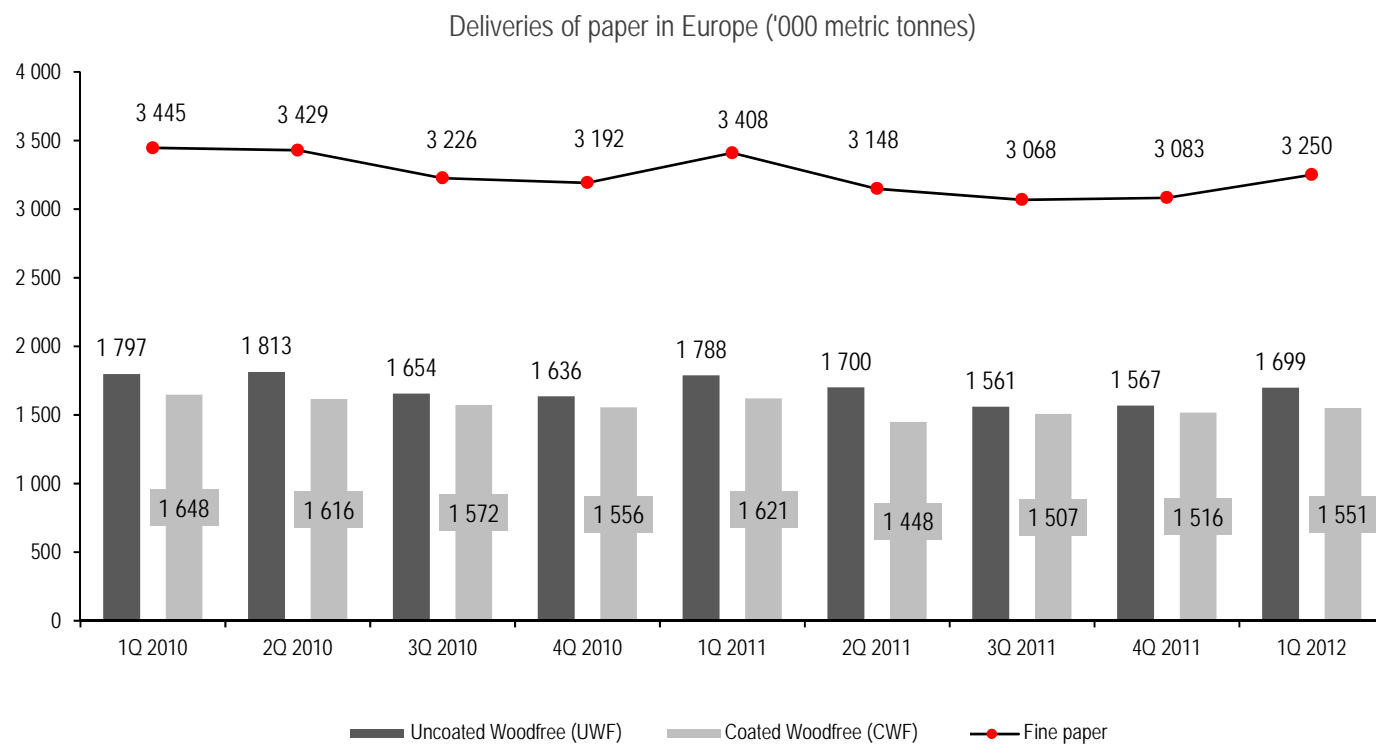
Agenda



- Market environment
- Financial results
- Summary

Market environment

Deliveries of fine paper in Europe



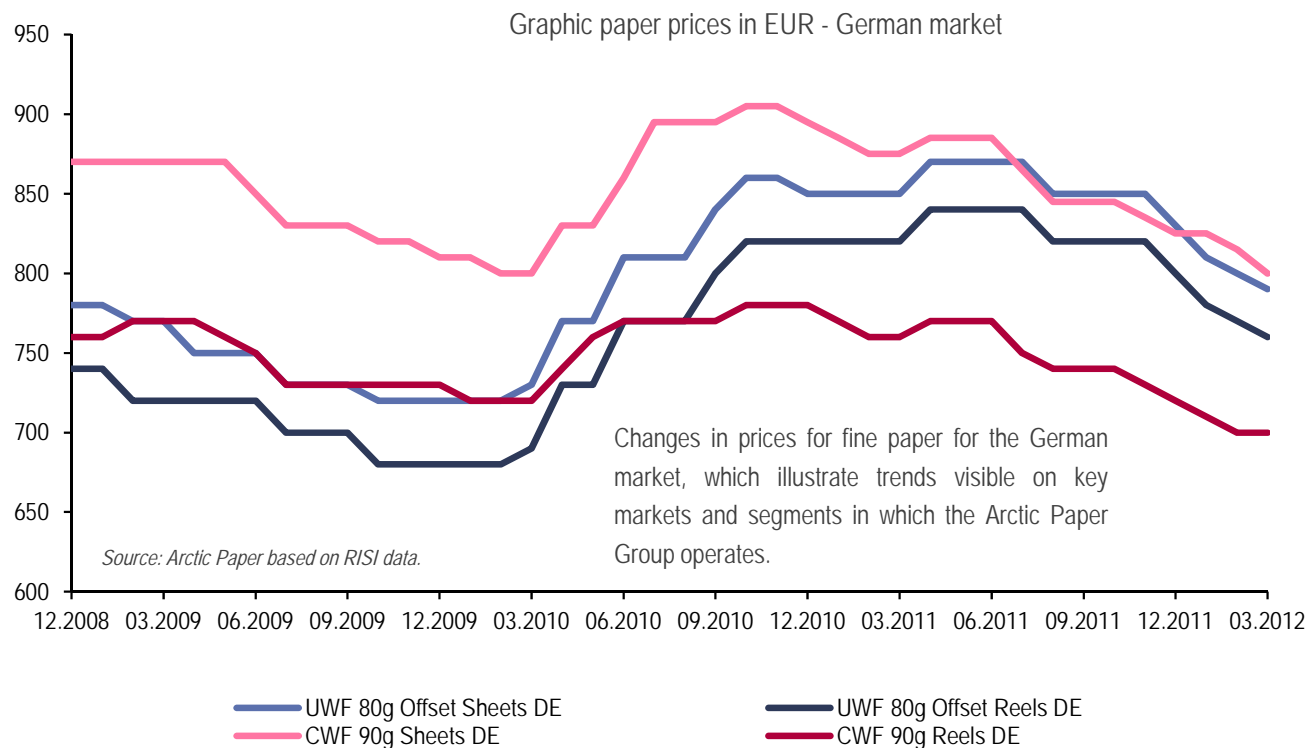
- ▶ In 1Q 2012 deliveries of fine paper in Europe were higher by 5.4% than in 4Q 2011 while app. 4.6% lower than in 1Q 2011. Deliveries in the uncoated wood-free (UWF) segment were up by 8.4% compared to 4Q 2011 and down by 4.9% compared to 1Q 2011. In the coated wood-free (CWF) segment accordingly up by 2.3% and down by 4.3%.
- ▶ In 1Q 2012 sales volume was 6.2% above 4Q 2011 and 2.1% above the corresponding period of 2011. In the first quarter of 2012 the Group recorded a significant increase of orders received.



Market environment

Fine paper prices

- ▶ In 1Q 2012 prices of fine paper in Europe experienced a decrease compared to the prices at the end of 2011. The average prices decrease was 2.1% for UWF and 2.6% for CWF.
- ▶ The average prices for UWF and CWF at the end of the quarter were also lower than at the end of the corresponding period of 2011, accordingly by app. 4.5% and 5.3%.
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from December 2011 to March 2012 within the range of -2.4% to +0.6%, while in the CWF segment from -2.4% to +2.9%.



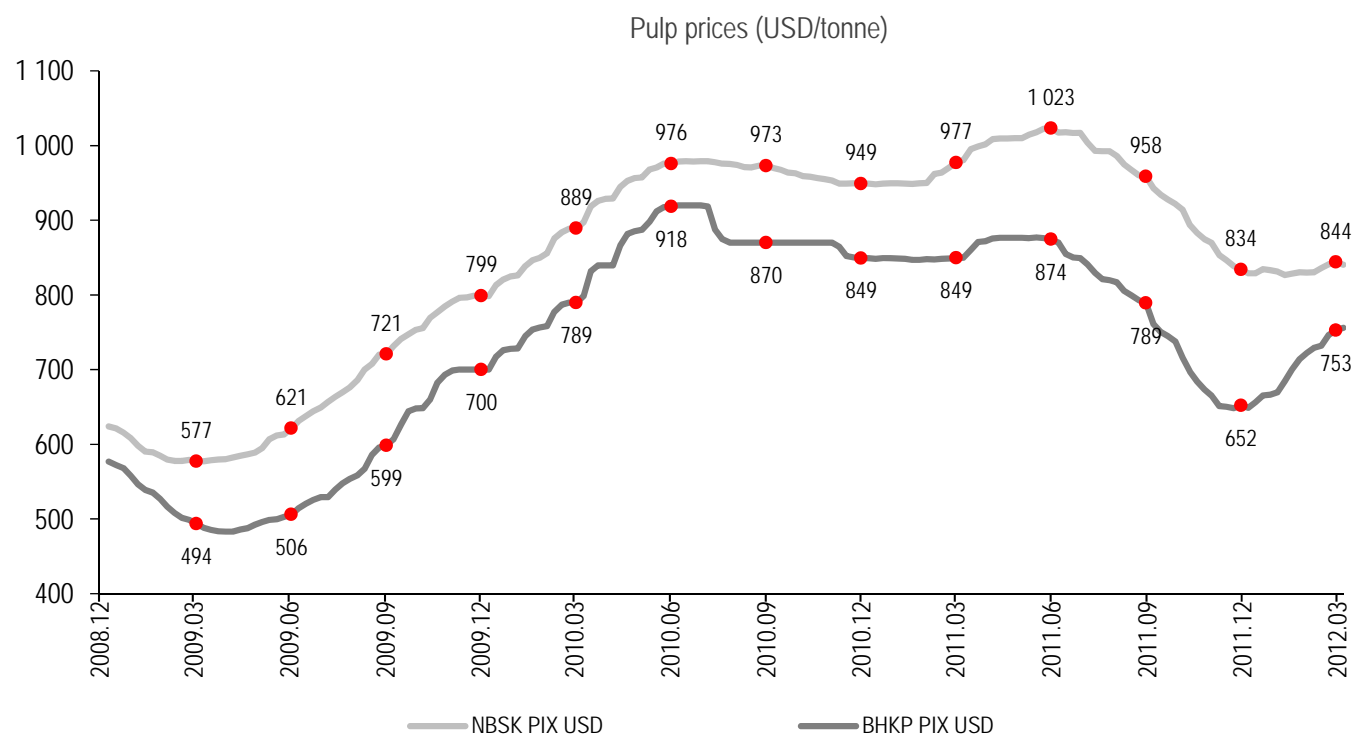
Change in prices for graphic paper in EUR and GBP - selected Western Europe countries

	03.2012 vs. 12.2011			03.2012 vs. 03.2011		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-1,9%	-2,1%	-2,2%	-4,1%	-4,5%	-4,8%
CWF	-2,4%	-2,6%	-2,8%	-5,1%	-5,3%	-5,3%

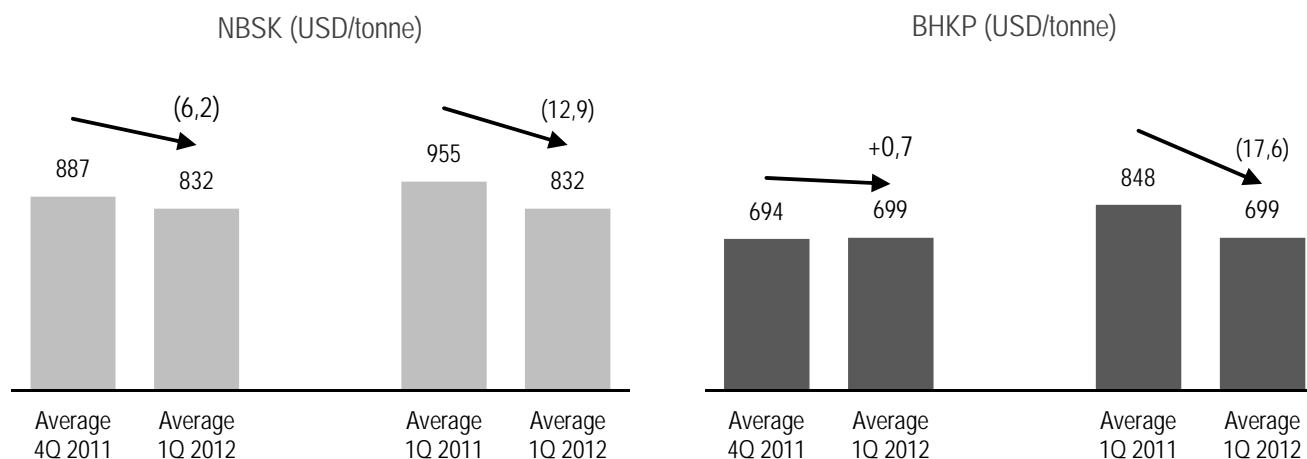
Source: Arctic Paper based on RISI data

Market environment

Pulp prices

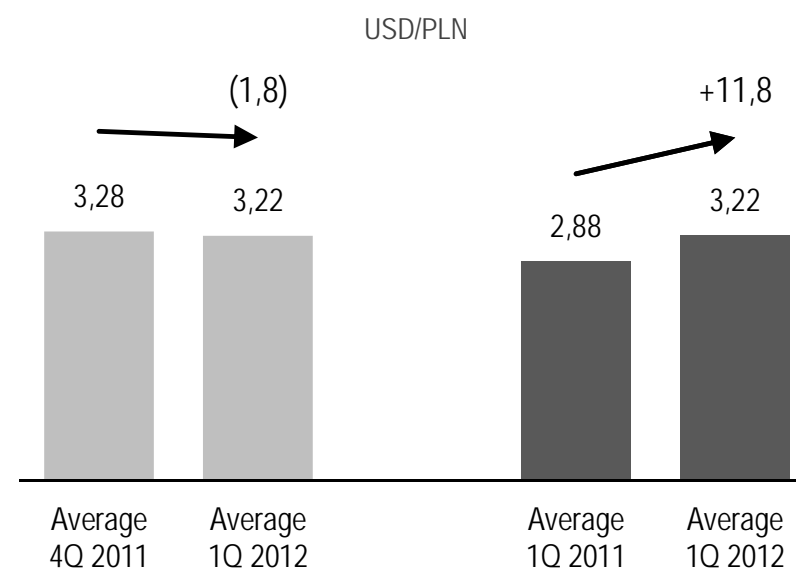
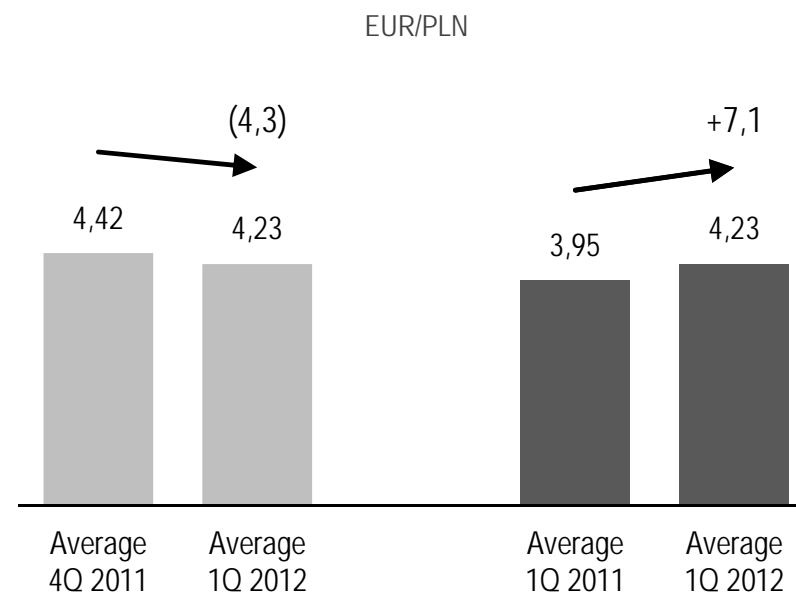
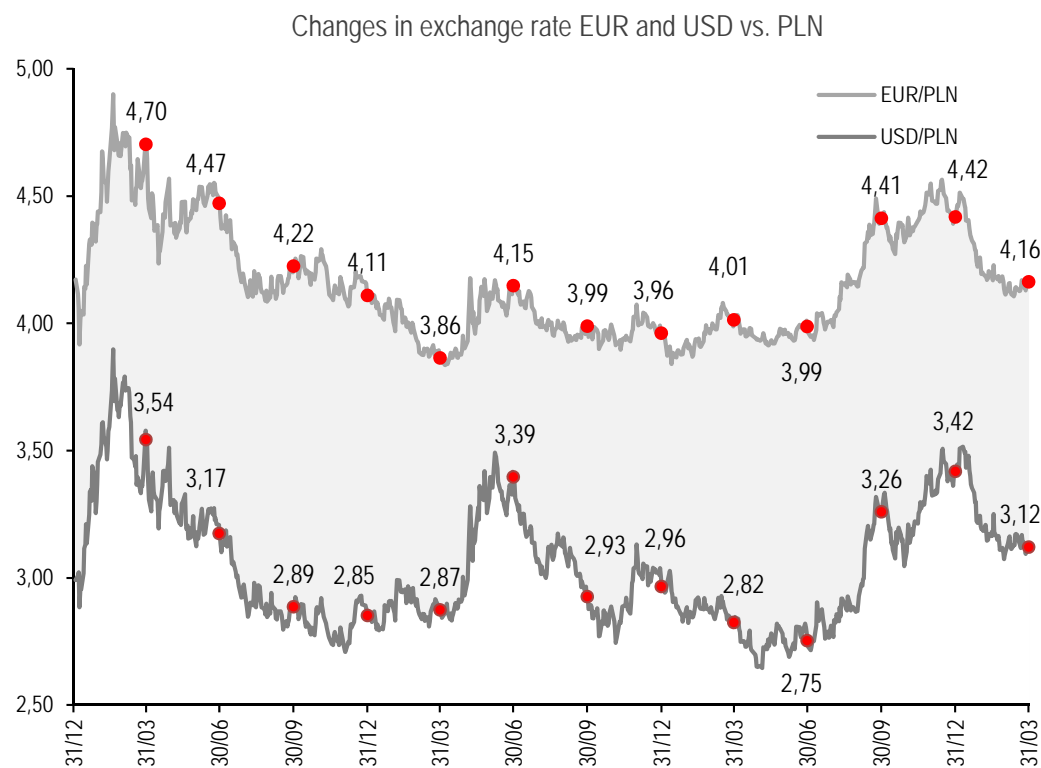


- ▶ As at the end of 1Q 2012 pulp prices were at USD 844 per tonne for NBSK and USD 753 per tonne for BHKP. The average price for NBSK in 1Q 2012 was 12.9% lower than in 1Q 2011, while BHKP was down by 17.6%. In 1Q 2012 average NBSK pulp price was 6.2% lower while BHKP pulp price was 0.7% higher than in 4Q 2011.
- ▶ The average cost of pulp per tonne for AP Group in 1Q 2012, expressed in PLN, was down by 9% compared to 4Q 2011 and by 8.6% compared to 1Q 2011.
- ▶ The share of pulp costs in total costs of sales after 3 months of 2012 amounted to 44.8% compared to app. 48% in the fourth quarter of the previous year.
- ▶ Pulp usage for AP Group production was BHKP 60%, NBSK 18%, and other 22%.



Market environment

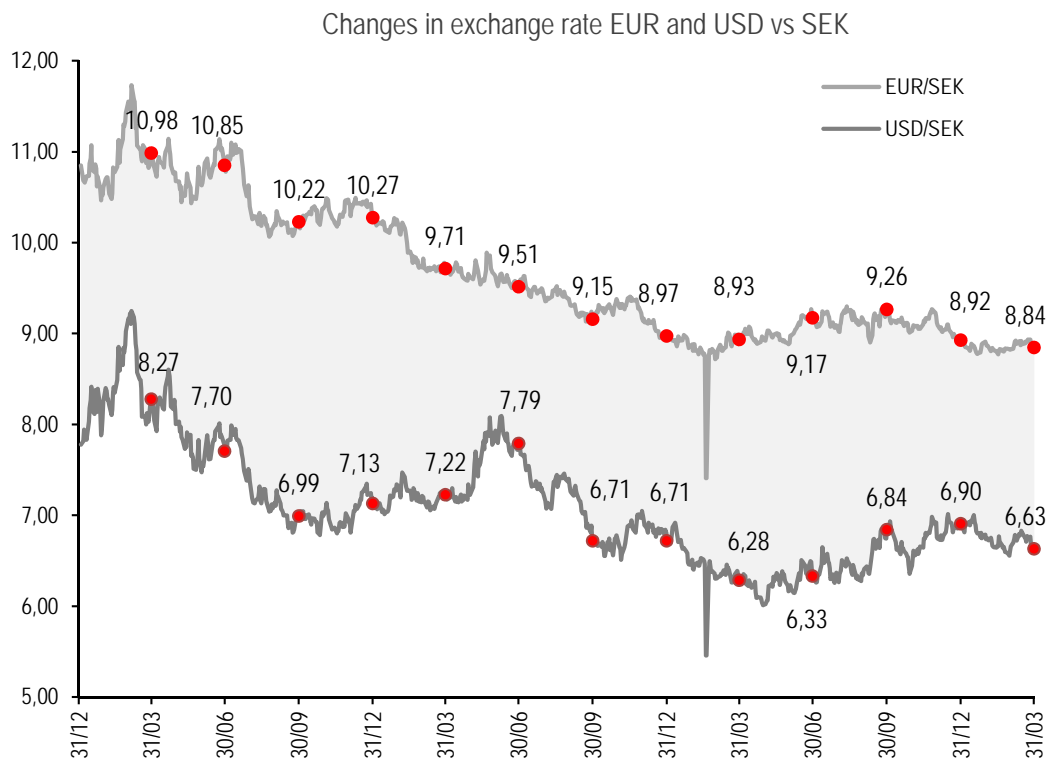
Exchange rates



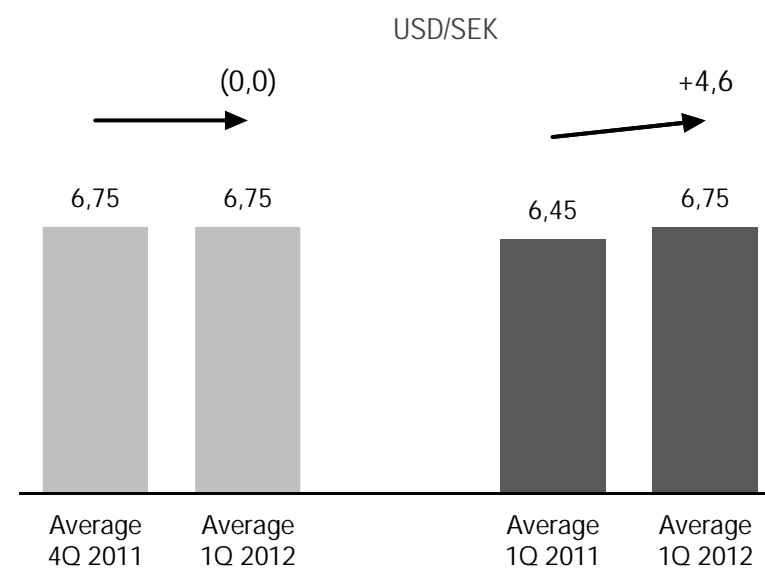
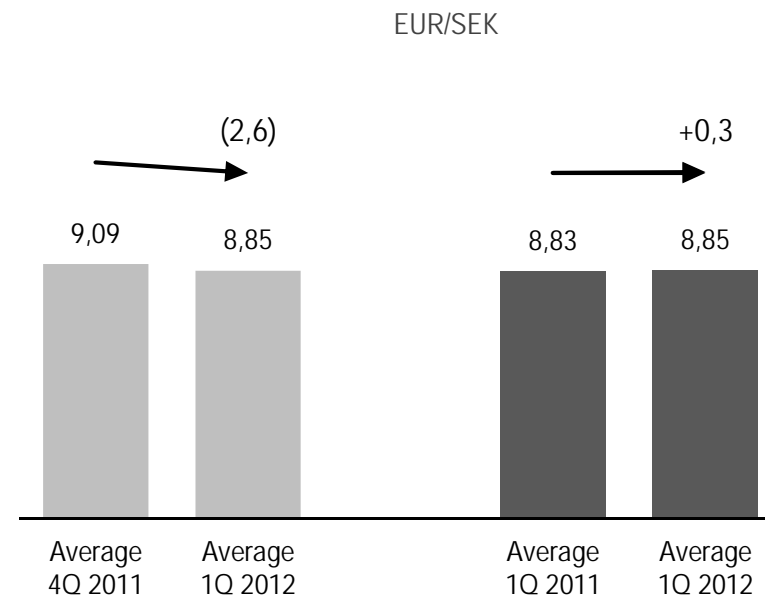
- ▶ In 1Q 2012 the average EUR/PLN exchange rate amounted to 4.23 and was 4.3% lower than in 4Q 2011 and 7.1% higher than in 1Q 2011.
- ▶ In 1Q 2012 the average USD/PLN exchange rate amounted to 3.22 and was by 1.8% lower than in 4Q 2011 and by 11.8% higher than in 1Q 2011.
- ▶ The appreciating PLN towards EUR had a negative impact on the level of sales revenue realized in Arctic Paper Kostrzyn in 1Q 2012. Moreover, the changes of USD/PLN exchange rate caused slower decrease of prices paid in PLN for a tonne of pulp compared to revenues decrease, however the significant increase of this price in 1Q 2012 was only slightly reduced.

Market environment

Exchange rates



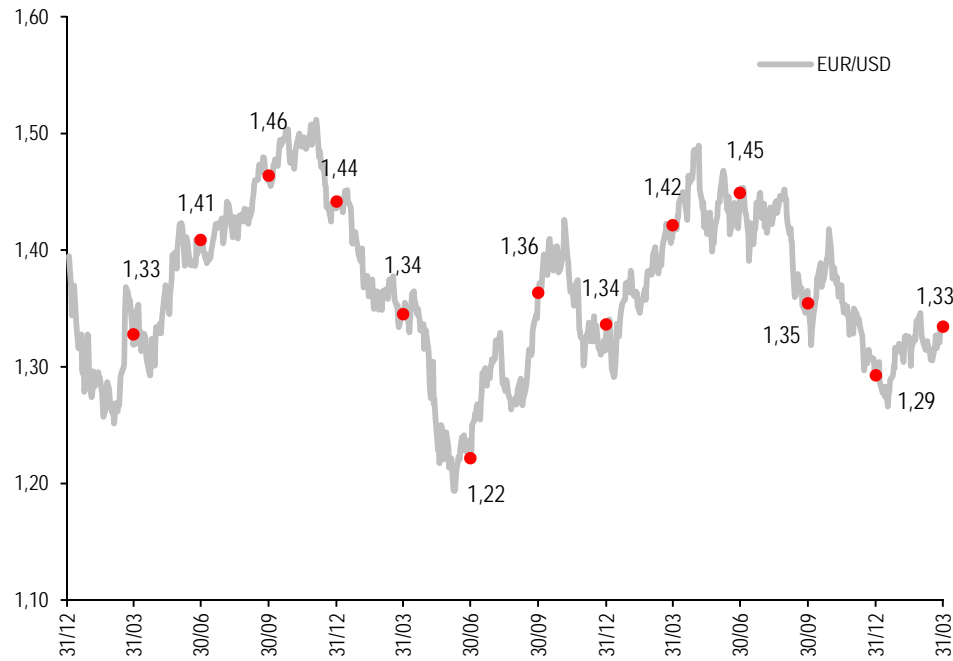
- ▶ In 1Q 2012 the average EUR/SEK exchange rate decreased by 2.6% compared to 4Q 2011 and was up by 0.3% compared to 1Q 2011. The appreciation of SEK towards EUR has a major adverse effect on the level of revenue invoiced in EUR in Swedish mills (AP Munkedals and AP Grycksbo).
- ▶ In the same period the average USD/SEK exchange rate remained at the same level as in 4Q 2011. The lack of change of average exchange rate had a negative effect on profitability of Swedish mills in relation with SEK appreciating towards EUR. Compared to 1Q 2011, the changes of this pairing were much more negative – the exchange rate increased by 4.6%.



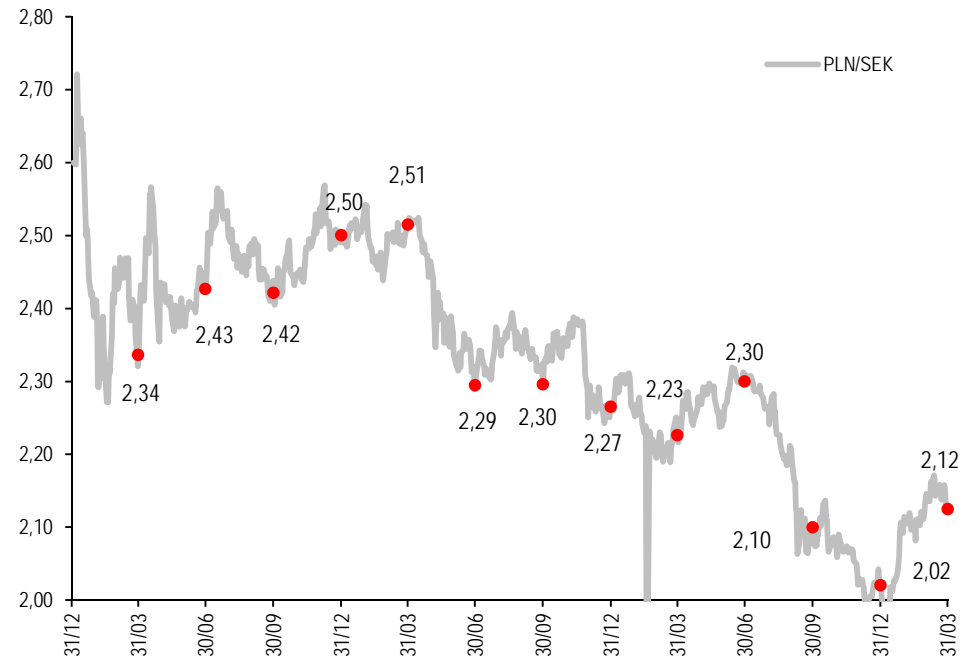
Market environment

Exchange rates

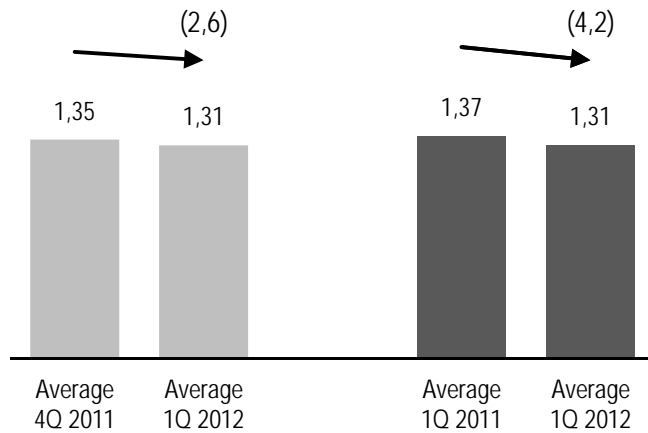
Changes in exchange rate EUR vs. USD



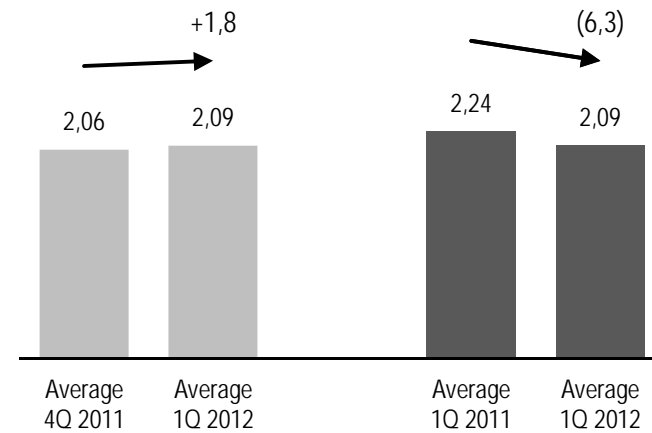
Changes in exchange rate PLN vs. SEK



EUR/USD



PLN/SEK



after

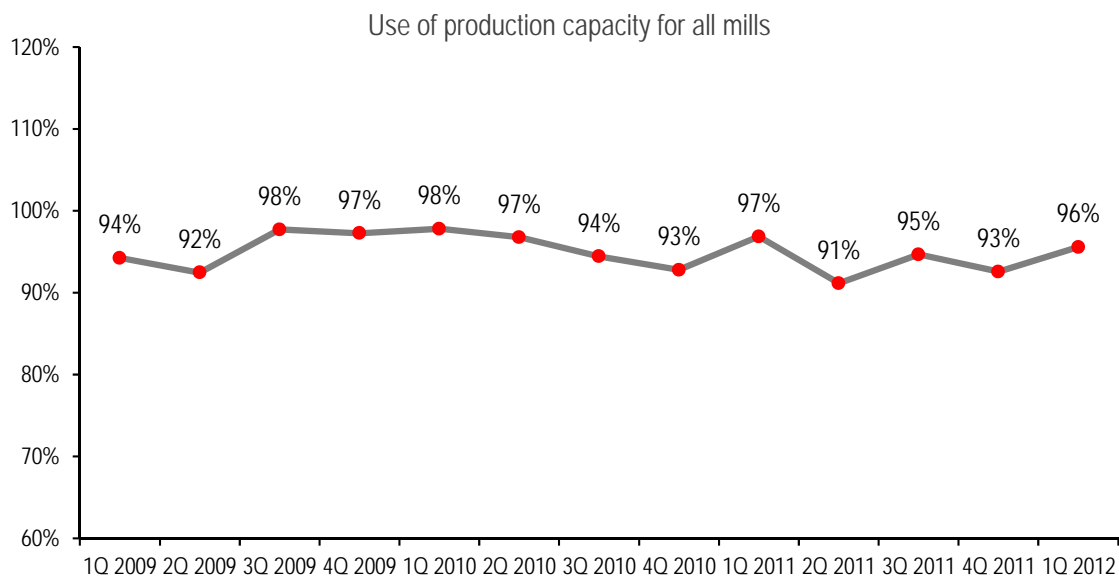
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Financial results

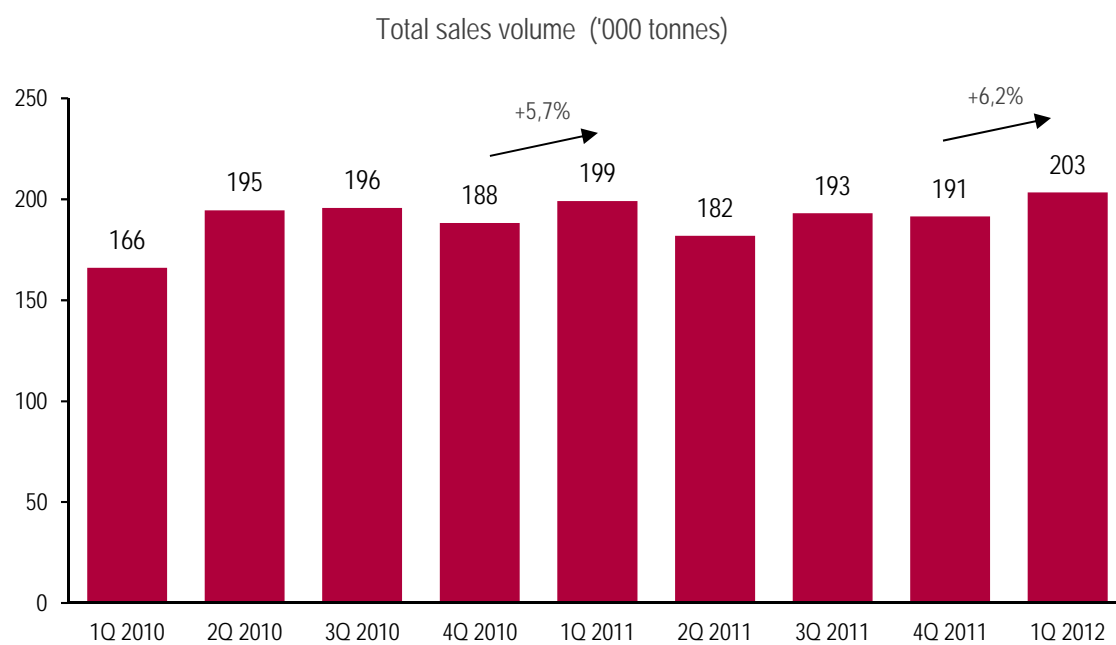
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Financial results

Use of production capacity and sales volume



- ▶ In 1Q 2012 use of production capacity for all Group mills was 96% and 3.3 p.p. higher than in 4Q 2011 and similar to the corresponding period of 2011. The average use of production capacity in the last 12 quarters was app. 95%.



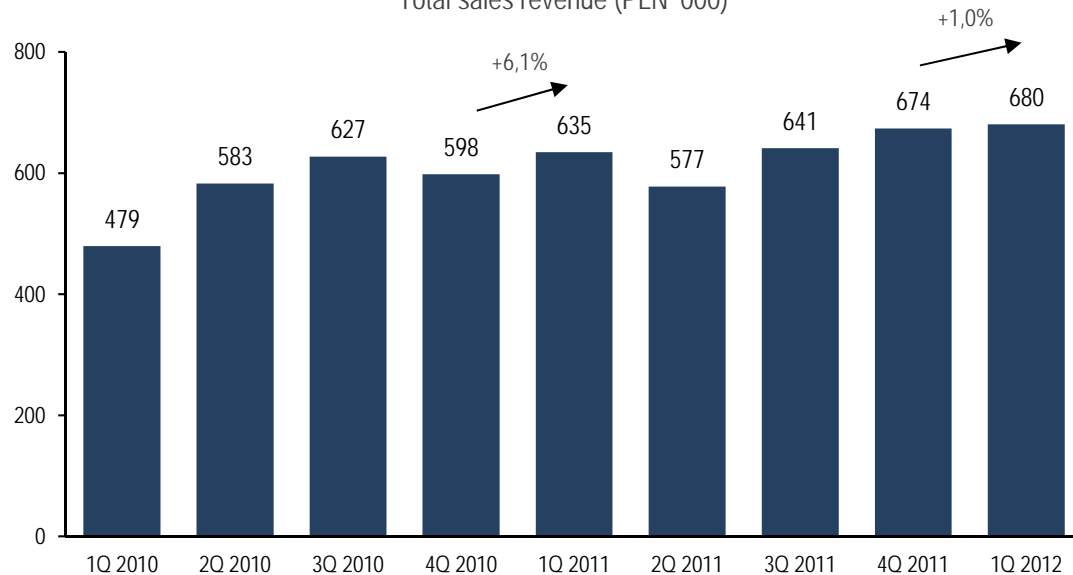
- ▶ In 1Q 2012 the AP Group noted an increase in sales volume compared to 4Q 2011 of about 6.2%. Sales volume in 1Q 2012 was 203 thousand tonnes and up by 2.1% compared to 1Q 2011.



Financial results

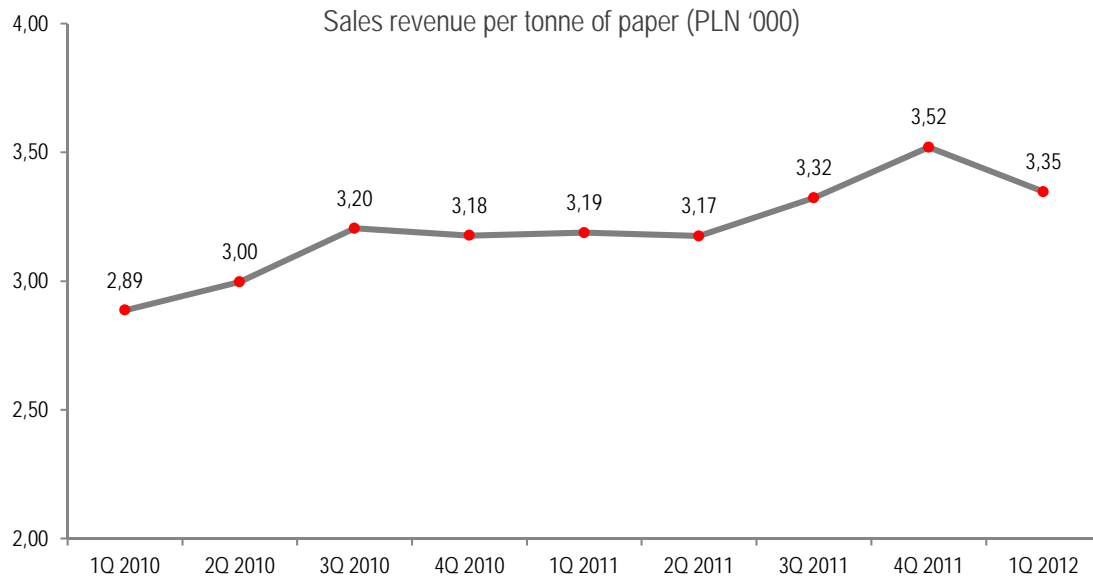
Sales revenue

Total sales revenue (PLN '000)



- ▶ AP Group sales revenue in 1Q 2012 was PLN 680 million, representing an increase of 1.0% compared to 4Q 2011 and of 7.2% compared to 1Q 2011.

Sales revenue per tonne of paper (PLN '000)



- ▶ Revenue per tonne of paper sold, expressed in PLN, was PLN 3,346 in 1Q 2012 which represents a decrease of 4.9% compared to the result achieved in 4Q 2011 and an increase of 5.0% compared to 1Q 2011.



Financial results

Main items on profit and loss statement

PLN'000	1Q 2012	4Q 2011	1Q 2011	1Q 2012 vs. 4Q 2011 Change %	1Q 2012 vs. 1Q 2011 Change %
Revenues	680 420	673 651	634 632	1,0%	7,2%
Gross profit on sales (w/h D&A)	144 977	145 613	115 281	-0,4%	25,8%
<i>% of sales</i>	<i>21,3%</i>	<i>21,6%</i>	<i>18,2%</i>	<i>-0 p.p.</i>	<i>3 p.p.</i>
Depreciation & Amortization	-30 424	-42 886	-31 661	-29,1%	-3,9%
Gross profit on sales	114 553	102 727	83 620	11,5%	37,0%
<i>% of sales</i>	<i>16,8%</i>	<i>15,2%</i>	<i>13,2%</i>	<i>2 p.p.</i>	<i>4 p.p.</i>
EBITDA	53 734	51 685	30 498	4,0%	76,2%
<i>% of sales</i>	<i>7,9%</i>	<i>7,7%</i>	<i>4,8%</i>	<i>0 p.p.</i>	<i>3 p.p.</i>
EBIT	23 311	8 800	-1 163	164,9%	21 x
<i>% of sales</i>	<i>3,4%</i>	<i>1,3%</i>	<i>-0,2%</i>	<i>2 p.p.</i>	<i>4 p.p.</i>
Net profit / loss	9 611	28 085	-8 465	-65,8%	213,5%
<i>% of sales</i>	<i>1,4%</i>	<i>4,2%</i>	<i>-1,3%</i>	<i>-3 p.p.</i>	<i>3 p.p.</i>
Earnings per share [PLN]	0,17	0,51	-0,15	n.a.	n.a.

- ▶ High revenue due, among others, to positive impact of sales level in tonnes and to exchange rates fluctuations, particularly EUR/PLN.
- ▶ Profit on sales and gross profit margin in the quarter higher than in 4Q 2011 and 1Q 2011.
- ▶ The level of EBITDA in the quarter similar to 4Q 2011. EBITDA margin in 1Q 2012 amounted to 7.9% compared to 7.7% in 4Q 2011 and 4.8% in 1Q 2011.
- ▶ Significantly better operating result in the quarter compared to 1Q 2011. Operating profit amounting to PLN 23.3 million compared to PLN 8.8 million in 4Q 2011 and PLN -1.1 million in 1Q 2011.
- ▶ PLN 9.6 million of net profit in 1Q 2012 compared to PLN 28 million in 4Q 2011 and to PLN -8.5 million in 1Q 2011. This result was achieved due to better operational result.

Summary of the first quarter of 2012

Arctic Paper Group

- ▶ Orders inflow continued to grow, the same with sales revenue.
- ▶ High level of production capacities use.
- ▶ Compared to 1Q 2011, positive effect of average exchange rates (EUR/PLN and almost neutral EUR/SEK) on the levels of sales revenue realized and negative effect of USD/PLN and USD/SEK pairings on pulp costs expressed in PLN.
- ▶ Similar EBITDA result (PLN +53,7 million) and better EBIT result (PLN +23,3 million) achieved in the quarter compared to 4Q 2011. Quarterly net profit of PLN +9,6 million.

The market

- ▶ Demand for high quality paper in Europe in 1Q 2012 was higher by 5,4% compared to 4Q 2011 and lower than in corresponding period of the previous year by 4,6%.
- ▶ Decrease of market prices of paper in 1Q 2012 roku, compared to price levels at the end of 2011 and at the end of the first quarter of 2011.
- ▶ Increase of pulp prices in 1Q 2012, while NBSK average prices remaining lower (-6,2%) and BHKP prices slightly going up (+0,7%). Compared to 1Q 2011, the average price of NBSK in the quarter was lower by 12,9%, while BHKP price lower by 17,6%.



Thank you
for attention



Michał Jarczyński, CEO

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