

Arctic Paper results for 4th quarter of 2011

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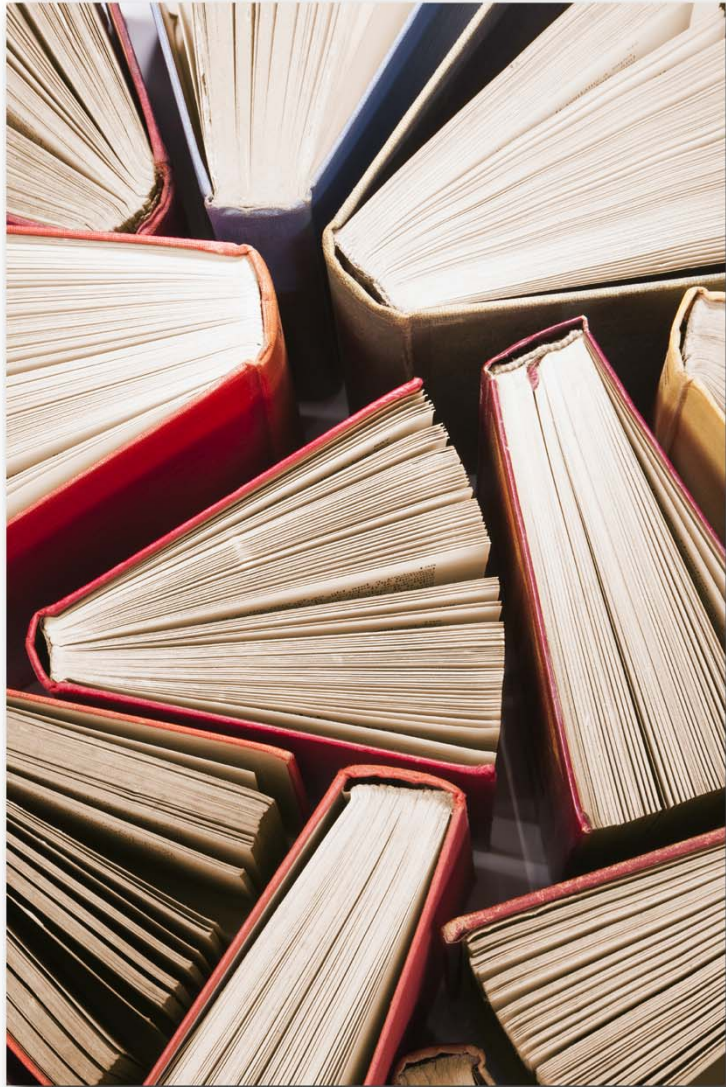
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This Presentation should be read together with the 2010 consolidated and unit report as well as the first half of 2011 and the fourth quarter of 2011 consolidated report.



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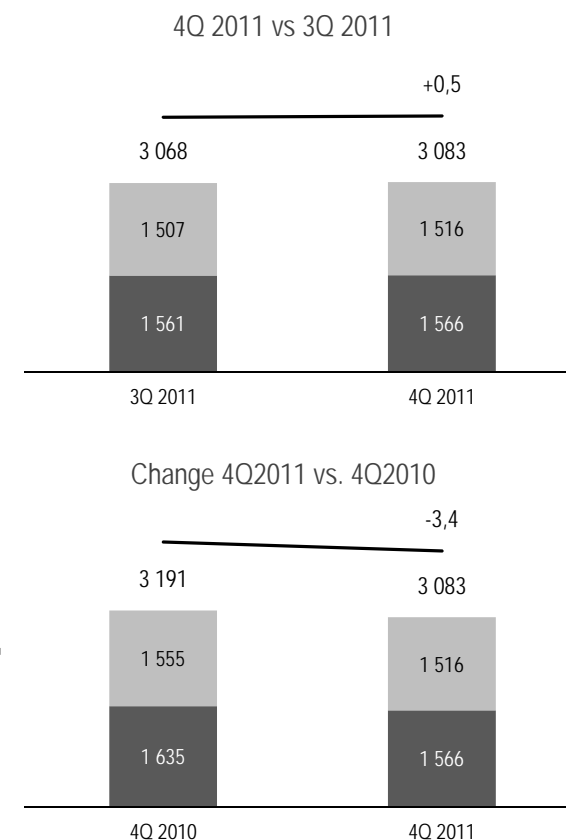
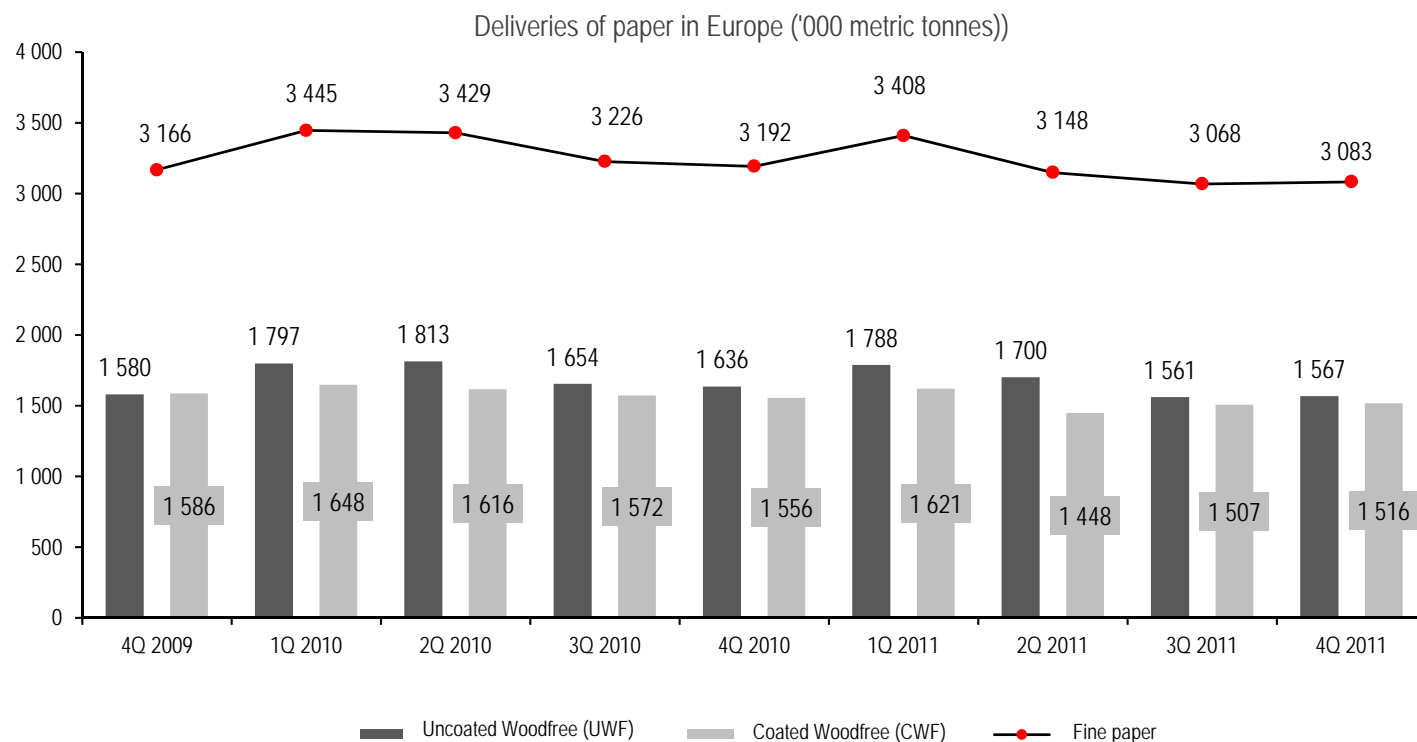
Agenda



- Market environment
- Financial results
- Summary

Market environment

Deliveries of fine paper in Europe



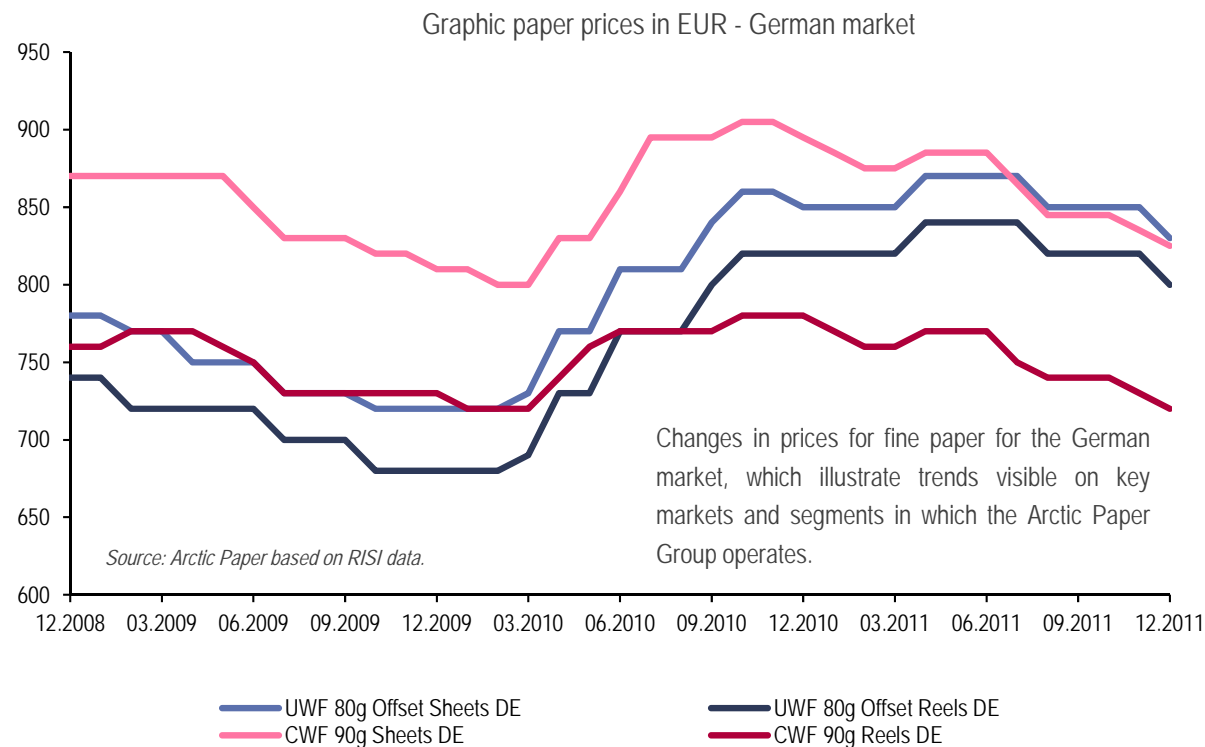
- ▶ In 4Q 2011 deliveries of fine paper in Europe were similar to those in 3Q 2011 while app. 3.4% lower than in 4Q 2010. Deliveries in the uncoated wood-free (UWF) segment were up by 0.4% compared to 3Q 2011 and down by 4.2% compared to 4Q 2010. In the coated wood-free (CWF) segment accordingly up by 0.6% and down by 2.6%.
- ▶ Deliveries of fine paper in 2011 were 4.4% lower than in 2010. The UWF segment deliveries were 4.1% down while in CWF segment 4.7% down.
- ▶ In 4Q 2011 sales volume was 0.8% below 3Q 2011 and 1.6% above the corresponding period of 2010. In the 4th quarter Arctic Paper Group noted strong orderbook and market share increase.



Market environment

Fine paper prices

- ▶ In 4Q 2011 prices of fine paper in Europe experienced a significant decrease compared to the prices at the end of 3Q of 2011. The average prices decrease was 4.4% for UWF and 3.4% for CWF.
- ▶ The average prices for UWF and CWF at the end of this quarter were also lower than at the end of 2010 accordingly by app. 2.8% and 5.1%.
- ▶ The average prices invoiced by Arctic Paper in EUR for the UWF segment changed from September 2011 to December 2011 within the range from -2.8% to +0.8%, while in the CWF segment from -3.1% to -0.6%. In comparison with December 2010 it was accordingly from -5.6% to +2% for UWF and from -9.3% to -1.8% for CWF.



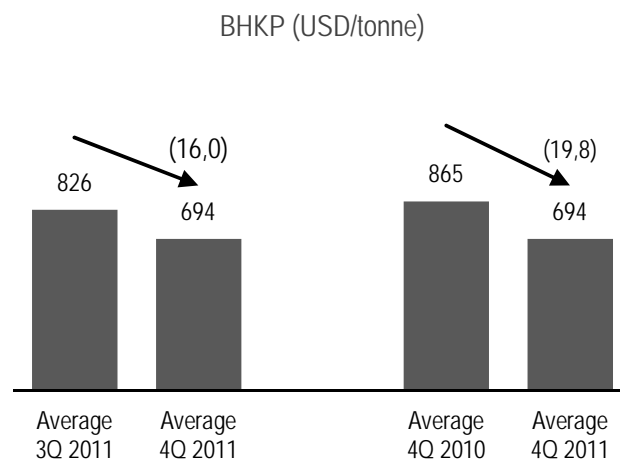
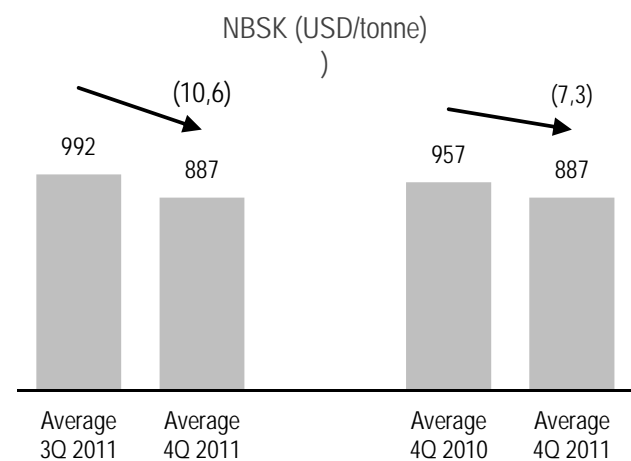
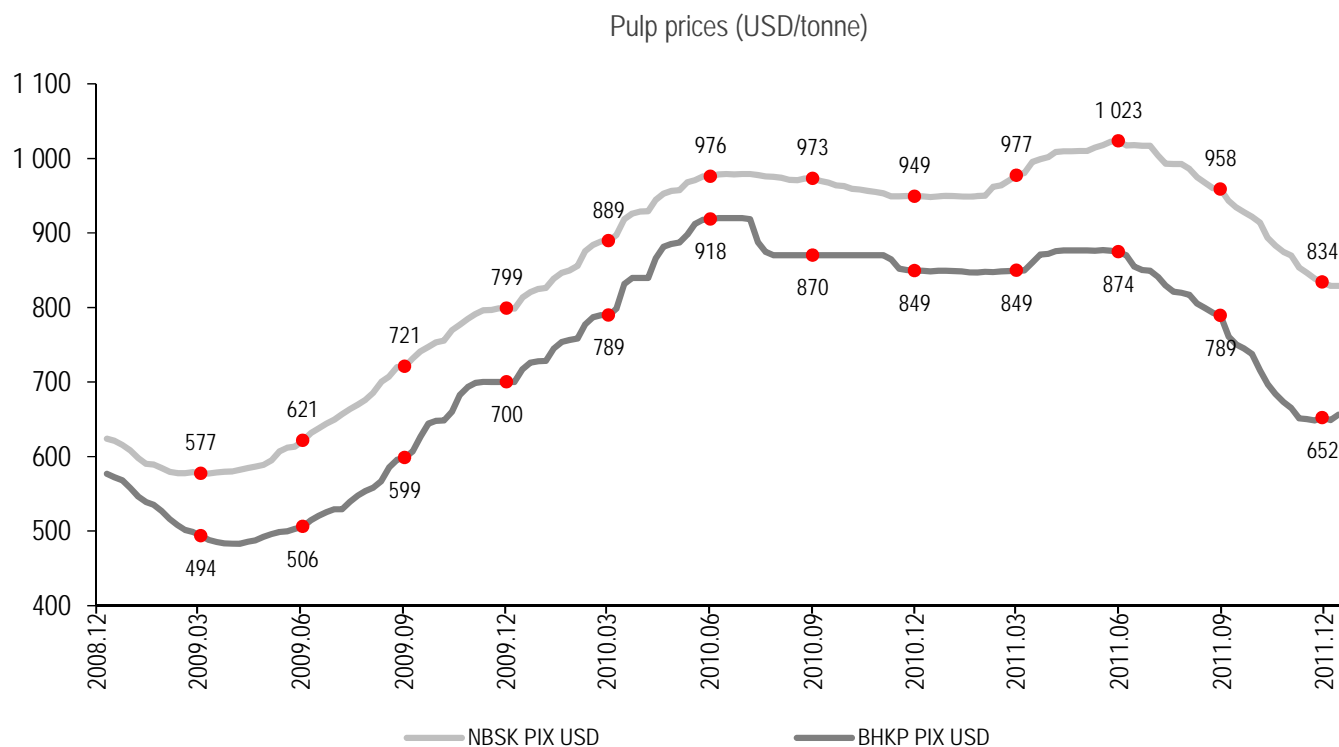
Change in prices for graphic paper in EUR and GBP - selected Western Europe countries

	12.2011 vs. 09.2011			12.2011 vs. 12.2010		
	Minimum price	Average price	Maximum price	Minimum price	Average price	Maximum price
UWF	-3,2%	-4,4%	-2,1%	-2,2%	-2,8%	-3,3%
CWF	-1,1%	-3,4%	-0,5%	-4,9%	-5,1%	-5,2%

Source: Arctic Paper based on RISI data

Market environment

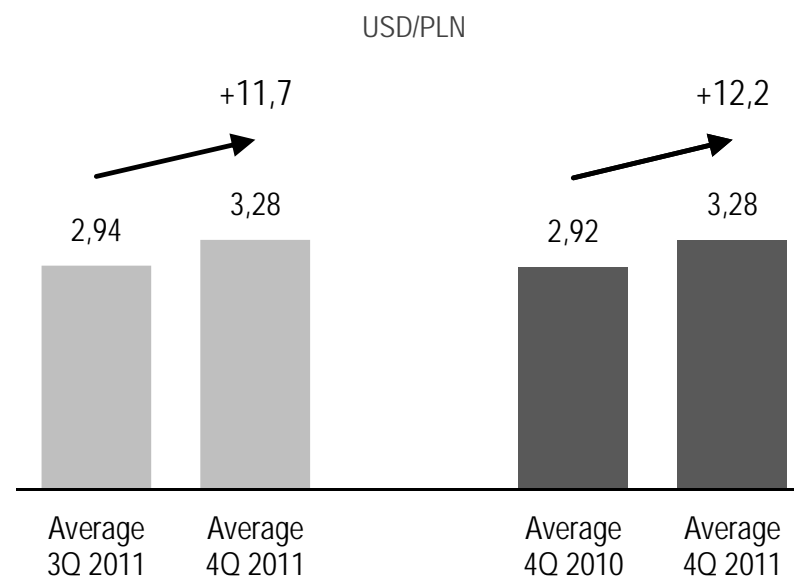
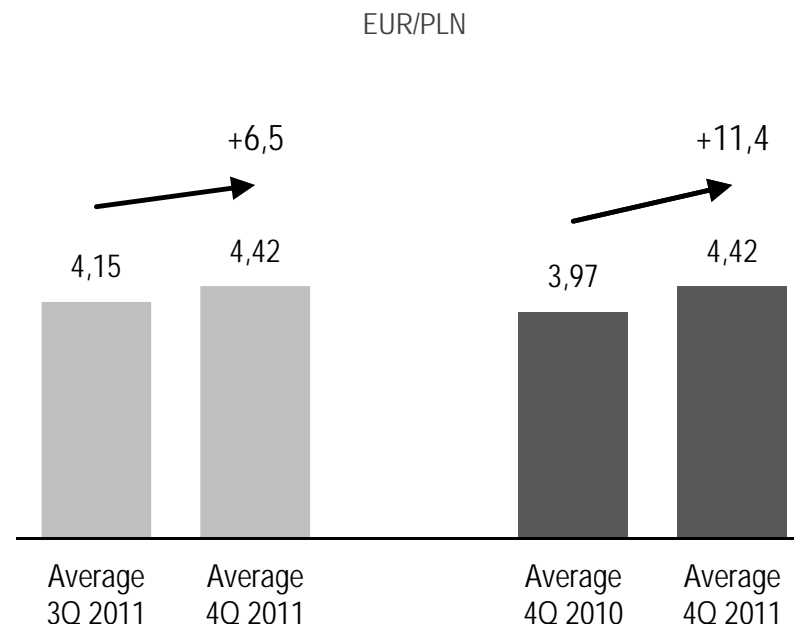
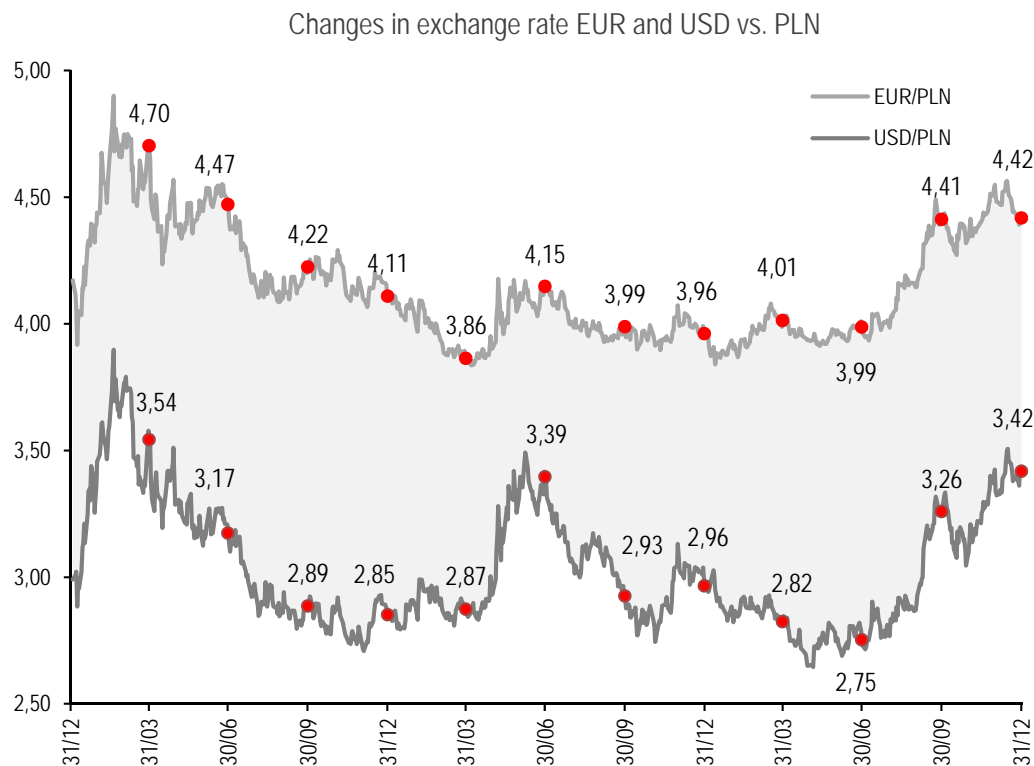
Pulp prices



- ▶ As at the end of 4Q 2011 pulp prices were at USD 834 per tonne for NBSK and USD 652 per tonne for BHKP. The average price for NBSK in 4Q 2011 was 7.3% lower than in 4Q 2010, and BHKP was down by 19.8%. In 4Q 2011 average NBSK price was 10.6% lower and BHKP price was 16% lower than in 3Q 2011.
- ▶ The average cost of pulp per tonne for AP Group in 4Q 2011, expressed in PLN, was down by 3.6% compared to 4Q 2010 and by 0.7% compared to 3Q 2011.
- ▶ The share of pulp costs in total costs of sales after 12 months of 2011 amounted to 49.6% compared to app. 53% in the previous year.
- ▶ Pulp usage structure for AP Group production was BHKP 59%, NBSK 19%, and other 22%.

Market environment

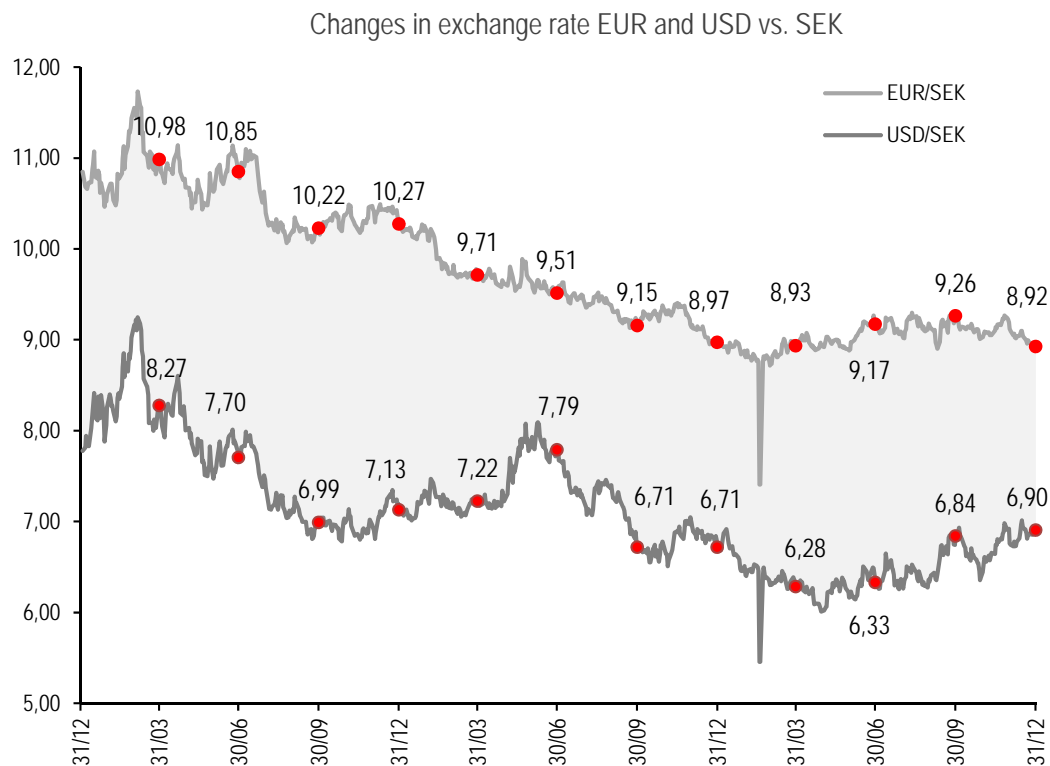
Exchange rates



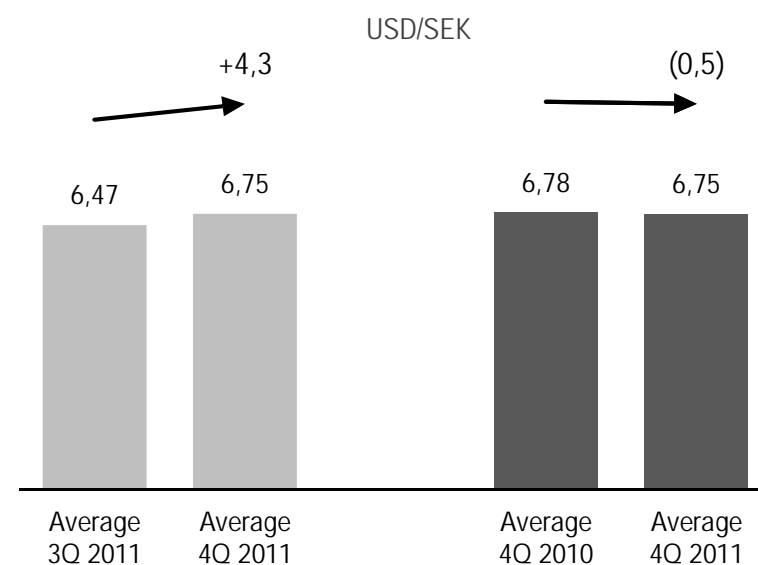
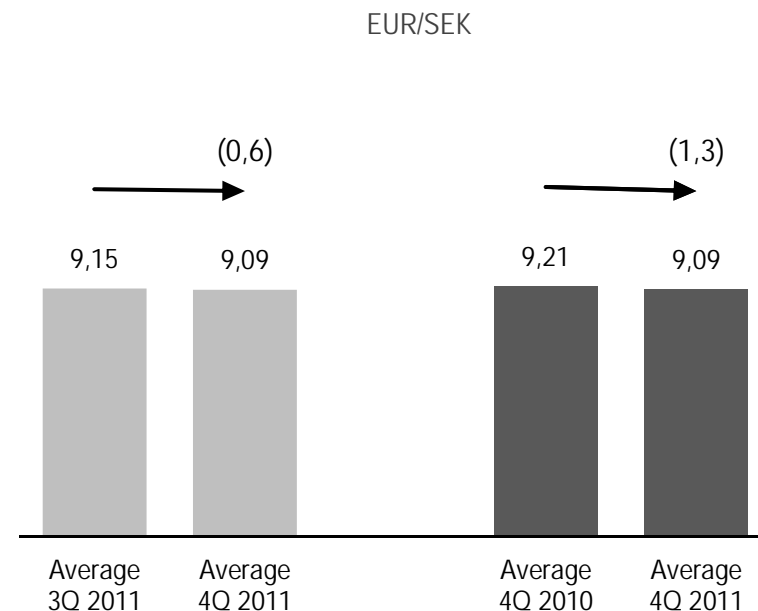
- ▶ In 4Q 2011 the average EUR/PLN exchange rate amounted to 4.42 and was by 6.5% higher than in 3Q 2011 and by 11.4% higher than in 4Q 2010.
- ▶ In 4Q 2011 the average USD/PLN exchange rate amounted to 3.28 and was by 11.7% higher than in 3Q 2011 and by 12.2% higher than in 4Q 2010.
- ▶ The depreciating PLN towards EUR had a positive impact on the level of sales revenue realized in Arctic Paper Kostrzyn in 4Q 2011, however the changes of USD/PLN exchange rate caused lesser decrease of the prices paid in PLN for a ton of pulp compared to decreases of BHKP and NBSK indexes.

Market environment

Exchange rates

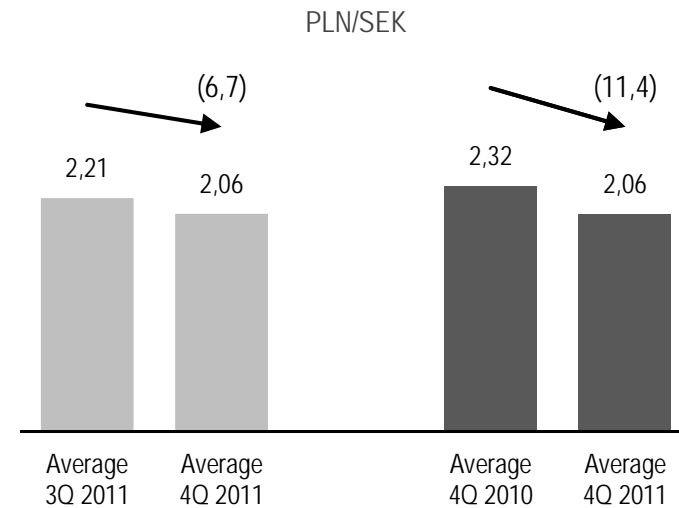
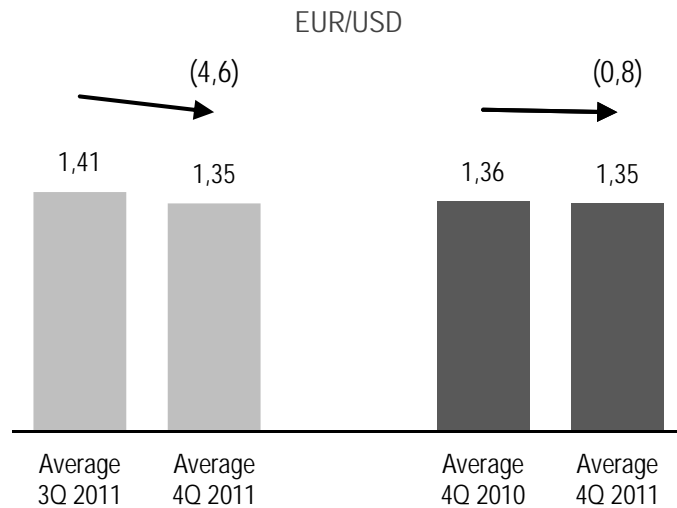
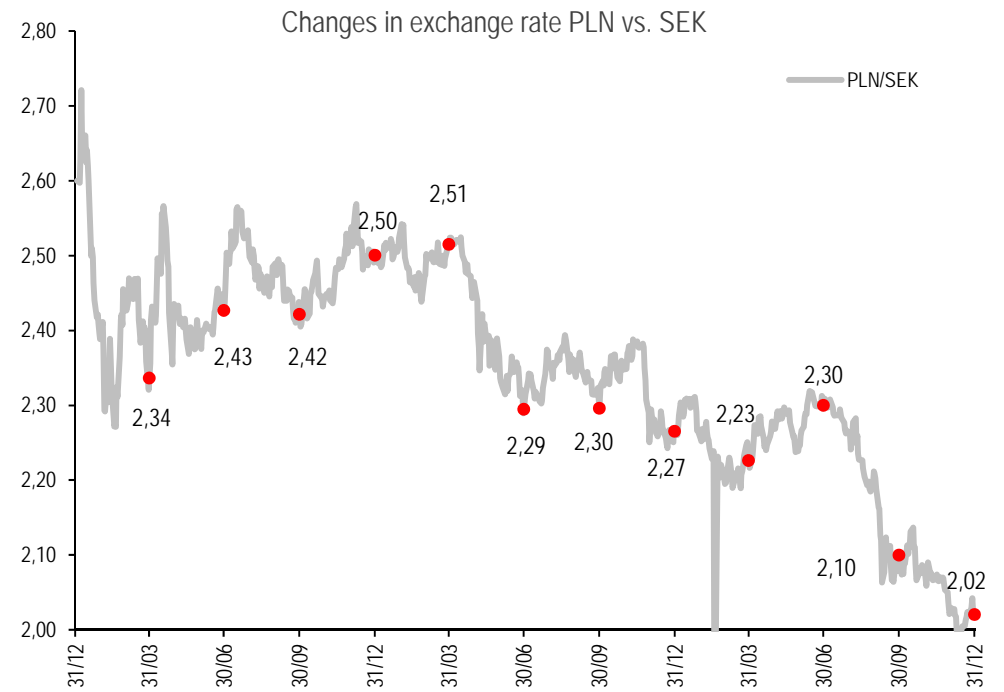
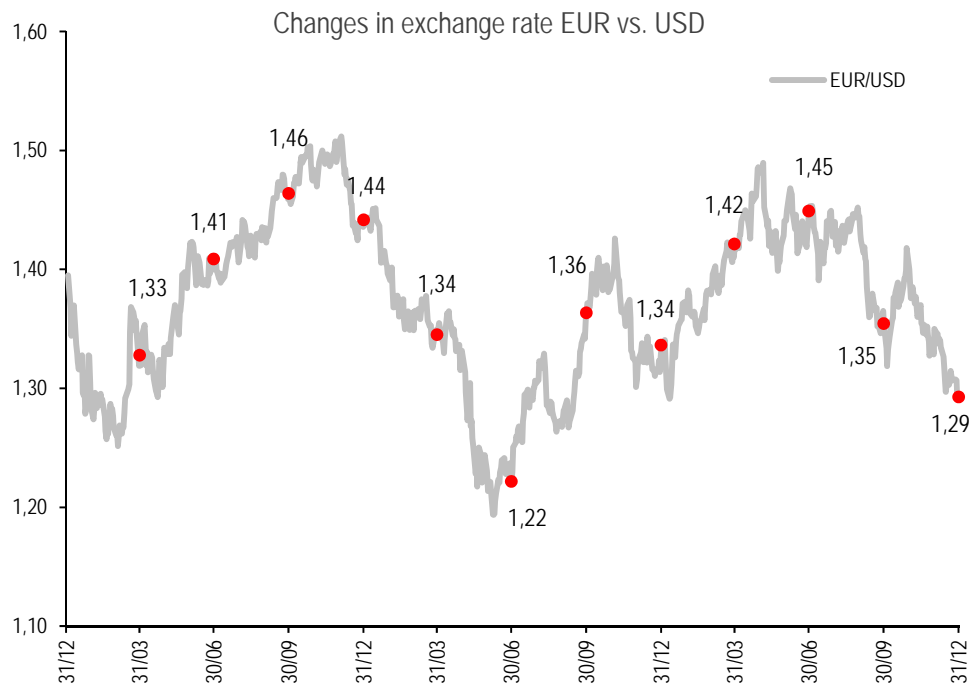


- ▶ In 4Q 2011 the average EUR/SEK exchange rate decreased by 0.6% compared to 3Q 2011 and by 1.3% compared to 4Q 2010. The appreciation of SEK towards EUR has a major adverse effect on the level of revenue invoiced in EUR in Swedish mills (AP Munkedals and AP Grycksbo).
- ▶ In the same period the average USD/SEK exchange rate increased by 4.3% compared to 3Q 2011. This change had a negative effect on cost incurred in USD by AP Munkedals and AP Grycksbo compared to 3Q 2011, particularly pulp cost.



Market environment

Exchange rates



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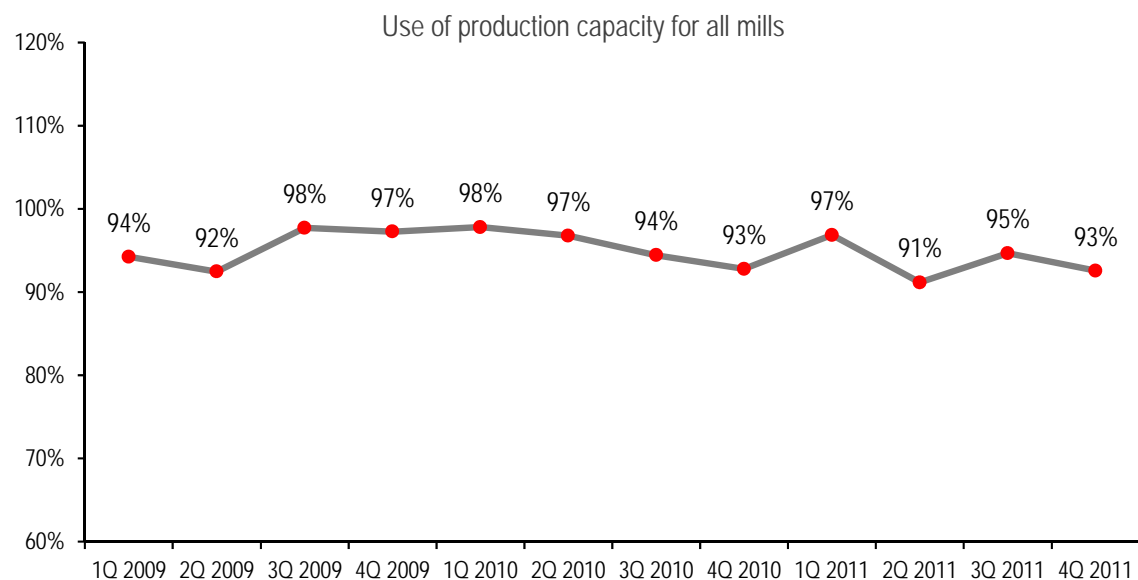
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Financial results

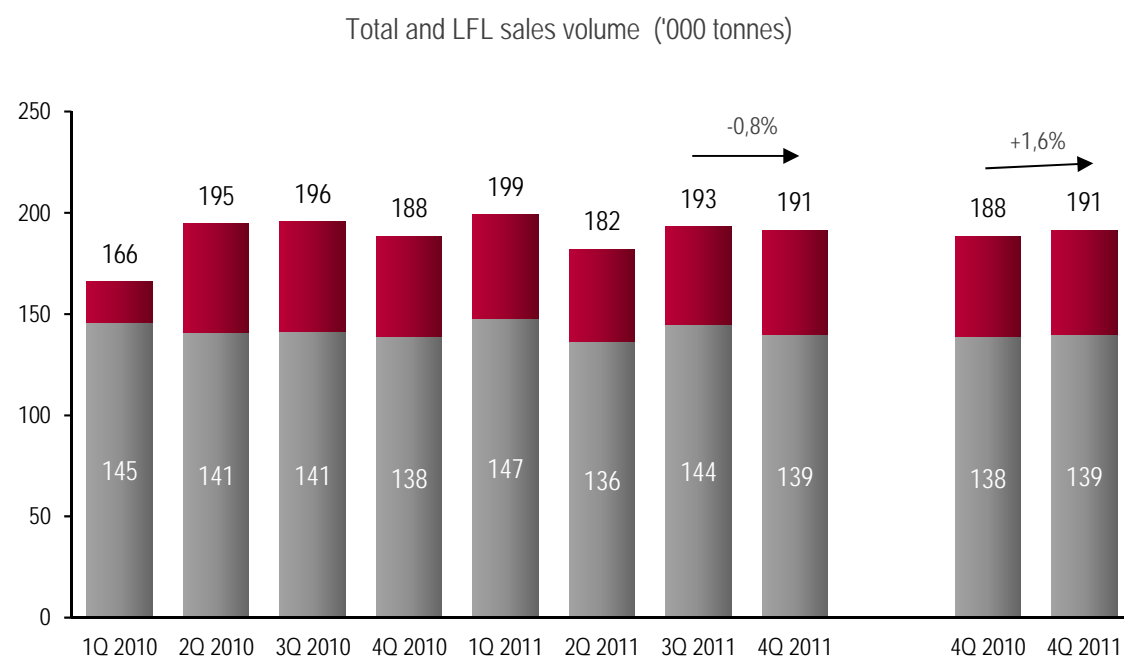
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Financial results

Use of production capacity and sales volume



- ▶ In 4Q 2011 use of production capacity for all Group mills was 93% and 2.2 p.p. lower than in 3Q 2011 and similar to the corresponding period of 2010. In the whole 2011 use of production capacity was app. 94%.

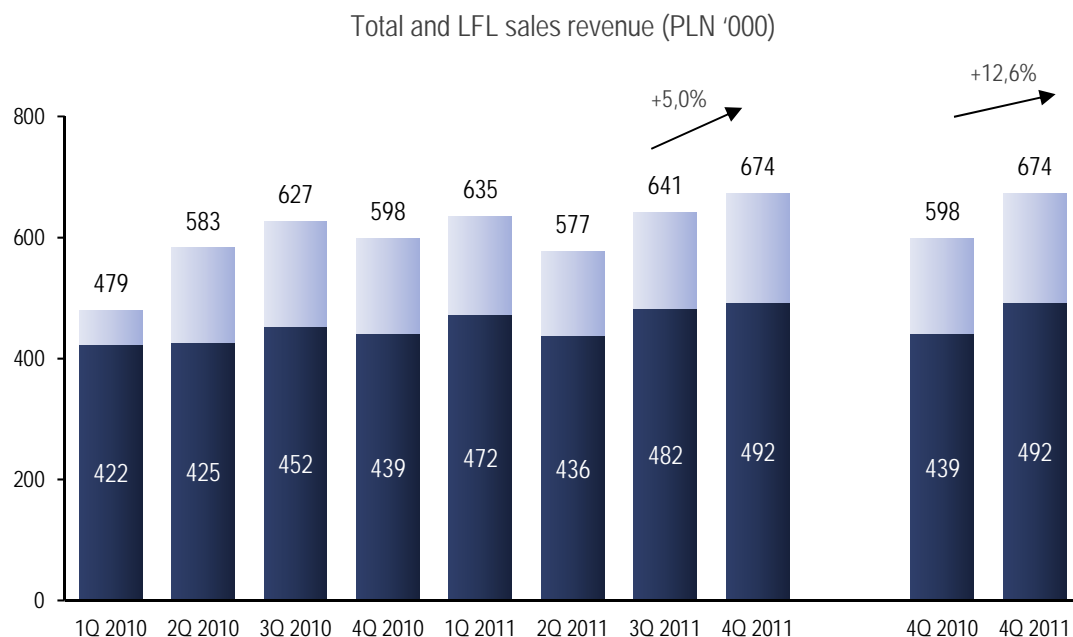


- ▶ In 4Q 2011 the AP Group noted increase in sales volume compared to 4Q 2010 of about 1.6%. Sales volume in 4Q 2011 was 191 thousand tonnes and down by 0.8% compared to 3Q 2011.
- ▶ In 2011 sales volume amounted to 765 thousand tonnes and was higher than in 2010 by 2.8%



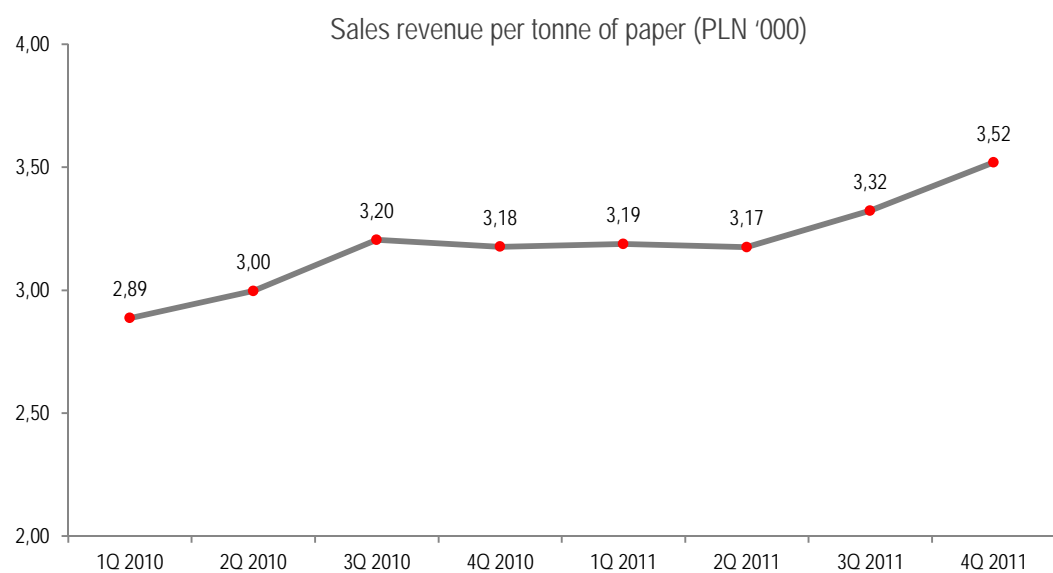
Financial results

Sales revenue



- ▶ AP Group sales revenue in 4Q 2011 was PLN 674 million, representing increase of 12.6% compared to 4Q 2010 and of 5.0% compared to 3Q 2011.

- ▶ Total revenue in 2011 amounted to PLN 2,527 million and was higher by 10.5% compared to 2010.



- ▶ Revenue per tonne of paper sold, expressed in PLN, was PLN 3,519 in 4Q 2011 which represents increase of 5.9% compared to 3Q 2011 and 10.8% above 4Q 2010. This result was achieved with a significant positive influence of EUR/PLN exchange rate (average exchange rate 4Q 2011 vs. 3Q 2011 of +6.5%) and with a minor negative influence of the EUR/SEK rate (average exchange rate 4Q 2011 vs. 3Q 2011 of -0.6%).



Financial results

Main items on profit and loss statement

PLN'000	4Q 2011	3Q 2011	4Q 2010	4Q 2011 vs. 3Q 2011 Change %	4Q 2011 vs. 4Q 2010 Change %	YTD 4Q 2011	YTD 4Q 2010	YTD 4Q'2011 vs. YTD 4Q'2010 Change %
Revenues	673 655	641 415	598 302	5,0%	12,6%	2 527 189	2 287 731	10,5%
Gross profit on sales (w/h D&A)	145 622	130 263	96 561	11,8%	50,8%	492 589	386 724	27,4%
<i>% of sales</i>	<i>21,6%</i>	<i>20,3%</i>	<i>16,1%</i>	<i>1 p.p.</i>	<i>5 p.p.</i>	<i>19,5%</i>	<i>16,9%</i>	<i>3 p.p.</i>
Depreciation & Amortization	-31 863	-32 363	-61 197	-1,5%	-47,9%	-127 625	-128 614	-0,8%
Gross profit on sales	113 759	97 900	35 364	16,2%	221,7%	364 964	258 110	41,4%
<i>% of sales</i>	<i>16,9%</i>	<i>15,3%</i>	<i>5,9%</i>	<i>2 p.p.</i>	<i>11 p.p.</i>	<i>14,4%</i>	<i>11,3%</i>	<i>3 p.p.</i>
EBITDA	51 713	43 003	87 073	20,3%	-40,6%	141 762	146 294	-3,1%
<i>% of sales</i>	<i>7,7%</i>	<i>6,7%</i>	<i>14,6%</i>	<i>1 p.p.</i>	<i>-7 p.p.</i>	<i>5,6%</i>	<i>6,4%</i>	<i>-1 p.p.</i>
EBIT	19 850	10 640	25 876	86,6%	-23,3%	14 136	17 680	-20,0%
<i>% of sales</i>	<i>2,9%</i>	<i>1,7%</i>	<i>4,3%</i>	<i>1 p.p.</i>	<i>-1 p.p.</i>	<i>0,6%</i>	<i>0,8%</i>	<i>-0 p.p.</i>
Net profit / loss	27 630	34 093	34 991	-19,0%	-21,0%	11 610	28 817	-59,7%
<i>% of sales</i>	<i>4,1%</i>	<i>5,3%</i>	<i>5,8%</i>	<i>-1 p.p.</i>	<i>-2 p.p.</i>	<i>0,5%</i>	<i>1,3%</i>	<i>-1 p.p.</i>
Earnings per share [PLN]	0,50	0,62	0,63	n.a.	n.a.	0,21	0,53	n.a.

- ▶ High revenue due, among others, to positive impact of sales level in tonnes and to exchange rates fluctuations, particularly EUR/PLN.
- ▶ Gross profit margin in the quarter and YTD both higher than in 3Q 2011 and 4Q 2010.
- ▶ EBITDA margin in 4Q 2011 amounted to 7.7% compared to 6.7% in 3Q 2011. In 2011 EBITDA margin was lower than in 2010 by 1 p.p.
- ▶ Significantly better operating result in the quarter compared to 3Q 2011. On YTD basis there was operating profit amounting to PLN 14.1 million compared to PLN 17.7 million in 2010.
- ▶ PLN 27.6 million of net profit in 4Q 2011 compared to PLN 34.1 million in 3Q 2011 and to PLN 34.9 million in 4Q 2010. This result was achieved due to better operational result and to positive exchange differences resulting mainly from valuation of intercompany loan granted by Arctic Paper S.A. to Arctic Paper Investment AB (influence on 2011 result almost PLN 31 million).

Summary of the 4th quarter of 2011

Arctic Paper Group

- ▶ Strong orderbook and increased sales revenue.
- ▶ High use of production capacity in 4Q 2011 of 93% and of 94% YTD.
- ▶ Positive influence of the exchange rate EUR/PLN and nearly neutral of the EUR/SEK on sales revenue and negative influence of USD/PLN and USD/SEK pairings exchange rates on pulp cost expressed in PLN. Major positive influence of the change of PLN/SEK tendency and, in consequence, positive unrealized exchange differences from intercompany loan valuation occurred.
- ▶ EBITDA result (PLN 141.7 million) and EBIT result (PLN 14.1 million) succeeded in 2011 were similar to 2010 results. Net profit achieved in 2011 amounted to PLN 11.6 million despite significant loss recorded in the first half.

Market

- ▶ The demand in the fine paper segment in Europe in 4Q 2011 was similar to the demand recorded in 3Q 2011 and lower than in the corresponding period of 2010 (-3.4%).
- ▶ Significant decrease of paper market prices in 4Q 2011 compared to price levels at the end of 3Q 2011 and 4Q 2010.
- ▶ Significant decrease of pulp prices in 4Q 2011. Compared to 3Q 2011, the average price in the quarter decreased by 10.6% for NBSK and by 16% for BHKP.



Thank you



Michał Jarczyński, CEO

ARCTIC PAPER GROUP

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