



ARCTIC PAPER

PRESS RELEASE

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In a challenging year for the paper industry Arctic Paper comes through with improvements. Continued focus on financial figures and market activities are objectives for 2014.

In 2013 the Arctic Paper S.A. Group generated a revenue increase of 18% (PLN 3.1bn compared with PLN 2.6bn in 2012), however it was related to the acquisition of shares in Rottneros, the revenues of which are consolidated since 2013. The group recorded a loss of PLN 48.7m at the operating level and a net loss of PLN 77.9m (results without reflecting write-downs). EBITDA was PLN 72.9m.

In 2013 Arctic Paper made write-downs for permanent impairment in value of non-financial assets of Arctic Paper Grycksbo in the amount of PLN 102.98m. This impacted both the operating and net loss, which amounted to PLN 151.6m and 152.2m respectively after write-downs. The write-downs are an accounting operation and do not affect the cash flow or operating activity of the group.

In the 2nd half of 2013, Arctic Paper started implementing its restructuring plan, including stimulation of sales and cost reductions as well as added financial strength. The first effects of the cost cutting were already visible in late 2013 - in activity connected with the paper market, Arctic Paper earned a EBITDA result in 4Q 2013 of PLN 27.5m (compared to PLN 26.01m in 4Q 2012 and PLN 19.9m in 3Q2013). Further improvements are expected in 2014.

Compared with 2012, 2013 saw continued weak demand for high-quality graphic paper in Europe, decreased by 5.1%, with declining prices, as well as unfavourable exchange rates, particularly the strength of SEK against EUR and USD. On this highly competitive market Arctic Paper lost 4.1% of its sales, among other reasons related also to a closure of one paper machine.

Wolfgang Lübbert, CEO of Arctic Paper S.A., commented: *"We have behind us a year full of challenges. The situation on the market in which Arctic Paper operates has been and will remain difficult. We take pride in the fact that we have successively strengthened our share of this mature and declining market."*

In the 4th quarter of 2013 there was slight improvement in market trends, as pulp prices and exchange rate were at a somewhat more favourable level for the company. The market situation in the beginning of 2014 was similar to that in



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the 4th quarter of 2013, which enables the company to think positively about the year as a whole, although the paper market will remain challenging.

Wolfgang Lübbert commented: "We have a lot of hard and focused work ahead of us. Our priorities are financial stability and operating mobility. I believe that these are keys to success on the demanding European paper market. We are undertaking a number of initiatives to improve the effectiveness of the group and expand the product line, and we are also looking into alternatives to strengthen our financial situation."

FINANCIAL RESULTS—DETAILS

Selected financial results of the Arctic Paper Group in 2013, without reflecting write-downs, are presented in the table below:

| PLN '000 | 2013* | 2012** | Change (%) |
|-------------------------|------------------|-----------|------------|
| Sales revenue | 3,104,901 | 2,631,717 | +17.98% |
| Operating profit (loss) | (48,664) | 35,462 | n/a |
| EBITDA | 72,862 | 159,710 | -54.37% |
| Net profit (loss) | (77,894) | 32,056 | n/a |

These results do not reflect:

* write-downs for impairment in value of non-financial assets with respect to Arctic Paper Grycksbo in the amount of PLN 102.98m

** badwill of a one-off nature arising out of the Rottneros transaction in the amount of PLN 192.45m and write-downs for impairment in value of non-financial assets with respect to Arctic Paper Grycksbo and Arctic Paper Mochenwangen in the amount of PLN 247.8

Selected financial results of the Arctic Paper Group in 2013 reflecting these write-downs are presented in the table below:

| PLN '000 | 2013 | 2012 | Change (%) |
|-------------------------|------------------|-----------|------------|
| Sales revenue | 3,104,901 | 2,631,717 | +17.98% |
| Operating profit (loss) | (151,641) | (19,998) | n/a |
| EBITDA | 72,862 | 352,162 | -79.31% |
| Net profit (loss) | (152,153) | 23,699 | n/a |



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In the 2nd half of 2013, Arctic Paper started implementing its restructuring plan, including stimulation of sales and cost reductions as well as added financial strength. The first effects of the cost cutting were already visible in late 2013: in activity connected with the paper market, Arctic Paper earned a net result (excluding impairment and badwill) in 4Q 2013 of PLN 17.1m (compared to PLN 15.9m in 4Q 2012 and a loss through the first three quarters of 2013 of PLN 24.3m). Further improvements are expected in 2014.

Selected financial results of the Arctic Paper Group's activity on the paper market in 2013 are presented in the table below:

| PLN million | 4Q 2012 | 1Q 2013 | 2Q 2013 | 3Q 2013 | 4Q 2013 |
|--------------------------------|---------|---------|---------|---------|---------|
| Operating profit (loss) | -6.1* | 5.2 | (17.9) | (0.9) | 6.0** |
| EBITDA | 26.1 | 27.5 | 4.6 | 19.9 | 27.5 |
| Net profit (loss) | 15.9* | (2.6) | (13.2) | (8.5) | 17.1** |

The above results do not reflect:

** badwill of a one-off nature arising out of the Rottneros transaction in the amount of PLN 192.45m and write-downs for impairment in value of non-financial assets with respect to Arctic Paper Grycksbo and Arctic Paper Mochenwangen in the amount of PLN 247.8*

*** write-downs for impairment in value of non-financial assets with respect to Arctic Paper Grycksbo in the amount of PLN 102.98m*

In 2013 the Arctic Paper Group generated revenue of PLN 3.1bn, an increase of 18% year-on-year, due to consolidation with the Rottneros Group since 2013. Revenue from paper sales by Arctic Paper in 2013 was PLN 2.4bn, down 7.9% from 2012. The decrease in paper sales revenue was due to a drop in sales tonnage (among other reasons related to closure of a paper machine at Arctic Paper Mochenwangen – 20,000 t annually), unfavourable exchange rates and slightly lower prices.

It should be noted that the utilization of our capacity remained at the high level of 93%, demonstrating Arctic Paper's capability to achieve market access also in shrinking markets.

NEW INITIATIVES

As part of its restructuring plan, Arctic Paper is also expanding its product line in order to stimulate sales. In October 2013 the company's product line was expanded to include papers designed for the packaging industry—AP-Tec. This year will see Arctic Paper launch new products from all of the group's paper mills to the market. It should be noted that in the paper industry, the launch of full



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production, and therefore achieving success in sales of the new product, is a time-consuming process.

Wolfgang Lübbert added: *"I would also like to stress that in the 4th quarter of 2013 we observed an improvement in some market trends. We also anticipate a positive market change for our Rottneros products and thus we are confident that the effects of the investment in Rottneros will develop in a good direction. This year has also begun fairly well for Arctic Paper, enabling us to have a positive mindset."*

Further information for the press provided by:

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ARCTIC PAPER S.A. is a European producer of bulky book paper and high-quality graphic paper. The Group produces uncoated and coated wood-free paper and uncoated wood-containing paper for printers, book publishers, magazine publishers, the advertising sector and paper distributors. The Group's product line includes well-known brands such as Amber, Arctic, G-Print, Munken, Pamo, L-Print and AP-Tec.

The Group has four paper mills: at Kostrzyn in Poland, at Munkedal and Grycksbo in Sweden and at Mochenwangen in Germany. The total production capacity of the four paper mills in the Group is around 800,000 tonnes per year.

- Arctic Paper Kostrzyn has production capacity of around 275,000 tonnes annually and produces mainly uncoated, wood-free paper for general printing uses, such as books, brochures, forms and envelopes.
- Arctic Paper Munkedals has production capacity of around 160,000 tonnes per year and produces mainly high-quality, uncoated, wood-free paper, used primarily for books and advertising brochures.
- Arctic Paper Mochenwangen has production capacity of around 95,000 tonnes per year and produces mainly uncoated, wood-containing paper, used primarily for books and flyers.
- Arctic Paper Grycksbo has production capacity of around 265,000 tonnes per year and produces high-quality, coated paper, used for maps, books, magazines, posters and direct mail materials.

The Group also owns two pulp plants, with a combined production capacity of 410,000 tonnes per year.

- The pulp plant in Vallvik, Sweden, has a production capacity of about 240,000 tonnes per year and produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp.
- The pulp plant in Rottneros, Sweden, has a production capacity of about 170,000 tonnes per year and produces mainly two types of mechanical pulp: groundwood and CTMP.

The distribution companies and sales offices handling the distribution of paper and marketing of the Group's products are an important part of the Group. At present, the Group has 15 distribution



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companies and sales offices in Europe, providing access to all European markets and securing 20% of the European market for bulky book paper.

The Arctic Paper Group employs around 1,830 people. The headquarters of the international Group are in Poland. The largest shareholders of Arctic Paper S.A. are the Swedish companies Trebruk AB (formerly Arctic Paper AB) and Nemus Holding AB, which, after including the results of the final period of the tender offer for the shares of Rottneros AB, hold a combined 68.3% of the shares. The Arctic Paper Group has been listed on the Warsaw Stock Exchange since October 2009 and since December 2012 on NASDAQ OMX in Stockholm.

Further information is available at www.arcticpaper.com

