



ARCTIC PAPER

PRESS RELEASE

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ARCTIC PAPER GROUP IN 1ST HALF OF 2013: GROUP REINFORCES MARKET POSITION, BUT WEAKENING MARKET AND UNFAVOURABLE EXCHANGE RATES IMPACT FINANCIAL RESULTS

Arctic Paper S.A., the second-largest European producer of bulky-book paper by volume and one of Europe's leading producers of high-quality graphic paper, generated revenue in the 1st half of 2013 of nearly PLN 1.6bn and EBITDA of PLN 35.7m. The group recorded a loss at the operating level of PLN 28.2m and a net loss of PLN 43.9m (results not reflecting the impairment of non-financial assets of AP Grycksbo).

Results weaker than those achieved during the same period of 2012 were primarily due to the difficult situation in the industry and weakening of demand for high-quality graphic paper in Europe, leading to a decline in prices, as well as unfavourable exchange rate differences, particularly the strength of Swedish krona against the euro and the U.S. dollar.

Reflecting the write-down for impairment of non-financial assets of AP Grycksbo made on 30 June 2013 in the amount of PLN 66.6m, the operating result for the 1st half was –PLN 94.8m, and the net result –PLN 97.9m. The write-downs made are of an accounting nature and do not affect the current operations of the group.

During the 1st half of 2013, demand for high-quality graphic paper in Europe was down 7.7%. During the same period, Arctic Paper lost only 1.6% of its sales volume, thus increasing its market share in Europe as a whole.

Utilization of production capacity of the Arctic Paper Group declined in 2Q 2013 to 90%, from 98% in the 1st quarter, and for all of 1H 2013 was 94%. The average utilization of production capacity for the prior 12 months was about 95%.

The management board is continuing to develop its current strategy in order to meet long-term market trends. The group intends to intensify its sales initiatives as well as development of non-graphic paper products, as well as increase efforts aimed at rationalization of costs and optimization of the product line. Investments currently underway should bring about improved profitability, quality and flexibility of operations.



FINANCIAL RESULTS – DETAILS

Selected quarterly financial results of the Arctic Paper Group, not reflecting the impairment of non-financial assets of AP Grycksbo, are presented in the table below:

(PLN '000)	A 2Q 2013	B 2Q 2012	C 1Q 2013	Change (A/B)
Sales revenue	763,668	640,287	822,339	+19.3%
Operating profit (loss)	(28,498)	7,749	312	n/a
EBITDA	3,346	38,037	32,368	-91.2%
Net profit (loss)	(37,865)	8,039	(6,080)	n/a

Selected midyear financial results of the Arctic Paper Group, not reflecting the impairment of non-financial assets of AP Grycksbo, are presented in the table below:

(PLN '000)	1H 2013	1H 2012	Change
Sales revenue	1,586,007	1,328,842	+19.3%
Operating profit (loss)	(28,186)	31,060	n/a
EBITDA	35,714	91,772	-61.1%
Net profit (loss)	(43,945)	17,650	n/a

Selected financial results of the Arctic Paper Group reflecting the impairment of non-financial assets* are presented in the table below:

(PLN '000)	2Q 2013	2Q 2012	1Q 2013	1H 2013	1H 2012
Sales revenue	763,668	640,287	822,339	1,586,007	1,328,842
Operating profit (loss)	(95,148)	7,749	312	(94,836)	31,060
EBITDA	3,346	38,037	32,368	35,714	91,772
Net profit (loss)	(91,852)	8,039	(6,080)	(97,932)	17,650

*On 30 June 2013, the company made a write-down for impairment of non-financial assets of AP Grycksbo in the amount of PLN 66.6m, which had an impact on EBIT in the amount of –PLN 66.6m, and on the net result of –PLN 54m. The write-downs are of an accounting nature and do not affect the current operations of the group.

In the 1st half of 2013, the group generated revenue 19.3% higher than in the 1st half of the prior year. Due to acquisition of the Rottneros Group in December 2012, the revenue and costs of Rottneros are included in the consolidated profit and loss account of the Arctic Paper Group from

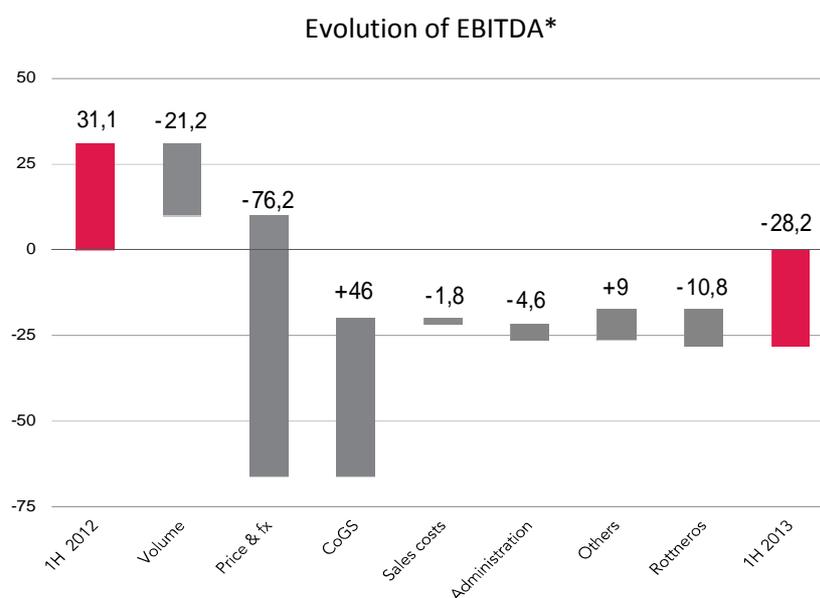


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1 January 2013. Revenue from sales of products of the Arctic Paper Group without including revenue of the Rottneros Group were PLN 1.26bn in the 1st half of 2013, down PLN 66m or 4.9% from the revenue in the 1st half of 2012. This was connected with weaker demand for high-quality graphic paper on the European market, which resulted in a decline at the level of orders on the market of 7.7% and pressure to cut prices.

It should be stressed that Arctic Paper lost only 1.6% of its paper sales by volume during this period, although it did not avoid an impact of the difficult market situation on the prices of the products offered by the group.

The operating result adjusted for one-off transactions connected with the impairment of non-financial assets was –PLN 28.2m in 1H 2013, compared to PLN 31.1m in 1H 2012. The main reason for this decline was the effect of changes in prices and exchange rate differences (–PLN 76.2m) and lower sales volume (–PLN 21.2m). This was partially offset by the positive contribution of own cost of sales of +47% (chiefly due to lower volume). Costs of sales, general administration and others exerted a positive influence of PLN 2.6m. The contribution of Rottneros to the operating result during the period was negative, at –PLN 10.8m.

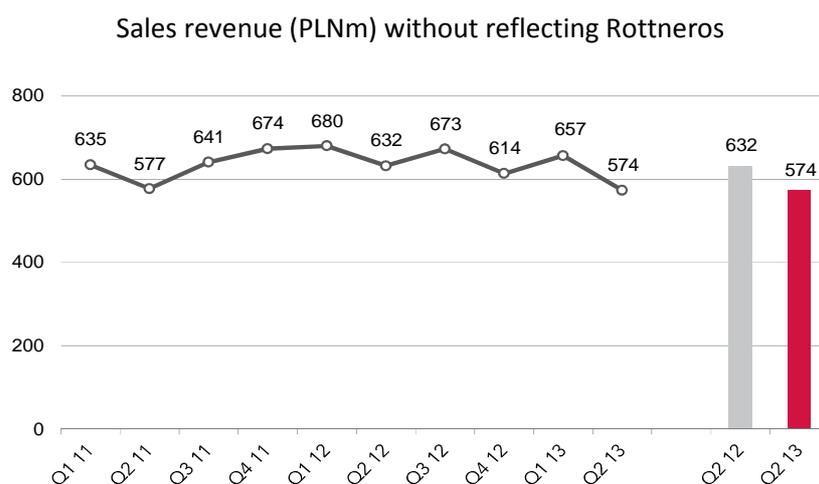


* EBITDA adjusted for negative goodwill generated on settlement of the purchase of Rottneros and for write-downs for impairment of non-financial assets

The strong position of SEK against EUR and USD, with consequences in the form of unfavourable exchange rate differences, had a negative impact on the results of Arctic Paper’s Swedish paper mills. The combination of several factors—reduced tonnage, minimally reduced prices, and the negative influence of the exchange rates of key currencies—resulted in significantly lower sales revenue per tonne, which in the 1st half of 2013 fell by 4.7% from the same period of the prior year.

SALES IN 1H 2013

Sales revenue of the Arctic Paper Group in 2Q 2013, generated by the group’s paper mills (without reflecting Rottneros), was PLN 574m, representing a decline of 12.7% from 1Q 2013 and a decline of 9.3% from 2Q 2012. Through the 1st half of 2013, revenue was PLN 1.26bn, down 6.3% year-on-year.

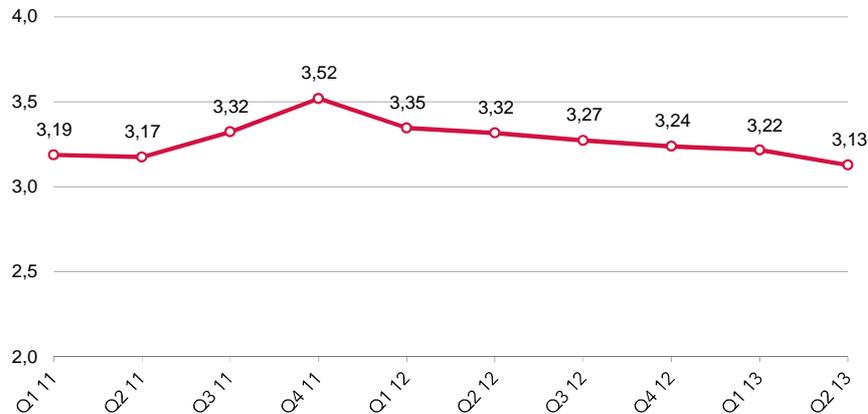


Revenue per tonne of paper sold, expressed in PLN, was PLN 3,130 in 2Q 2013, a decline of 2.8% from 1Q 2013 and 5.7% from 2Q 2012. In the 1st half of 2013, revenue per tonne of paper sold was PLN 3,170, down 4.7% from 1H 2012.



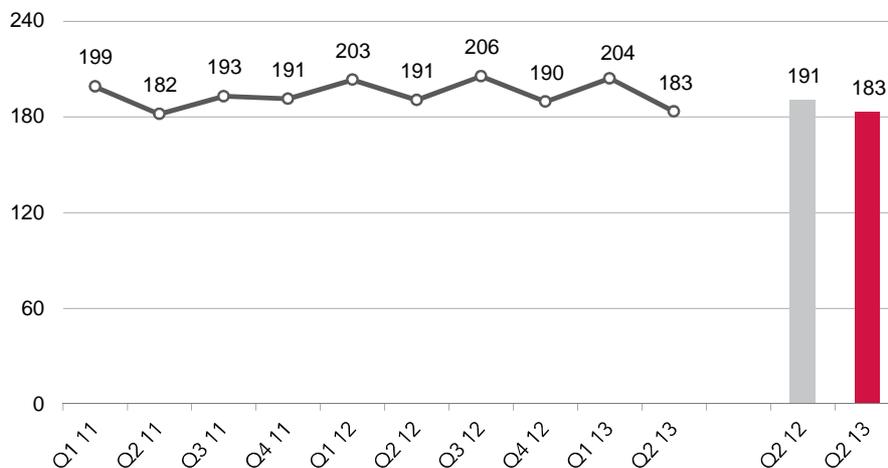
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Revenue per tonne of paper sold (PLN '000)



In 2Q 2013, the Arctic Paper Group recorded a decline in **sales volume** compared to 2Q 2012 of about 3.8% and 1.6% for the 1st half year-on-year. Sales volume in 2Q 2013 was 183,000 tonnes, and in the first six months of 2013 was 388,000 tonnes.

Sales volume ('000 tonnes)



Wolfgang Lubbert, CEO of Arctic Paper S.A., commented: “The 1st half of this year, particularly the 2nd quarter, was an exceptionally difficult period for our entire industry. Demand for high-quality graphic paper on European markets remained low, translating into a decline in orders in the industry by almost 8%. Thanks to our active sales initiatives, we managed to partially avoid the impact of this situation on our sales volume, and as a result the decline in sales volume in the case of Arctic Paper



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was only 1.6%, which means that we increased our share of the European paper market. At the same time, we did not avoid the effect of the difficult market situation on the prices of products offered by the group. Our results were also affected by unfavourable exchange rate differences, primarily the strong position of Swedish krona versus the euro and U.S. dollar. Currently we are continuing to develop our existing strategy in order to meet long-term market trends. We intend to introduce the main changes in the area of products from the commodity segment. Arctic Paper will strengthen its position on mature but shrinking markets, mainly in Europe. We will increase our customer orientation and continue the brand strategy with the help of our paper mills and strong sales force. We regard the principle of concentrating on European markets and offering special products on global markets as correct also in the current market situation. The strategy of increasing sales in segments other than graphic paper, such as the market for flooring and packaging, will also be continued, but activity in both segments will be intensified. The group also intends to increase efforts to achieve further rationalization of costs and optimization of the product line. Investments currently underway should lead to improved profitability, quality and flexibility of operations.”

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ARCTIC PAPER S.A is the second-largest European producer of bulky book paper in terms of production volume, and one of the leading producers of 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 and L-Print.

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 over 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 Munkedal 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.



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- *Arctic Paper Mochenwangen has production capacity of around 115,000 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 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