



ARCTIC PAPER

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ARCTIC PAPER GROUP IN 1ST HALF OF 2014:

FINANCIAL RESULTS CONTINUE TO SHOW PROFITABILITY AND POSITIVE DIRECTION

The financial results of Arctic Paper Group for the 2nd quarter of 2014 kept the profitable pace of the first quarter. Thereby the first half of 2014 ended considerably better than the same period of 2013. The Group's EBITDA of PLN 101,2 m was an increase of PLN 65,5 m (over 183%) compared to first half of 2013. The Group's net result of PLN 22,4 m compares to a loss in 2013 of PLN - 97,9 m (partly due to a write-down in first half-year of 2013). Sales revenues in the 1st half of 2014 decreased slightly (by 1,7%) reaching PLN 1.558,4 m.

Besides external factors, such as favourable development of pulp prices and exchange rates, these positive figures indicate that the internal steps taken by the Group, both in Arctic Paper and in Rottneros, are starting to have an effect.

In terms of operations on the paper market (that is excluding Rottneros), Arctic Paper shows constructive and profitable figures such as EBITDA of PLN 63,3 m, compared to PLN 32,0 m (growth thereby 97,3%) for the first half of 2013. Net profit amounted to PLN 5,4 m (compared to a loss of PLN -82,5 m first half of 2013, related to write-downs). The sales revenue for the first half of 2014 reached PLN 1.181,2 m compared to PLN 1.215,4 m in the same period of 2013.

In June 2014, the decline in prices continued on this competitive market in the second quarter*. In effect, as of at the end of June 2014 the average prices were -5,1% down for coated and -4,7% for uncoated paper compared to the same month of 2013*. However, the market did grow slightly in the first half of 2014, 0,7%, compared to the first half of 2013**.

Utilization of production capacity of the Arctic Paper remained at 93% in the 2nd quarter (same as in the 1st quarter of 2014). Thereby the figure of utilization for the first half-year 2014, 93 %, up by 1,5 % compared to the six months prior.

"We have a very long perspective and a still winding road ahead of us. We don't believe in quick fixes. Our progress and gains so far are, outside of the positive external factors, due to continues internal cost measures and an extreme focus on sales and customer needs" Wolfgang Lübbert, CEO of Arctic Paper said.



ARCTIC PAPER

Meanwhile, the favourable market trends in pulp prices, (decrease of BHKP, favourable for Arctic Paper SA and increase of NBSK, favourable for Rottneros), indicated since the 4th quarter of 2013, did continue into the 2nd quarter of 2014. For the Arctic Paper Group this development, in combination with beneficial exchange rates (mainly the weakened SEK), resulted to in an encouraging impact.

Wolfgang Lübbert, CEO of Arctic Paper added, *"Our Group's work continues to focus two pillars – Stability and Mobility. Stability in financial terms means to have a secure base and low debts, and Mobility in market actions translates to innovation, product development, new product launches. The process of this work will take time but our objective is clear.*

The process of restructuring that started in the 2nd half of 2013 continues at full force with increased operational efficiency and continued reduction of costs as primary targets. The overall objective is to strengthen the Group's financial position.

Wolfgang Lübbert, CEO of Arctic Paper concluded, *"Implementation of our strategy with the objective of reaching a secure financial base will take time. Lessening the debt-side and optimization measures could aid in this pursuit. On a market that will continue to be tough and also turbulent we will use patience, endurance and quick action to fulfil our customer's needs. Thereby securing that the profitable result of the first half-year of 2014 is a long-term indication that we are moving in the right direction."*

Selected financial results of Arctic Paper Group (including Rottneros) the 1st half of 2014

| PLN '000 | 1H 2014 | 1H 2013*** | Change (%) | 2Q 2014 |
|--------------------------------|------------------|-------------------|-------------------|----------------|
| Sales revenue | 1 558 375 | 1 586 007 | -1,7% | 753 883 |
| EBITDA | 101 209 | 35 714 | +183,4% | 52 820 |
| Operating profit (loss) | 43 543 | (94 836) | - | 24 218 |
| Net profit (loss) | 22 383 | (97 932) | - | 13 475 |



Selected financial results of the Arctic Paper Group (excluding Rottneros) the 1st half of 2014

| PLN '000 | 1H 2014 | 1H 2013*** | Change (%) | 2Q 2014 |
|--------------------------------|------------------|-------------------|-------------------|----------------|
| Sales revenue | 1 181 203 | 1 215 435 | -2,8% | 564 587 |
| EBITDA | 63 315 | 32 088 | +97,3% | 31 279 |
| Operating profit (loss) | 20 797 | (79 291) | - | 10 141 |
| Net profit (loss) | 5 369 | (82 457) | - | 3 043 |

* Data source RISI

** Data source Euro-Graph

*** On 30 June 2013, the company made a write-down for impairment of non-financial assets of Arctic Paper 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 were of an accounting nature and did not affect the current operations of the group.

Further information for the media provided by:

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ARCTIC PAPER

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 is also the main shareholder in Rottneros (two pulp mills), 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 shareholder of Arctic Paper S.A. is the Swedish company Trebruk AB (formerly Arctic Paper AB) which holds 59,7 % of all outstanding 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