

## PRESS RELEASE

Poznań, 17<sup>th</sup> May 2013

### ARCTIC PAPER IN 1Q 2013: WEAKENING MARKET AFFECTS GROUP'S 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 1<sup>st</sup> quarter of 2013 of PLN 814.4m. EBITDA was PLN 32.4m, and operating profit for the period was PLN 0.3m. The group recorded a loss at the net level of PLN 6m.

In the second half of the 1<sup>st</sup> quarter, further significant weakening of demand for fine paper was observed in Europe, causing pressure on sale prices from customers. Despite negative changes on the market, the company maintained sales volume comparable to 1Q 2012, but with a decline in the average sale price of its products. Compared to 4Q 2012, there was a growth in volume of 7.7%. This means that despite the difficult situation in the industry, Arctic Paper increased its market share, but not without an effect on the margins it generated.

Use of the company's production capacity in 1Q 2013 was at the high level of 98%, 4.7 pp higher than in 4Q 2012 and 1.5 pp higher year-on-year. The average use of production capacity over the past 12 months was about 97%.

In the 1<sup>st</sup> quarter of 2013, Arctic Paper paid off the last tranche of bonds issued in 2010 and 2011, in a total of PLN 200m.

## FINANCIAL RESULTS – DETAILS

Selected financial results of the Arctic Paper Group are presented in the table below:

PLN '000	A 1Q 2013	B 1Q 2013*	C 1Q 2012	D 4Q 2012	Change (A/C)	Change (B/C)
<b>Sales revenue</b>	814,405	641,221	680,420	615,106	+19.7%	-5.8%
<b>Operating profit (loss)</b>	312	5,239	23,311	(68,054)	-98.7%	-77.5%
<b>EBITDA</b>	32,368	27,475	53,734	212,050	-39.8%	-48.9%
<b>Net profit (loss)</b>	(6,080)	(2,570)	9,611	2,507	n/a	n/a

\* results excluding Rottneros (B)

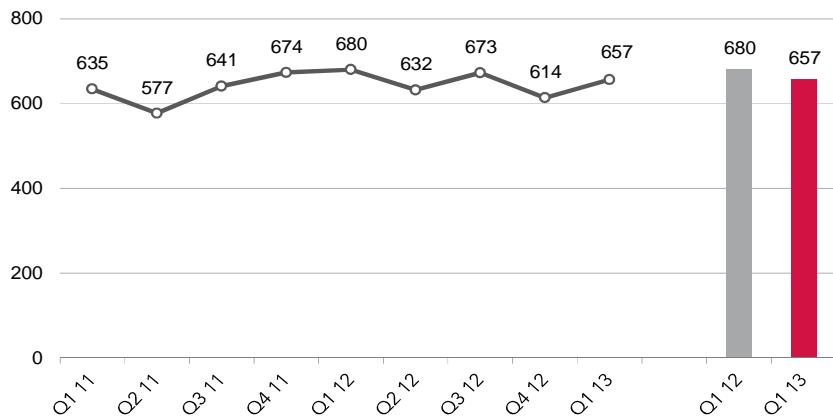
In the 1<sup>st</sup> quarter of 2013 the group generated revenue 19.7% greater than in the 1<sup>st</sup> quarter of the previous year. In the second half of the 1<sup>st</sup> quarter, a decline in demand for high-quality paper was observed on the market, which resulted in pressure on paper prices from customers. Together with the negative effects of forex changes (a total of -PLN 42.2m), this was the main reason for the decline in operating profit in 1Q 2013. Additionally, sales costs, administrative costs and other costs had a negative effect of -PLN 6.1m. The effect of Rottneros on the operating result during the period was negative, at -PLN 4.9m. A large portion of the negative effects were covered by lower own cost of sales (+27%) and higher sales volume (+3%).

The lower EBITDA result compared to 1Q 2012 was largely due to lower prices for sales of paper (a decline in prices by an average of 1% in local currencies), the strengthening Swedish krona (average SEK/EUR exchange rate -4.0%), and higher pulp prices (an increase in average prices of BHKP by USD 88, +12.6%).

## SALES IN 1Q 2013

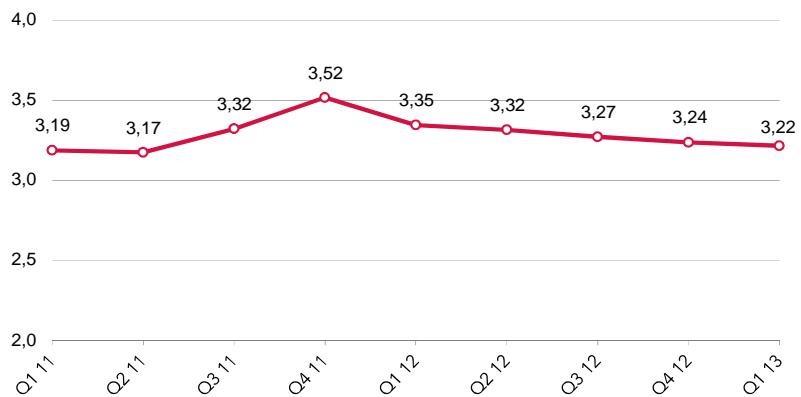
**Sales revenue** of the Arctic Paper Group generated by the group's paper mills (excluding Rottneros) in the 1<sup>st</sup> quarter of 2013 was over PLN 657m, representing growth of 7.0% from 4Q 2012 and a decline of 3.4% from 1Q 2012.

Sales revenue (PLNm) excluding Rottneros

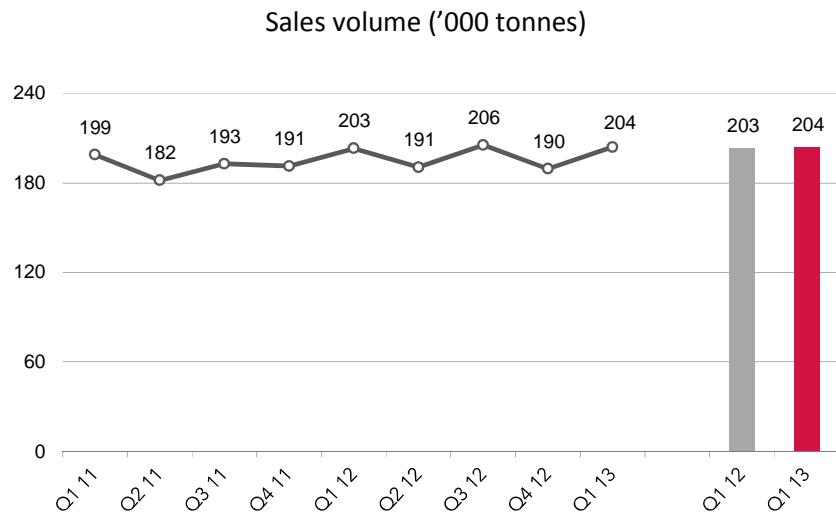


**Revenue per tonne of paper sold**, expressed in PLN, was PLN 3,217 in 1Q 2013, a decline of 0.7% from the result in 4Q 2012 and 3.9% year-on-year.

Sales revenue per tonne of paper sold (PLN '000)



In the 1<sup>st</sup> quarter of 2013 Arctic Paper Group generated an increase in sales volume from 4Q 2012 of about 7.7% and an increase from 1Q 2012 of 0.4%. Sales volume in 1Q 2013 was 204,000 tonnes.



"In the 1<sup>st</sup> quarter of 2013 we observed a further decline in demand for graphic paper in Europe, in both the coated and uncoated segments," said Michał Jarczyński, CEO of Arctic Paper S.A. "Following a deep decline in sales in December 2012, sales in January of this year allowed us to partially regain a good level of orders. Based on the January revival, we announced increases in paper prices. The second half of the quarter brought a significant decline in demand, however, and in consequence pressure on sale prices. As a result, paper prices declined from the 4<sup>th</sup> quarter of 2012 by about 1% in local currencies. At the Swedish plants, this decline was as great as 2–3%, due to further weakening of the euro against the Swedish krona. We succeeded in maintaining sales volume at the previous level, thanks to which use of production capacity was also high, but not without an impact on our margins."

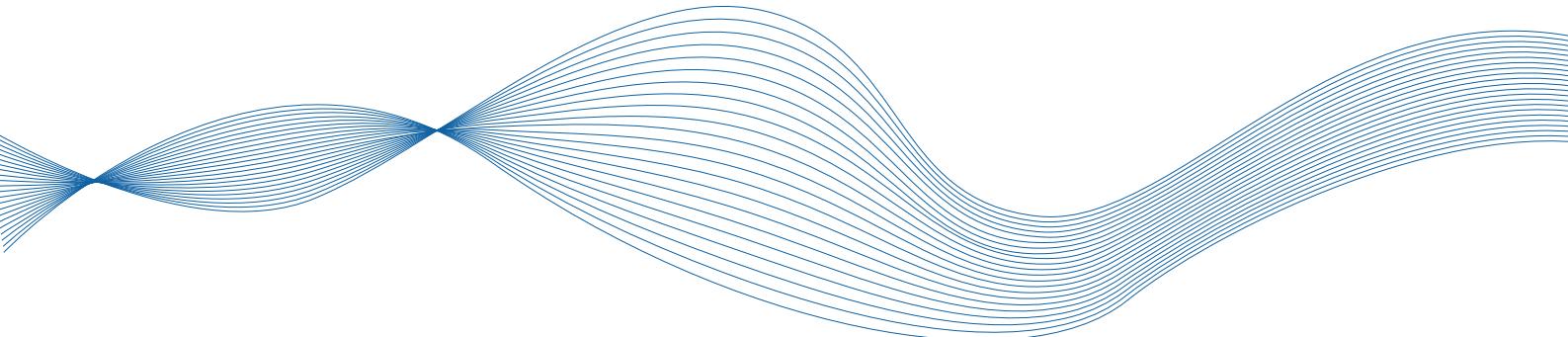
Jarczyński added: "The price of pulp, the main raw material for our production, increased by about USD 26 per tonne during the 1<sup>st</sup> quarter of 2013, which together with the weakening of the market and the decline in sale prices caused a decline in EBITDA to PLN 32m, or about 40% compared to the 1<sup>st</sup> quarter of 2012. In the 1<sup>st</sup> quarter of 2013 the group generated a net loss of PLN 6m. As a result of this, we decided to expedite the restructuring at the Grycksbo plant. Among other measures, this will include a reduction in headcount by 45 employees."

**More information for the media provided by:**

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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.
- 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 Nemas 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](http://www.arcticpaper.com)