



ARCTIC PAPER

PRESS RELEASE

Poznań, 15th May 2014

ARCTIC PAPER GROUP IN 1Q 2014: FURTHER IMPROVEMENT IN FINANCIAL RESULTS

The Arctic Paper Group generated satisfactory financial results in the 1st quarter of 2014. EBITDA was PLN 48.4m (an increase of 49.5%), net profit amounted to PLN 8.9m (compared to a loss of PLN 6m a year earlier), while sales revenue decreased (due partly to closure of one paper machine last summer) by 2.2%, to PLN 804.5m.

The situation on the paper market remains difficult. Year-on-year the market saw a significant decline in prices: 3.5% for coated paper and 5.4% for uncoated paper. Year-on-year the market grew slightly in volume, 0.8% according to Euro-Graph from April 2014.

On this still highly competitive market, Arctic Paper had a decline in paper sales of 3.8% year-on-year (partly related to the above-mentioned closure of one paper machine last summer), and compared to the 4th quarter of 2013 the company generated growth in paper sales of 7.1% (mainly due to the seasonal effect).

Meanwhile, some positive market trends in pulp prices, slightly visible in the 4th quarter of 2013, continued in the 1st quarter of 2014. Exchange rates, particularly SEK/EUR, were at a level neutral to the company.

Arctic Paper continues to implement its restructuring plan begun in the 2nd half of 2013, with the objective to stimulate sales, reduce costs and strengthen the group's financial position. Consequently, in terms of operations on the paper market in 1Q 2014, Arctic Paper generated EBITDA of PLN 32m (up 16.6% on a year-on-year basis) and net profit of PLN 2.3m (compared to a loss of PLN 2.6m in 1Q 2013), on revenues of PLN 616.6m (down 3.8% compared to 1Q 2013).

The use of production capacity in the Arctic Paper mills remained at 93%.

Wolfgang Lübbert, CEO of Arctic Paper S.A., commented: *"2014 has begun somewhat satisfactorily for us and enables us to have a relatively positive mindset, even though the challenges of the last years continue with a market that is still difficult. The hard and focused work we started in 2013 continues."*

FINANCIAL RESULTS—DETAILS

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

PLN '000	1Q 2014	1Q 2013	Change (%)	4Q 2013
Sales revenue	804,492	822,339	-2.2%	734,894
Operating profit (loss)	19,325	312	+6,093.9%	(49,759)
EBITDA	48,389	32,368	+49.5%	13,598
Net profit (loss)	8,908	(6,080)	n/a	(38,930)

The operations of Rottneros developed well during the first 3 months of 2014 and the company contributed to the Arctic Paper Group's results with EBITDA of PLN 16.4m in 1Q 2014.

Selected financial results of Arctic Paper (excluding Rottneros) in the 1st quarter of 2014

PLN '000	1Q 2014	1Q 2013	Change (%)	4Q 2013
Sales revenue	616,616	641,221	-3.8%	575,943
Operating profit (loss)	10,656	5,239	+103.4%	(30,332)
EBITDA	32,036	27,475	+16.6%	27,537
Net profit (loss)	2,325	(2,570)	n/a	(19,231)

In the second half of 2013, Arctic Paper began implementation of its restructuring plan, aimed at stimulating sales, reducing costs and strengthening the group's financial position. The effects of these measures, together with the decline in pulp prices and neutral exchange rates, translated into positive financial results.

Wolfgang Lübbert, CEO of Arctic Paper S.A., commented: *"The initiatives to improve the effectiveness of the group and to expand the product line are showing small but very significant results. Together with our ambitious attempts to strengthen our financial situation, we are showing progress."*



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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 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 68.27% 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