

# Public offer to the shareholders of Rottneros

Arctic Paper to form an integrated pulp and fine paper  
group with a leading position in Europe  
**Natural step to increase efficiency and create value**



Stockholm, 7 November 2012

## Important Information

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The shares in Arctic Paper have not been, and will not be registered under the United States Securities Act 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States unless such registration under the Securities Act is made, or an exemption from such registration is available.

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# 1. Overview



# Arctic Paper and Rottneros together – Deal Rationale

Fine paper	Leading integrated European pulp and fine paper player	Pulp
 <p>ARCTIC PAPER</p> <ul style="list-style-type: none"> <li>• Strong brand and a leading position on the book paper market in Europe</li> <li>• Large product range with a flexible production process and high use of production capacities</li> <li>• Four paper mills with efficient logistic set-up for all main markets</li> <li>• Unique sales and marketing network</li> <li>• Experienced management team</li> </ul>	<ul style="list-style-type: none"> <li>✓ Significant synergies</li> <li>✓ Extended control of value chain</li> <li>✓ Natural hedge for pulp prices within the Combined Group</li> <li>✓ Currency balance with reduced net USD exposure</li> <li>✓ Strong balance sheet, increased market cap → more interesting for investors</li> <li>✓ Well positioned to exploit new opportunities in pulp &amp; paper technology</li> </ul>	 <p>Rottneros</p> <ul style="list-style-type: none"> <li>• Modern and cost efficient production of chemical pulp, including interesting expansion opportunities</li> <li>• Leading supplier of customized mechanical market pulp that fits very well into the new company</li> <li>• Strong balance sheet</li> </ul>

# Arctic Paper and Rottneros – Background

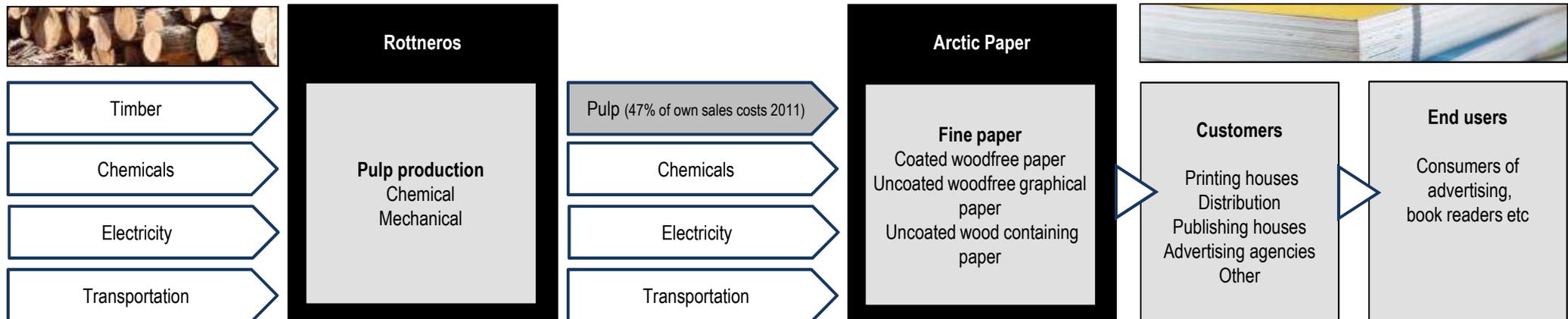
The deal is a proactive step to improve the joint positions in the on-going structural transformation of the industry

- ▶ Combination based on clear industrial logic, reduced fluctuation in cash generation and earnings with improved currency balance.
- ▶ Extended control of value chain.
- ▶ Cost synergies mainly in transport, logistics and overhead expenses totaling SEK 80 million annually.
- ▶ Will create critical mass in operations and on the capital markets.

## Production process

### Pulp production

### Paper production

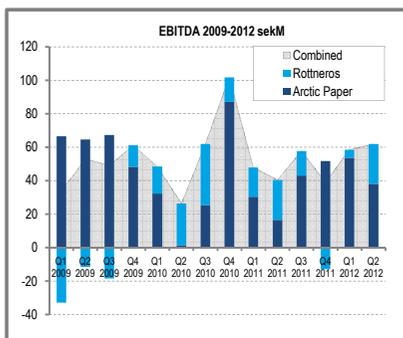


# Synergies, stability and critical mass



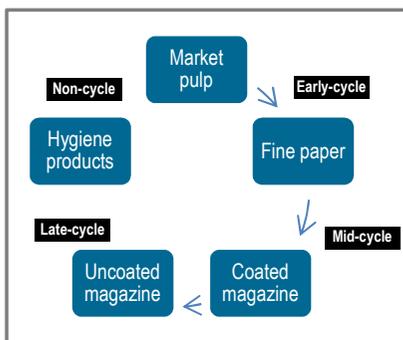
## Significant operational and financial synergies

- ▶ Close proximity of Rottneros' and Arctic Paper's mills reduces logistic costs as well as transport emission of greenhouse gases.
- ▶ Estimated total annual synergies of SEK 80 million within 12 to 18 months.
- ▶ Potential for substantial reductions of overhead costs.



## Decreased volatility in earnings and secured access to high quality pulp

- ▶ Creates a natural hedge for pulp prices fluctuations.
- ▶ Extended control of value chain.
- ▶ Reduced currency exposure to USD.
- ▶ Secures access to high quality pulp within the Group.
- ▶ Strengthened financial platform enables further productivity enhancing investments.



## Improved critical mass and stability

- ▶ Reduced volatility of financial performance, decreasing the perceived risk from lending banks and investors.
- ▶ Improved free float of Arctic Paper's shares.
- ▶ Access to two capital markets – Central Europe and Scandinavia.
- ▶ Company with higher market cap, more interesting for investors.

# The Offer to the shareholders in Rottneros

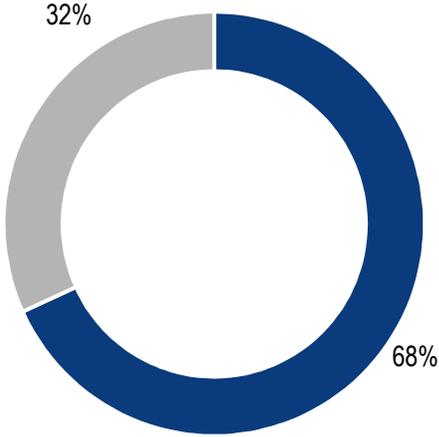
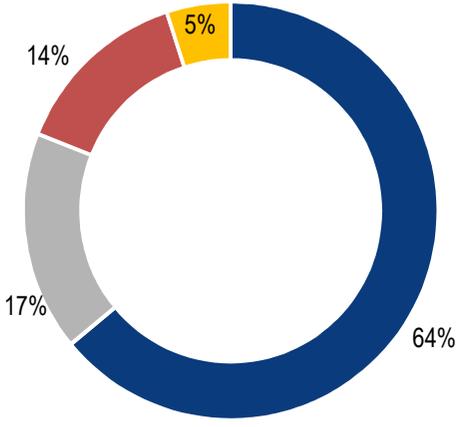
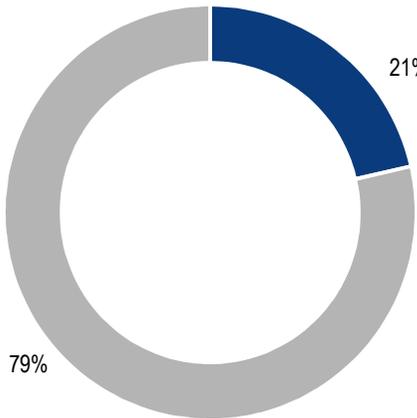
- ▶ A public tender offer from Arctic Paper to the shareholders of Rottneros.
  - ▶ The Offer is recommended by the board of Rottneros and supported by fairness opinions.
- ▶ The Offer consideration is new shares in Arctic Paper or, as an alternative, cash consideration for smaller shareholders.
  - ▶ All shareholders in Rottneros are offered 0.1872 new shares in Arctic Paper for each share in Rottneros. The Offer represents a value, based on Arctic Papers closing share price on 6 November, of SEK 2.30 per share in Rottneros, corresponding to a total value of SEK 351 million for all outstanding shares in Rottneros.
  - ▶ Shareholders in Rottneros holding 2,000 shares or less are , as an alternative, offered cash consideration of SEK 2.30 per share in Rottneros.
- ▶ The Offer represents a bid premium of
  - ▶ 27.3% compared to Rottneros' volume-weighted average share price during the last 90 calendar days up to and including 6 November 2012,
  - ▶ 26.2% compared to Rottneros' volume-weighted average share price during the last 30 calendar days up to and including 6 November 2012, and
  - ▶ 14.4% compared to Rottneros' closing share price on 6 November 2012, the last trading day prior to announcement of the Offer.

## 2. Description of the Combined Group



# Side by Side

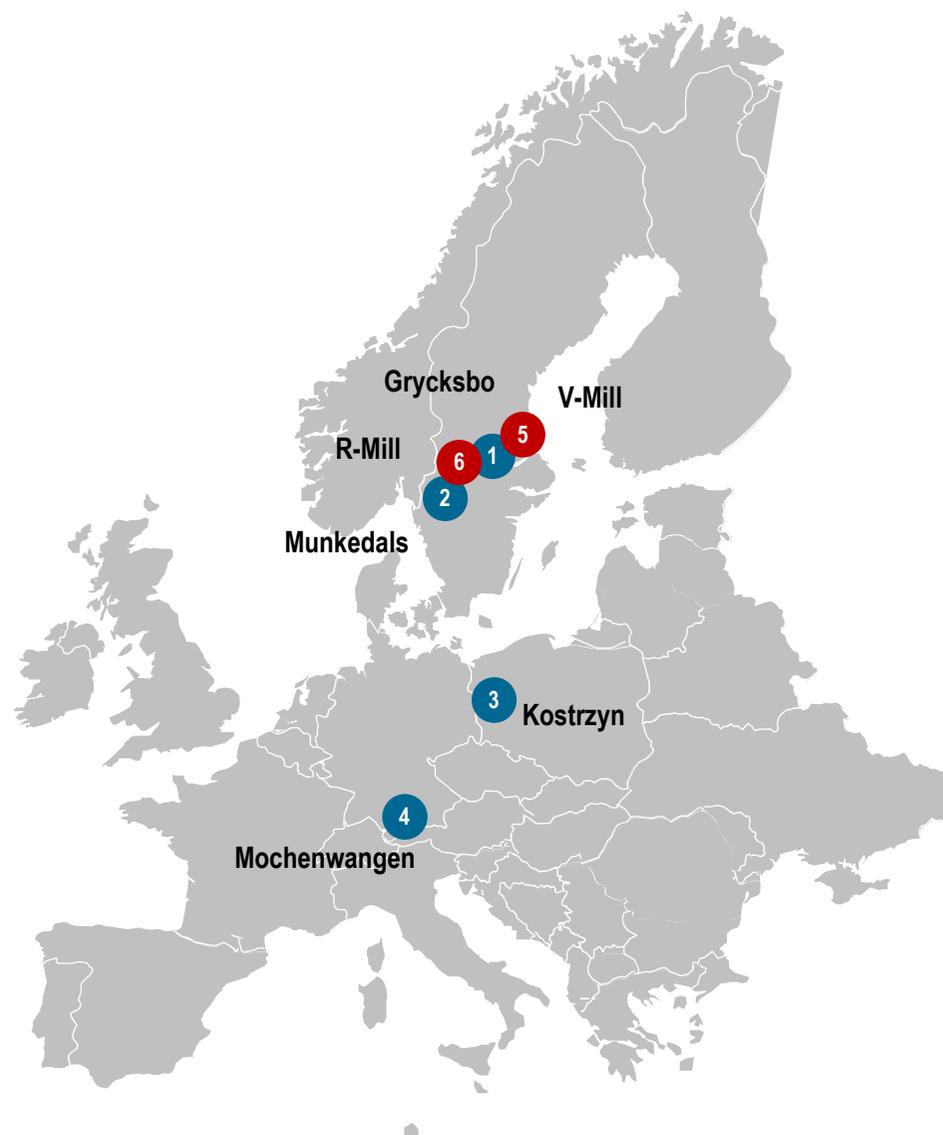
Combined the two companies form a truly international business with attractive balance between paper and pulp

	 ARCTIC PAPER	 Rottneros	Combined 2011A
<b>Business focus</b>	Fine Paper	Pulp	Integrated fine paper producer
<b>Production capacity</b>	820,000 fine paper 62,000 pulp <sup>1</sup>	410,000 pulp	820,000 fine paper 472,000 pulp
<b>Revenue 2011<sup>2</sup></b>	PLN 2,527m (SEK 5,552m)	PLN 689m (SEK 1,513m)	PLN 3,216m (SEK 7,065m)
<b>EBITDA 2011 (adj<sup>3</sup>)</b>	PLN 142m (SEK 311m)	PLN 45m (SEK 98m)	PLN 186m (SEK 409m)
<b>Revenue per product 2011</b>	 <ul style="list-style-type: none"> <li>■ Uncoated woodfree 68%</li> <li>■ Coated woodfree 32%</li> </ul>	 <ul style="list-style-type: none"> <li>■ Sulphate pulp 64%</li> <li>■ Groundwood pulp 17%<sup>4)</sup></li> <li>■ CTMP 14%</li> <li>■ Other 5%</li> </ul>	 <ul style="list-style-type: none"> <li>■ Pulp 21%</li> <li>■ Fine paper 79%</li> </ul>

1) The paper mill in Mochenwangen is partly integrated. 2) Based on average SEK/PLN for 2011 of 2.197 (Source: Riksbanken). 3) Rottneros EBITDA for 2011 is adjusted for write-downs and one-off costs. The effect is SEK +95m. 4) Continuous production of ground wood pulp to cease by March 2013.

# Production facilities

#	Mill	Production capacity
1.	<b>Grycksbo</b> Coated wood-free paper, Bulky coated paper Brand: G-Print and Arctic	265,000
2.	<b>Munkedals</b> Uncoated wood-free paper, Premium offset paper and book paper Brand: Munken and Amber	160,000
3.	<b>Kostrzyn</b> Uncoated wood-free paper, Offset and preprint paper Brand: Amber	280,000
4.	<b>Mochenwangen<sup>1</sup></b> Bulky wood-containing paper, Book paper and offset paper Brand: Pamo and L-print	115,000
<b>Total paper</b>		<b>820,000</b>
5.	<b>V-Mill</b> Two grades of long-fibre sulphate pulp (ECF and UKP)	240,000
6.	<b>R-Mill</b> Mechanical pulp, groundwood and CTMP pulp	170,000
<b>Total pulp</b>		<b>410,000</b>



1) In addition the paper mill in Mochenwangen has a production capacity of 62,000 tonnes pulp .

# Business strategy

Based on the existing strengths of the Combined Group, we will adapt to changing market opportunities and threats by:

- Continuously developing our unique sales, marketing and distribution resources in Europe.
- Exploiting our strong foothold in the expanding Central and Eastern European markets.
- Leveraging on our interesting pipeline of new fine paper products.
- Increasing the efficiency in pulp production through new opportunities.



## Governance, domicile and secondary listing

- ▶ After completion of the Offer, Arctic Paper's Supervisory Board is proposed to consist of current members Olle Grundberg (as Chairman), Rune Ingvarsson, Thomas Onstad, Fredrik Plyhr, Jan Ohlsson and Mariusz Grendowicz.  
In addition, two additional independent members of the Supervisory Board, with experience from Swedish industry and capital markets, are proposed to be elected in consultation with representatives of Rottneros' shareholders.
  - ▶ The proposal is supported by Nemus Holding and Accent Equity who has undertaken to vote in favor of such proposal.
- ▶ Michal Jarczyński will remain CEO of the Combined Group (currently CEO of Arctic Paper).
- ▶ Arctic Paper has applied for a secondary listing on NASDAQ OMX Stockholm and is expected to be approved in advance of the preliminary settlement date on 20 December 2012, which also will be the first day of trading on NASDAQ OMX Stockholm.
- ▶ Arctic Paper will continue to be primary listed on the Warsaw Stock Exchange.

# Pro forma shareholdings

<b>Shareholder</b>	<b>Shares in Arctic Paper</b>	<b>Shares in Rottneros</b>	<b>Shares in the Combined Group</b>	<b>Percentage of shares/votes in the Combined Group</b>
Nemus Holding AB	41,479,500	30,857,435	47,256,011	56.3%
Accent Equity	2,671,500		2,671,500	3.2%
Skagen Vekst		11,452,911	2,143,984	2.6%
Danske Bank A/S		6,451,273	1,207,678	1.4%
DNB Bank ASA		6,451,273	1,207,678	1.4%
Clearstream Banking SA		5,601,100	1,048,525	1.2%
Robur Försäkring		4,754,414	890,026	1.1%
Aliz Invest AB		4,500,000	842,400	1.0%
JP Morgan Bank		3,802,532	711,833	0.8%
BBVA Ireland P.L.C.		2,323,139	434,891	0.5%
Other current Rottneros shareholders		76,377,848	14,297,938	17.0%
Other current Arctic Paper shareholders	11,252,500		11,252,500	13.4%
<b>Total number of outstanding shares</b>	<b>55,403,500</b>	<b>152,571,925</b>	<b>83,964,964</b>	<b>100.0%</b>

- ▶ Assuming 100 percent acceptance of the offer and that no eligible shareholders choose the cash alternative.
- ▶ Arctic Paper only has reliable information about shareholders who have notified Arctic Paper upon reaching 5.0 percent or more. Currently only Nemus Holding has notified Arctic Paper about such. Nemus' shares in Arctic Paper are held its wholly-owned subsidiary Trebruk AB.
- ▶ Based on published information, it has been possible to establish that Arctic Paper likely has a number of large financial institutions among its owners. In the Polish pension funds disclosure at end of December 2011, the following institutions were indicated as shareholders (with corresponding percentage of capital and votes in Arctic Paper): Aegon (0.4 percent), Amplico (0.3 percent), Axa (1.0 percent), Generali (3.5 percent), ING (3.6 percent), Nordea (1.8 percent), Pocztynion (0.2 percent) and PZU (0.8 percent). Accordingly, in total 11.7 percent of the shares and votes in Arctic Paper were owned by these pension funds at the end of December 2011.
- ▶ Furthermore, Accent Equity has separately informed Arctic Paper that it holds 4.8 percent of the shares and votes in Arctic Paper.
- ▶ Arctic Paper also has Polish private shareholders, including employees such as Arctic Paper's CEO.

# 3. Financial information



# Combined financials 2011 and 9 months 2012

- ▶ Combined statements show actual historical figures as if the two companies were combined from 1 January 2011.
  - ▶ Adjustments for write-downs and one-off costs in Rottneros for 2011 have been made increasing EBITDA with SEK 95 million and EBIT with 148 million.
  - ▶ Arctic Paper EBIT and Net profit have been adjusted for impairment write-downs in 2011. The effect of the adjustment is an increase of the results of SEK 24 million (PLN 11 million).
  
- ▶ In addition, going forward, synergies are estimated to improve profits on EBITDA level with SEK 80 million (PLN 39 million) and will be fully realized within 12 to 18 months.

Combined group financials				
(SEK million)	Arctic Paper <sup>1</sup>	Rottneros <sup>2</sup>	Adjustments <sup>4</sup>	The Combined Group
<b>Full year 2011</b>				
Sales revenue	5,552	1,513	-120	6,946
EBITDA	311	98		409
EBIT	31	31		62
Net profit	51	4		55
Net debt	709	26		735
Equity	1,484	1,014		2,498
<i>EBITDA margin %</i>	5.6%	6.5%		5.9%
Net debt/EBITDA	2.3	0.3		1.8
Earnings per share	0.92	0.02		0.64
<b>January-September 2012</b>				
Sales revenue	4,124	1,108	-67	5,165
EBITDA	278	45		323
EBIT	86	5		91
Net profit	34	-3		31
Net debt	660	35		695
Equity	1,406	1,004		2,410
<i>EBITDA margin %</i>	6.7%	4.1%		6.2%
Net debt/EBITDA <sup>3</sup>	1.8	0.6		1.6
Earnings per share	0.61	-0.02		0.36

<sup>1</sup> Arctic Paper's EBIT and Net profit have been adjusted for write-downs in 2011. The effect is SEK 24 million on both levels.

<sup>2</sup> Rottneros' EBITDA and EBIT have been adjusted for write-downs and one-off costs in 2011. The effect is SEK 95 million and SEK 148 million on respective level.

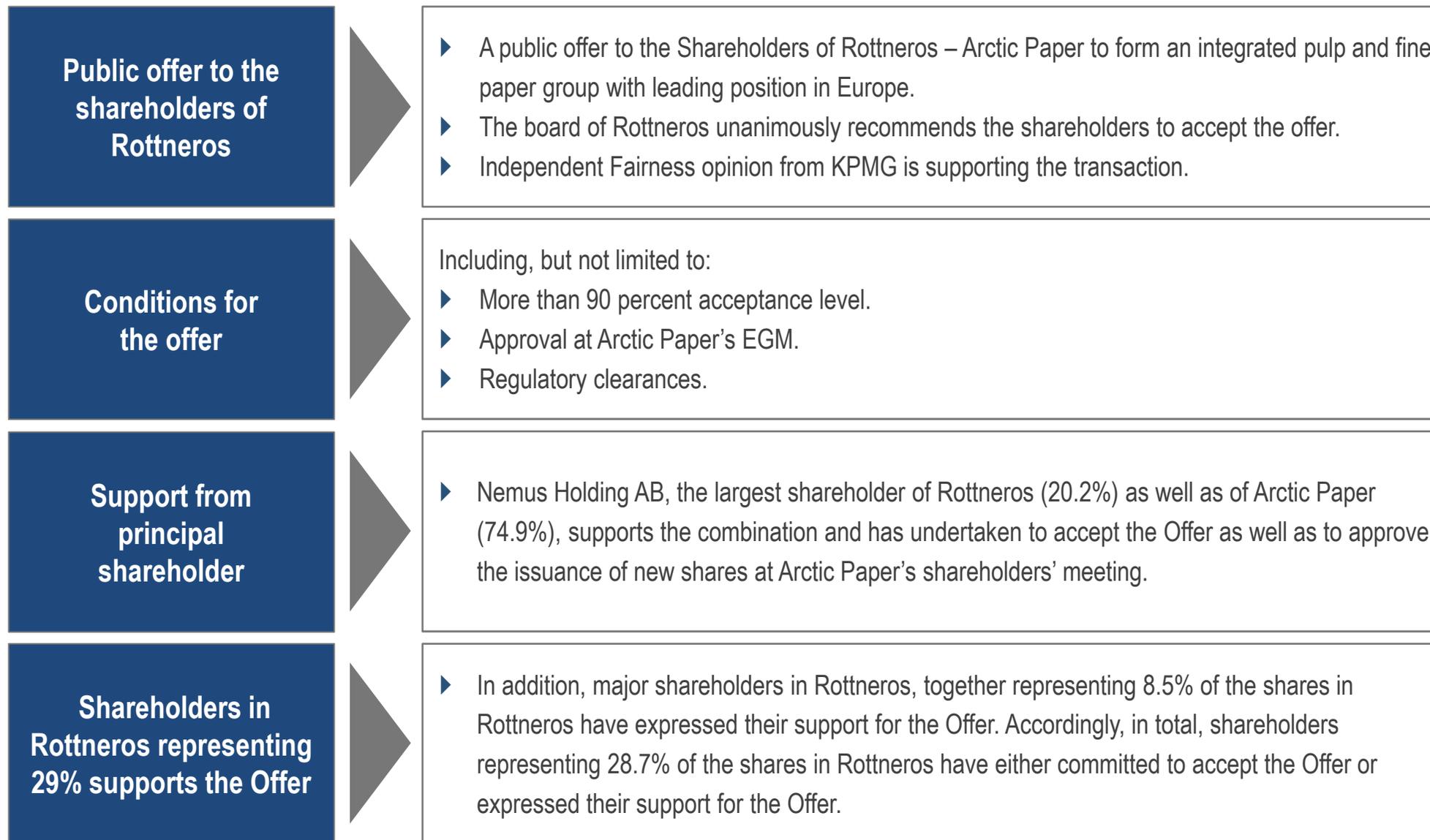
<sup>3</sup> EBITDA annualized by multiplying EBITDA for January-September 2012 by 4/3.

<sup>4</sup> Elimination of intra-group transactions.

# 4. Transaction in detail



# The Offer to the shareholders in Rottneros



## The Offer to the shareholders in Rottneros (cont'd)

<b>0.1872 new shares in Arctic Paper or SEK 2,30 for each share in Rottneros</b>	<ul style="list-style-type: none"><li>▶ The Offer consideration is new shares in Arctic Paper or, as an alternative, cash consideration for smaller shareholders.<ul style="list-style-type: none"><li>▶ All shareholders in Rottneros are offered 0.1872 new shares in Arctic Paper for each share in Rottneros.</li><li>▶ Shareholders in Rottneros holding 2,000 shares or less are, as an alternative, offered SEK 2.30 for each share in Rottneros.</li></ul></li></ul>
<b>Bid premium of 27% compared to Rottneros' 90 days share price average</b>	<ul style="list-style-type: none"><li>▶ The offer represents a bid premium of 27.3% during the last 90 calendar days, up to and including 6 November 2012 and a bid premium compared to Rottneros' volume-weighted average share price of 26.2% during the last 30 calendar days. Furthermore, the offer represents 14.4 % compared to Rottneros' last paid share price before the trading halt on 6 November 2012, the last trading day prior to announcement of the Offer.</li></ul>
<b>Secondary listing on NASDAQ OMX</b>	<ul style="list-style-type: none"><li>▶ Arctic Paper has applied for a secondary listing on NASDAQ OMX Stockholm and is expected to be approved in advance of the preliminary settlement date on 20 December 2012, which also will be the first day of trading on NASDAQ OMX Stockholm.</li><li>▶ Arctic Paper will continue to be primary listed on the Warsaw Stock Exchange.</li></ul>
<b>Rottneros shareholders in control of 34% post transaction</b>	<ul style="list-style-type: none"><li>▶ Post transaction, Rottneros shareholders will represent a maximum of 34.0 % of the total number of shares in Arctic Paper<sup>1</sup>.<ul style="list-style-type: none"><li>▶ Nemus Holding AB will control 56.3% of the combined company.</li><li>▶ The number of shares composing the free float in Arctic Paper will increase.</li></ul></li></ul>

1) All calculations based on 100% acceptance level and that no shareholders choose the cash alternative.

## Preliminary timetable

- ▶ 21 November 2012 Offer document made public
- ▶ 22 November - 12 December 2012 Acceptance period
- ▶ 3 December 2012 Arctic Paper EGM
- ▶ 20 December 2012 Settlement and first day of trading on NASDAQ OMX



# 5. Summary & conclusions



# Arctic Paper and Rottneros together – Summary & conclusions

The companies form an integrated fine paper player with a leading position in Europe

Fine paper	Deal rationale	Pulp
 <p>ARCTIC PAPER</p>	<ul style="list-style-type: none"><li>✓ Significant synergies</li><li>✓ Extended control of value chain</li><li>✓ Natural hedge for pulp prices within the Combined Group</li><li>✓ Currency balance with reduced net USD exposure</li><li>✓ Strong balance sheet and increased market cap</li><li>✓ Well positioned to exploit new opportunities in pulp &amp; paper technology</li></ul>	 <p>Rottneros</p>

# 6. Questions & answers



The background features a complex pattern of overlapping circles and vertical lines. The circles are formed by multiple concentric, slightly offset lines, creating a sense of depth and movement. The vertical lines are also composed of multiple parallel lines, some of which are thicker than others, creating a textured effect. The overall color palette is monochromatic, using shades of gray and white.

Thank you

**[www.arcticpaper.com](http://www.arcticpaper.com)**

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