



# 4P strategy

## 2022-2030

Future strategy for growth and a diverse,  
carbon neutral and renewable group.

All figures and projections for the future are illustrations of the new strategy or goals, not a forecast.

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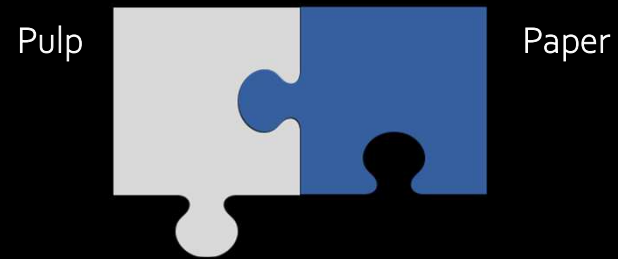
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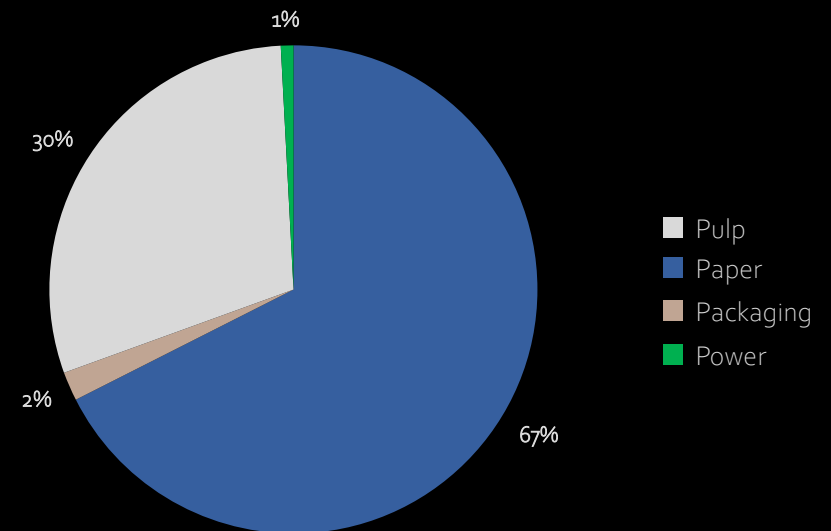
# Arctic today



Arctic Paper today

## Revenue per segment

- Group focused on pulp and graphical paper production
- No 5 producer of graphical paper in Europe
- No 1 producer of premium book & design paper in Europe
- Well positioned producer of high-yield market pulp in Europe
- Two thirds of energy needed produced on-site
- 50% consumed energy from renewable sources
- Revenue 2020: 2 847 mPLN
- EBITDA 2020: 271 mPLN

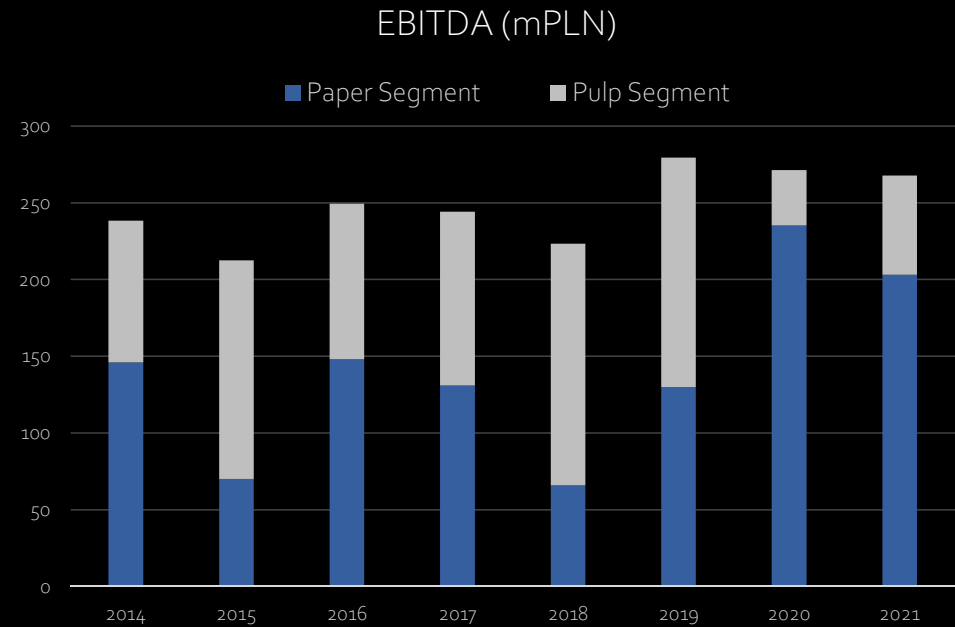


97% of revenues generated in pulp and paper segments

Arctic Paper today

## Combination of paper & pulp

- An effective business hedge over the years
- Stable results despite business cycles
- Two segments based on natural & renewable material



Arctic tomorrow

Arctic Group tomorrow

## Major trends pave the way for change

- Decreasing market for graphical paper due to digitalisation
- Booming e-commerce boost the demand for packaging
- Shift from plastic to smart fiber-based packaging solutions
- European energy prices are rising due to decarbonisation trend and the EU green deal package Fit for 55
- New demands for sustainability offer new market potentials



## Expanding business – value growth

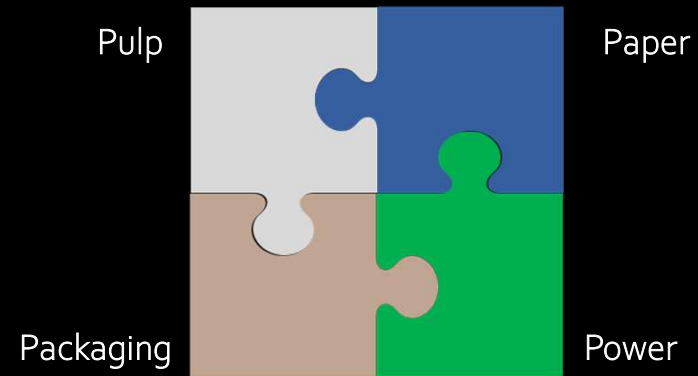
2020	2030
High level of production capacity usage	Investment in new production assets
Dependency on few markets	Revenue diversification with strong synergies
Limited potential to grow	Increased focus on fast growing markets
Exposure to volatile markets	A more balanced development
Unsatisfactory profitability	Better margins – higher profitability

# New strategy

The new 4P strategy is built on the ambition to grow using the synergies between the two existing pillars paper and pulp and new investments in packaging and energy to reach a sustainably higher profitability and resilience of the group.

New strategy

## A strategy built on four pillars with a strategic fit



New strategy

## 4P – the new strategy 2022-2030

The European graphical markets are decreasing and new demands regarding sustainability are offering new market potentials, especially in packaging, green energy solutions and wood pulp.

Arctic will stay as reliable producer of high quality, branded graphic paper and supplier of high-quality pulp and we see opportunities in fast growing segments – packaging & power. Based on our two well-established segments – pulp & paper – we see lot of positive synergies between our business today and new segments.

The new strategy has been created to use these new possibilities and to create a solid future, using natural renewable resources and balancing different business cycles on the following four pillars: paper, packaging, pulp and power – called the 4P strategy.

New strategy

## A strategy built on four pillars

Pillar	Today' structure by revenue	2025 structure by revenue	2030 structure by revenue
<b>Paper</b> Leading position in subsegment books and design paper. Focus on stable niches where premium products based on renewable material is valued. Three mills – 700 kton 2030.	67 %	57%	46%
<b>Pulp</b> Through the ownership of 51% of the Swedish pulp producer Rottneros, Arctic Paper is well positioned to grow in the pulp pillar.	30 %	29%	29%
<b>Packaging</b> Arctic Paper launched its first papers for packaging 2019 and has a fast-growing range. Above that, investments will be made in new packaging projects.	2 %	11%	18%
<b>Power</b> Arctic Paper has a long tradition of investing in renewable energy sources. The plan is to invest in green energy projects reaching 100 MW installed renewable power generation.	1 %	3%	7%

New strategy

## A strategy built on four pillars

Pillar	Goal 2025	Goal 2030
<b>Paper</b> Leading position in subsegment books and design paper. Focus on stable niches where premium products based on renewable material is valued. Three mills – 700 kton 2030.	85/15% mix paper/pack	80/20% mix paper/pack
<b>Pulp</b> Through the ownership of 51% of the Swedish pulp producer Rottneros, Arctic Paper is well positioned to grow in the pulp pillar.	Up to 3% growth per year	Up to 3% growth per year
<b>Packaging</b> Arctic Paper launched its first papers for packaging 2019 and has a fast-growing range. Above that, investments will be made in new packaging projects.	400 MPLN revenue	800 MPLN revenue
<b>Power</b> Arctic Paper has a long tradition of investing in renewable energy sources. The plan is to invest in green energy projects reaching 100 MW installed renewable power generation.	40 MW new generation wind/solar	100 MW new generation wind/solar

An aerial photograph of a dam and its downstream rapids. The water is dark and turbulent, with white foam from the rapids. A concrete dam structure is visible on the left side of the frame. The surrounding area is lush with green trees.

# Power

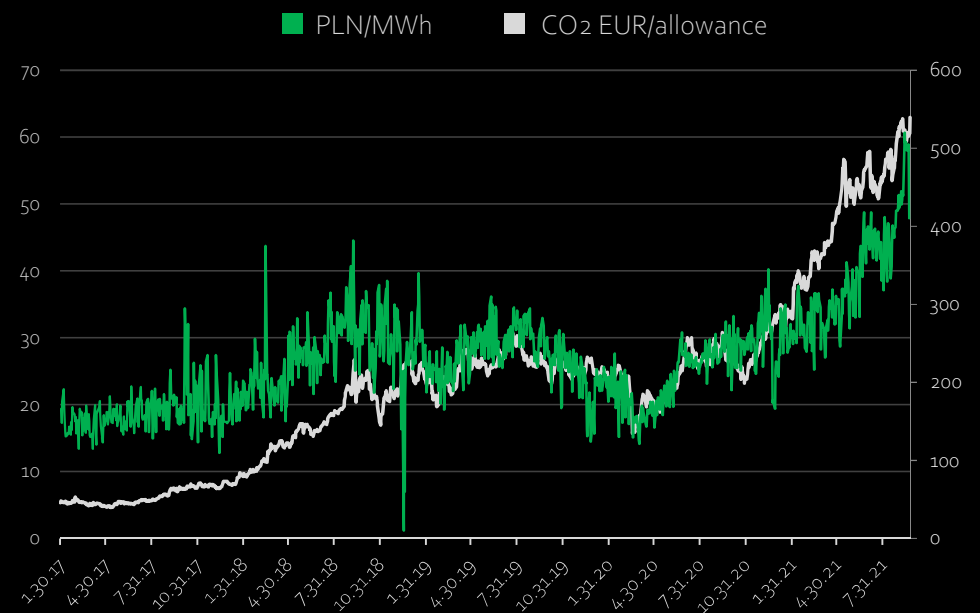
It's all about energy. The shift from fossil to non-fossil energy sources is one of the main tasks for this planet. We are taking measures to create this future. Behind our power pillar stands the clear vision to make this change possible. Hydropower, solar panels and other green energy in combination with intelligent waste/bio energy plants - all based on renewable sources.

Power

## The market

- Ongoing decarbonization of Polish and European Power generation sector
- Increasing costs of fossil energy due to growing carbon emission allowances prices
- Rapid increase of electricity prices

Electricity & CO<sub>2</sub> prices





Power

## We have competences in energy generation

2021 (LTM)	2022-2030 actions	2030
3 TWh Annual energy volume	450 mPLN Total capex	4 TWh Annual energy volume (generation and trading)
0,8 MW Solar sources	30% (2022-2024) & 70% (2025-2030) capex distribution over time	40 MW Solar sources
0 MW Wind sources		60 MW Wind sources
6 MW Hydro sources		8 MW Hydro sources
6 MW Bioenergy		8 MW Bioenergy
< 2% Share in group revenue		> 7% Share in group revenue



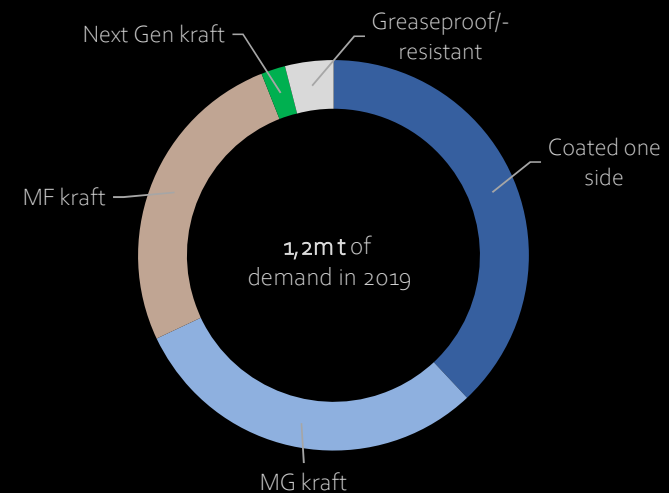
# Packaging

Packaging is needed to protect, prolong shelf life of products and promote goods. We feel a duty to create intelligent alternatives to plastic packaging, based on renewable resources to reduce microplastic particles in sea, soil and food. In 2019 we started the process to launch papers for the booming non-plastic packaging market.

## The market

- Addressable European flexible market was 1,2 mln tons in 2019
- Flexible packaging paper market is expected to have a CAGR of ca. 8% in 2020-2029
- Market need of modern sustainable and recyclable products with high barrier functions
- Main growth drivers:
  - Sustainability
  - Plastic replacement supported by legislation
  - Consumer expectations

Current split of flexible packaging papers: By paper grade



Source: Afry 2021

Packaging

## We have experience to develop the packaging segment

2021 (LTM)	2022-2030 actions	2030
20 kt Packaging paper annual volume	200 m PLN Total capex	120 kt Packaging paper annual volume
Packaging kraft paper Development phase	40% (2022-2024) & 60% (2025-2030) Capex distribution over time	Packaging kraft paper, fiber based products, barrier paper, microflute Nature material & renewable products
< 2% Share in group revenue	Fiber based products, barrier paper, microflute New product lines development	2022-30 CAGR 23% expected revenue growth  ca. 40% New products share in packaging revenue  18% Share in group revenue

# Paper

Since hundreds of years paper is the base for communication. Today, Arctic Paper is a European producer of premium paper with strong brands and a leading position in the markets for high quality book and design paper. Paper will remain an important part of the business. Arctic Paper will continue to develop its position in stable, profitable niches of the market with the help of new innovative products and strong brands.

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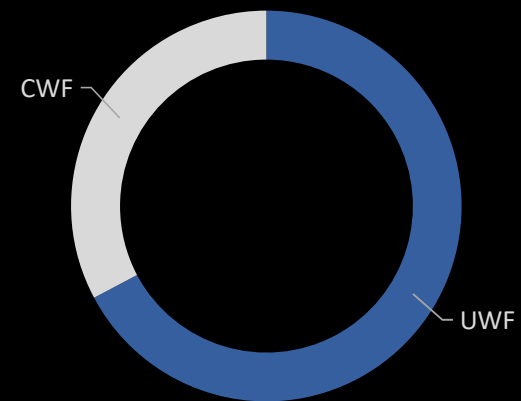
Paper

## The market

Main trends in the graphical paper market in last years:

- General graphical market declined by 1-3% annually with slight underperformance of Coated Woodfree market
- Stable market size of high quality bookpaper
- Stable increase of design and speciality segments

2020 European demand 11,9m t



Graphical paper

## We will remain a leading player in premium paper

2021 (LTM)	2022-2030 actions	2030
3 Paper mills	540 mPLN Total capex	3 Paper mills
650 kt Production volume	35% (2022-2024) & 65% (2025-2030) Capex distribution over time	580 kt (+120 kt packaging) Production volume
97 % paper (3 % packaging) Use of paper mills production capacity	Shift in the mix More packaging	80 % paper (20 % packaging) Use of paper mills production capacity
Number 1 In European high quality book- and design paper		Number 1 In European high quality book- and design paper
67% Share in group revenue		46% Share in group revenue



# Pulp

As a material based on a renewable resource, wood pulp plays a key role in the circular economy. Through the ownership of 51 percent of the Swedish producer of long-fiber wood-pulp and high-yield pulp Rottneros, Arctic Paper is well positioned to grow in sustainable pulp production for paper, packaging, tissue and technical applications.

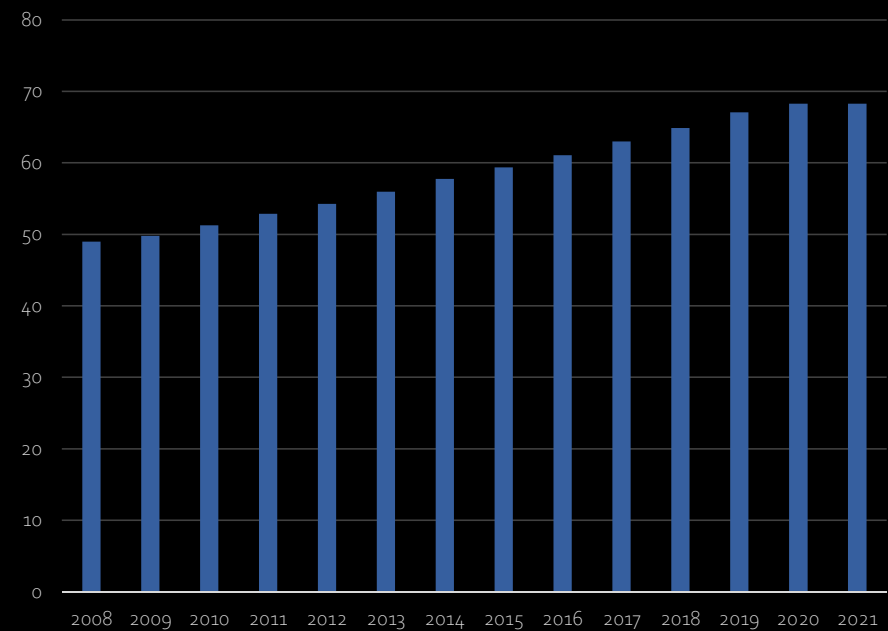


Pulp

## The market

- Sustainable product
- 2022-30 CAGR market growth expected at ca. 4,0%
- Key applications in packaging, paper, hygenics products and attractive multiple niche applications
- High entry barriers
- Demand driven by global trends
- Counter-cyclical business vs. paper production

Market pulp from non-integrated producers  
(mln t)



Source: Hawkins

Pulp

## Our expanding pulp business is a core activity

2021 (LTM)

2  
Pulp mills

417 kt  
Production volume

30%  
Share in group revenue

2022-2030 actions

3%  
annual growth

2030

2  
Pulp mills

500+ kt  
Production volume

Growth in packaging, tissue & technical  
pulp segments

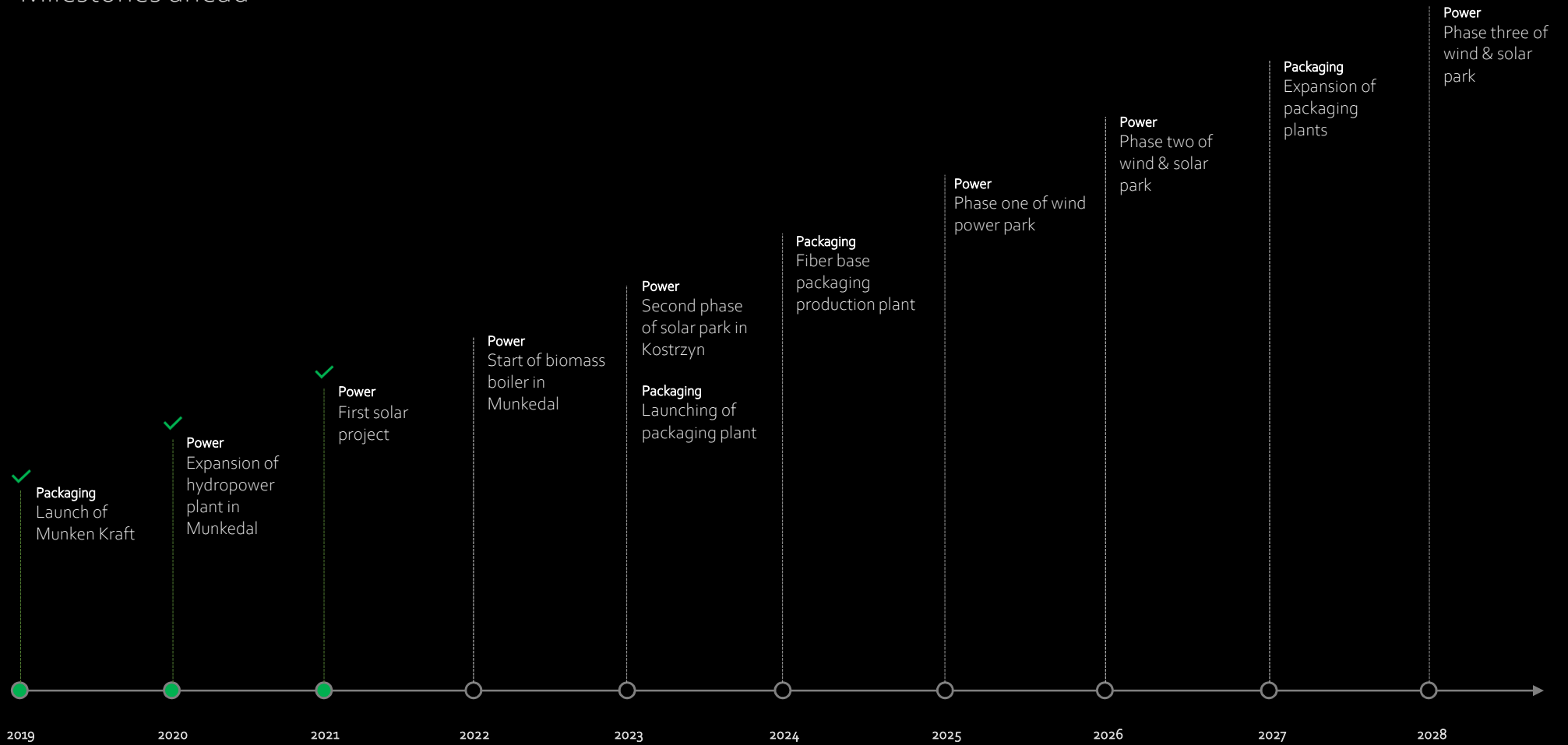
29%  
Share in group revenue

The way forward

The way forward

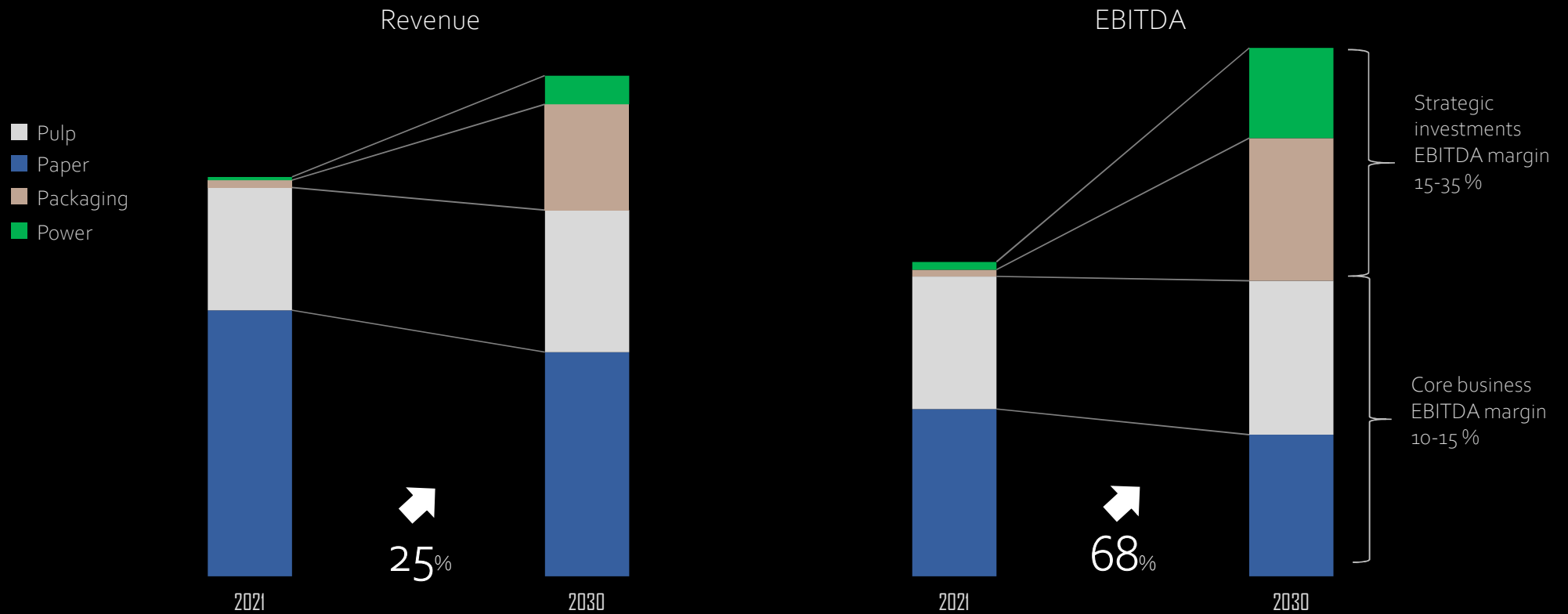
# The road map

Milestones ahead



The way forward

# Shifting towards a more balanced and profitable portfolio

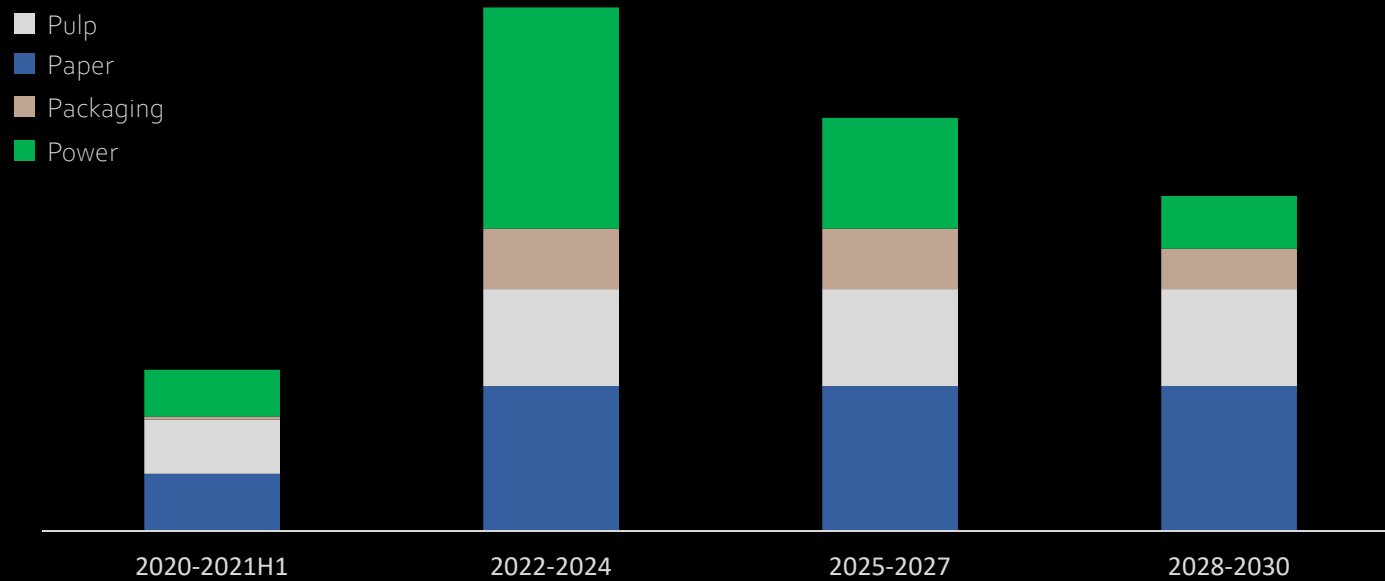


The way forward

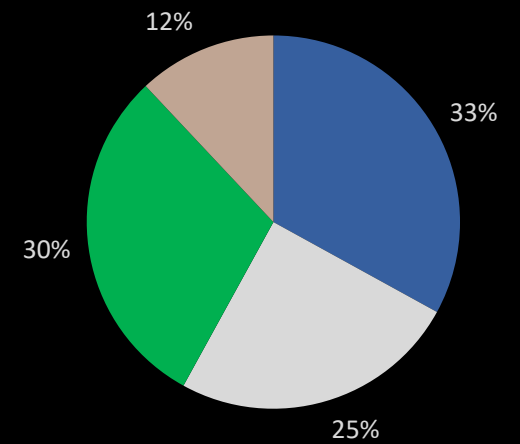
# Capex: 40 % investments in packaging and power

Funding: 40 % own equity, 60 % loans to optimise the balance structure

Capex 2020-2030



Capex 2022-2030



The way forward

## Sustainability goals 2035

100%

Renewable business

CO<sub>2</sub> neutral: paper &  
packaging by 2030

CO<sub>2</sub> neutral  
– all pillars by 2035

Combating climate change through products and solutions based on renewable materials and renewable energy, while replacing plastic and fossil materials, is a natural part of Arctic Paper's new strategy. For paper and packaging, the goal is to become carbon neutral by 2030, and for the Group this will be achieved by 2035.

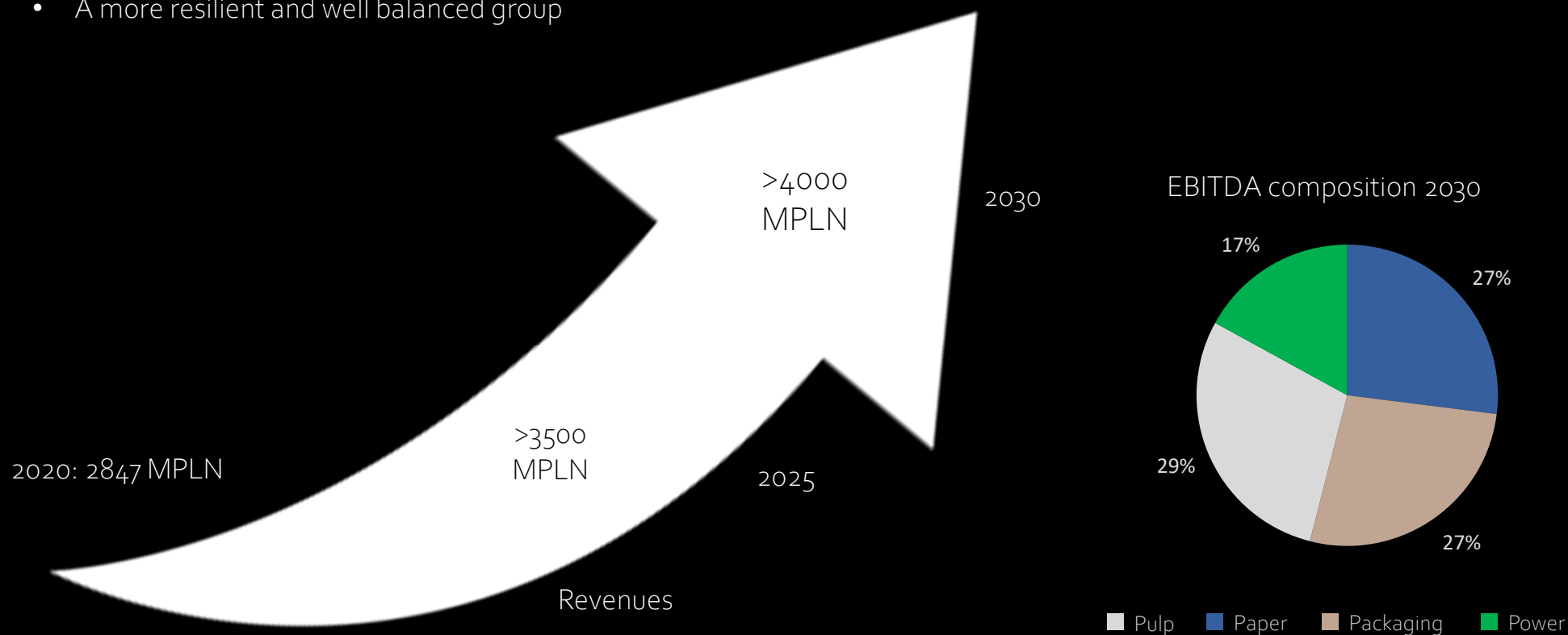
2035

The way forward

## A summary of the new strategy

- Growth in fast-growing areas
- Better margins and higher profitability
- A more resilient and well balanced group

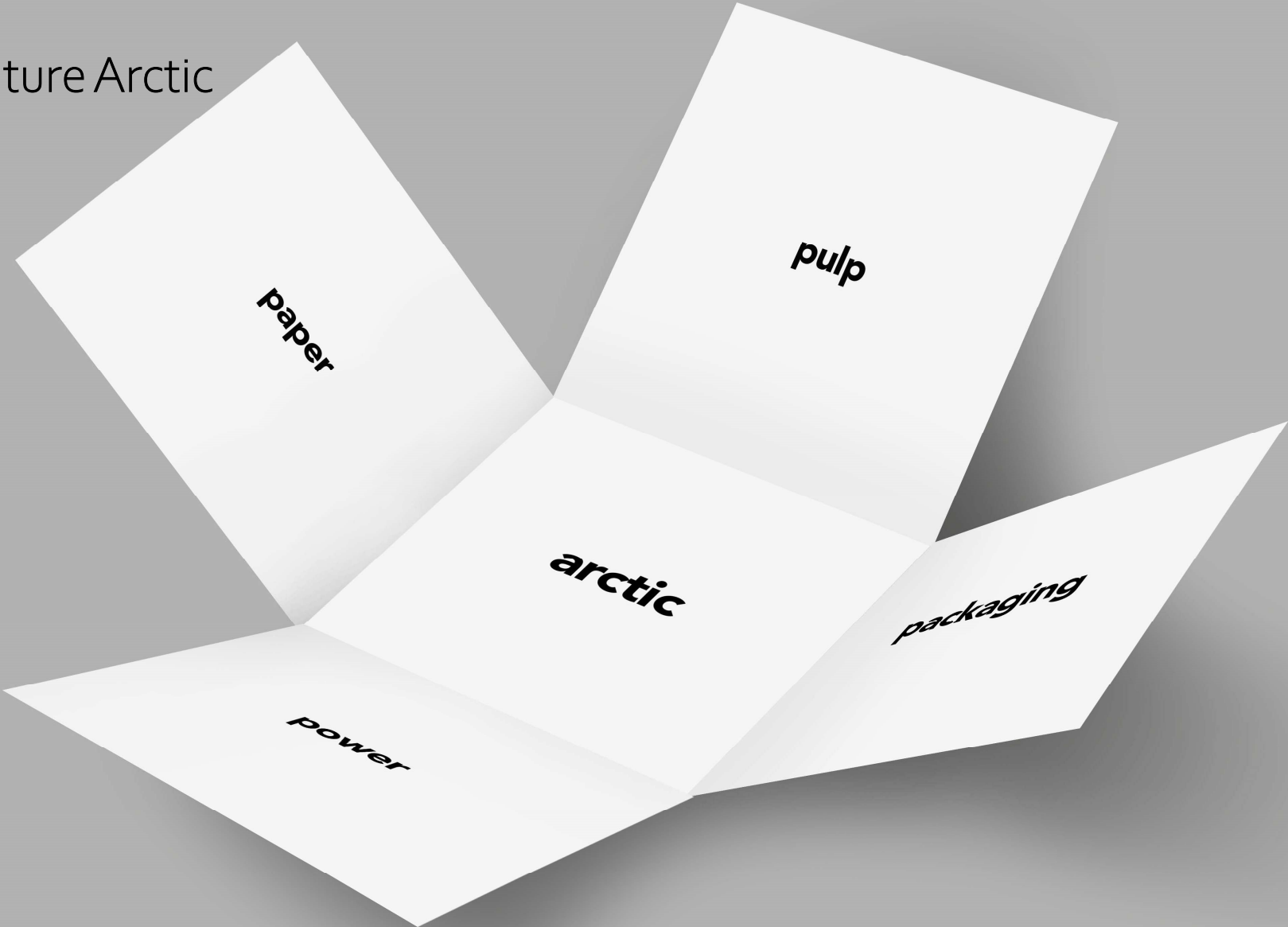
### CO<sub>2</sub> neutral 2035





New strategy

# 4P for future Arctic



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