



## PRESS RELEASE

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Arctic Paper S.A., Q4 2019—preliminary results\*:

**Paper segment boosting profit improvement*****Paper & Pulp – a resilient combination over time***

- Q4 sales revenue amounted to PLN 739.7mn (EUR<sup>1</sup> 172.1mn).
- Q4 EBITDA was PLN 34.9mn (EUR<sup>1</sup> 8.1mn), Q4 EBIT PLN 13.2mn (EUR<sup>1</sup> 3.1mn).
- FY 2019 sales revenue amounted to PLN 3,117.1mn (EUR<sup>1</sup> 725.1mn).
- FY 2019 EBITDA was PLN 278.0mn (EUR<sup>1</sup> 64.7mn), FY EBIT PLN 191.4mn (EUR<sup>1</sup> 44.5mn).
- Paper production capacity increase in Kostrzyn completed.
- Paper segment reached 94% capacity usage for 2019.
- New annual record in sales of special and premium paper products.
- Successful pilot project in packaging segment. Transition continues throughout 2020.
- Accurate fulfilment of Profit Improvement Program to increase efficiency.
- Management board suggests a dividend of PLN 0.20 per share.

\*The entire audited report for FY2019 will be published on March 26.

**Preliminary selected financial results: Arctic Paper Group & Arctic Paper (paper segment)**

PLN (million)	Q4 2019	Q4 2018	Change	FY 2019	FY 2018
Sales revenue, Arctic Paper Group	739.7	780.7	-41.0	3,117.1	3,158.2
Sales revenue Arctic Paper (paper segment)	532.0	539.1	-7.1	2,206.8	2,263.3
EBITDA, Arctic Paper Group	34.9	3.0	+31.9	278.0	218.8
EBITDA Arctic Paper (paper segment)	31.0	-12.3	+43.3	125.8	66.0
EBIT, Arctic Paper Group	13.2	-21.4	+34.6	191.4	126.0
EBIT Arctic Paper (paper segment)	17.0	-27.9	+44.9	73.0	4.9
Net profit, Arctic Paper Group	5.5	-35.0	+40.5	124.7	55.9
Net profit, Arctic Paper (paper segment)	35.3	-40.3	+75.6	80.0	-31.0
Net profit per share <sup>2</sup> (PLN/share)	0.15	-0.55	+0.70	1.19	0.11
Net debt	159.0	280.7	-121.8	159.0	280.7

Arctic Paper Group consists of Arctic Paper S.A. (parent company), Arctic Paper mills (paper segment) and pulp producer Rottneros AB, in which Arctic Paper S.A. holds a 51% stake.

<sup>1</sup> Arctic Paper S.A. reports in PLN. In the English press release, the amounts above were converted to EUR at the average rates for the quarter respectively.

<sup>2</sup> Net profit per share: net profit for the paper segment plus 51% of the net profit for Rottneros divided by the number of shares.

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***“The combination of distinct performance improvements for the paper segment, the launch of new premium paper and packaging products, and a stable pulp segment, raised profitability at consolidated level to one of the best annual results in the Group's history. As a result, we propose a dividend of 0,20 PLN per share.”***

*Michał Jarczyński, CEO of Arctic Paper S.A.*

Against market developments and seasonal trends, the year 2019 ended with a stronger fourth quarter, with sales totalling PLN 739.7mn (as compared to PLN 780.7mn in Q4 2018) and EBITDA of PLN 34.9mn (3.0mn). A more balanced market with lower raw material prices favoured the paper segment. For the full year, the Group achieved sales of PLN 3,117.1mn (3,158.2mn) with EBITDA of PLN 278.0mn (218.8mn), a strong cash flow of PLN 342.3mn (148.6mn) and a Group Net Debt/EBITDA below 0.6. This shows the benefits of combining paper and pulp: two segments with different cycles—both based on renewable resources—which together provide stable, resilient development.

Our Profit Improvement Program for the paper segment 2019–2020 is being implemented according to plan. Together with lower raw material costs, this contributed to increasing the profit for the paper segment during Q4 to PLN 35.3mn (-40.3mn) on a turnover of PLN 532.0mn (539.1mn). For 2019, the paper segment generated an EBIT margin of 3.3%, and in Q4 the margin was 3.2%. The work to increase efficiency and strengthen the margin has continued with great determination, and during the period we started lean projects, a method that has been successfully used in Grycksbo, also for the mills in Kostrzyn and Munkedal.

Despite weak paper and packaging markets, capacity utilization remained high at 96% during the fourth quarter and paper production was 151,000 tonnes (150,000). Sales amounted to 150,000 tonnes (145,000), with speciality and premium paper sales reaching a new record level of 23.5% percent (22%) in volume and 29% (27%) in value at year-end thanks to our strong brands and recently launched products.

The successful pilot of kraft paper for the packaging market in 2019 resulted in a new portfolio, Munken Kraft. The modernization of PM1 Kostrzyn and innovation grant from the Polish NCBiR are helping accelerate the change to new products for the packaging market. This transition is also supported by the ongoing global shift from plastic to paper in the market. Here Arctic Paper is well positioned, with a long tradition in sustainability.

For the Group company Rottneros—the pulp segment—Q4 was characterized by a weak market situation, which together with the normal maintenance shutdown in Vallvik resulted in a negative EBIT. Q4 sales amounted to SEK 547mn (580mn) and EBITDA SEK -5mn (39mn). For the full year 2019, pulp segment sales amounted to SEK 2,376mn (2,260mn) with an EBIT of SEK 268mn (295mn), while production reached a new annual record of 406,000 tonnes (401,200).

The combination of distinct performance improvements for the paper segment, the launch of new premium paper and packaging products, and a stable pulp segment, raised profitability at the consolidated level to one of the best annual results in the Group's history. As a result, we propose a dividend of PLN 0.20 per share. This does not mean that we are at ease—on the contrary. The improvement work will continue at the same pace during 2020.

Michał Jarczyński, CEO of Arctic Paper S.A.

**Table 1: Preliminary selected consolidated profit and loss account items**

<i>PLN '000</i>	4Q 2019	3Q 2019	4Q 2018	FY 2019	FY 2018
<b>Sales revenues</b>	<b>739,666</b>	<b>794,363</b>	<b>780,701</b>	<b>3,117,118</b>	<b>3,158,210</b>
<i>of which:</i>					
<i>Sales of paper</i>	532,036	563,801	539,094	2,206,815	2,263,284
<i>Sales of pulp</i>	207,630	230,562	229,543	910,304	894,926
Profit on sales	128,476	156,085	96,655	585,506	548,635
<i>% of sales revenues</i>	17.37	19.65	12.38	18.78	17.37
Selling and distribution costs	(87,238)	(81,487)	(93,058)	(336,862)	(347,045)
Administrative expenses	(22,152)	(24,520)	(27,695)	(88,527)	(91,042)
Other operating income	7,065	9,048	14,327	78,111	49,543
Other operating expenses	(12,982)	(8,524)	(14,423)	(46,806)	(34,102)
<b>EBIT</b>	<b>13,168</b>	<b>50,602</b>	<b>(21,412)</b>	<b>191,422</b>	<b>125,988</b>
<i>% of sales revenues</i>	1.78	6.37	(2.74)	6.14	3.99
<b>EBITDA</b>	<b>34,909</b>	<b>71,512</b>	<b>3,006</b>	<b>278,031</b>	<b>218,777</b>
<i>% of sales revenues</i>	4.72	9.00	0.38	8.92	6.93
Financial income	(172)	377	589	1,149	1,823
Financial expenses	(7,873)	(8,587)	(9,672)	(34,640)	(38,658)
<b>Gross profit/(loss)</b>	<b>5,124</b>	<b>42,392</b>	<b>(33,278)</b>	<b>157,931</b>	<b>89,154</b>
Income tax	407	(7,830)	(2,020)	(33,250)	(33,265)
<b>Net profit/(loss)</b>	<b>5,531</b>	<b>34,562</b>	<b>(34,969)</b>	<b>124,681</b>	<b>55,889</b>
<i>% of sales revenues</i>	0.75	4.35	(4.48)	4.00	1.77

**Arctic Paper S.A.** is one of the leading producers of high-quality graphical fine paper in Europe and consists of three paper mills and four eco-friendly strong brands: Amber, Arctic, Munken and G. Most of the products are sold through the company's sales organization in Europe. The Group is the main owner of the listed Swedish pulp producer Rottneros AB. Arctic Paper S.A. is listed on the Warsaw Stock Exchange and NASDAQ in Stockholm. For more information, visit [arcticpaper.com](http://arcticpaper.com)

**Table 2: Preliminary selected consolidated balance sheet items**

<i>PLN '000</i>	2019-12-31	2019-09-30	2018-12-31
Fixed assets	1,080,905	1,063,031	1,037,969
Inventories	353,774	393,806	478,614
Receivables	307,445	401,370	371,963
<i>including trade receivables</i>	302,121	390,248	365,946
Other current assets	27,744	42,724	64,794
Cash and cash equivalents	265,885	254,581	201,118
Assets related to discontinued operations	-	-	1,716
<b>Total assets</b>	<b>2,035,753</b>	<b>2,155,512</b>	<b>2,156,174</b>
Equity	870,528	912,154	861,193
Short-term liabilities	626,694	707,571	850,245
<i>of which:</i>			
<i>trade and other payables</i>	435,366	491,360	516,678
<i>interest-bearing debt</i>	100,187	125,451	232,184
<i>other non-financial liabilities</i>	91,141	90,761	101,383
Long-term liabilities	538,531	535,786	441,381
<i>of which:</i>			
<i>interest-bearing debt</i>	324,672	328,699	249,659
<i>other non-financial liabilities</i>	213,858	207,088	191,722
Liabilities related to discontinued operations	-	-	3,355
<b>Total liabilities</b>	<b>2,035,753</b>	<b>2,155,512</b>	<b>2,156,174</b>

**Table 3: Preliminary selected items of the consolidated cash flow statements**

<i>PLN '000</i>	Q4 2019	Q3 2019	Q4 2018	FY 2019	FY 2018
Cash flows from operating activities	117,386	119,407	80,486	342,290	148,609
<i>of which:</i>					
<i>Gross profit/(loss)</i>	5124	42,392	(33,278)	157,931	89,154
<i>Depreciation/amortization and impairment charge</i>	21,741	20,910	24,527	86,609	92,788
<i>Changes to working capital</i>	71,776	53,396	78,925	78,703	(52,774)
<i>Other adjustments</i>	18,745	2,709	10,312	19,047	19,441
Cash flows from investing activities	(47,634)	(42,206)	(59,232)	(121,834)	(173,970)
Cash flows from financing activities	(58,323)	(29,827)	(2,109)	(152,939)	(14,221)
<b>Total cash flows</b>	<b>11,429</b>	<b>47,374</b>	<b>19,145</b>	<b>67,517</b>	<b>(39,583)</b>

**Financial calendar for 2020**

Annual report 2019: March 26<sup>th</sup>, Q1 2020: May 14<sup>th</sup>, 1H/Q2 2020: August 19<sup>th</sup>, Q3 2020: November 16<sup>th</sup>

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