



PRESS RELEASE

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Arctic Paper S.A. Q4, 2020 - preliminary results*:

Good results and strengthened position in turbulent times

- Q4 sales revenue amounted to PLN 714,7mn (EUR¹ 160,8mn).
- EBITDA Q4 was PLN 25,1mn (EUR¹ 5,6mn) and the EBITDA marginal 3,5 percent
- FY 2020 sales revenue amounted to PLN 2847,5mn (EUR¹ 640,6mn).
- EBITDA FY 2020 was PLN 271,4mn (EUR¹ 61,6mn) and the EBITDA margin 9,5 percent
- Paper & Pulp – a resilient combination providing a balanced development over time.
- Strong consolidated result: net debt/EBITDA ratio reduced to 0,49 (0,57).
- Strengthened market position and recovery in paper production and sales during Q4.
- Increased investments in sustainable energy: hydro power, solar cells and biofuels.
- Management board suggests a dividend of PLN 0.30 per share.

*The entire audited report FY2020 will be published on March 16.

“To sum it all up: resilient paper business, record pulp production, new investments in sustainable energy, stable consolidated results and a solid financial position. Despite the turbulent times, Arctic Paper is stronger than in many years.”

Michał Jarczyński, CEO (see letter from the CEO on page 2)

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

PLN (million)	Q4, 2020	Q4, 2019	Changes	FY 2020	FY 2019
Sales revenue, Arctic Paper Group	714,7	739,7	-25,0	2847,5	3117,1
Sales revenue Arctic Paper (paper segment)	507,4	532,0	-24,7	1990,8	2206,8
EBITDA, Arctic Paper Group	25,1	34,9	-9,8	271,4	278,0
EBITDA Arctic Paper (paper segment)	50,9	31,1	19,9	235,3	125,9
EBIT, Arctic Paper Group	-4,8	13,2	-18,0	158,2	191,4
EBIT Arctic Paper (paper segment)	31,7	17,1	14,6	163,0	73,1
Net profit, Arctic Paper Group	-14,8	5,5	-20,4	103,6	124,7
Net profit, Arctic Paper (paper segment)	20,2	35,0	-14,8	121,1	79,7
Net profit per share ² (PLN/share)	0,01	0,15	-0,14	1,60	1,19
Net debt	134,0	159,0	-25,0	134,0	159,0

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 percent stake.

¹Arctic 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.

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

Further information provided by:

Michał Jarczyński, CEO, Arctic Paper S.A.
Phone: +46 10 451 7005
E-mail: michal.jarczyński@arcticpaper.com

Göran Eklund, CFO, Arctic Paper S.A.
Phone: +46 10 451 7054
E-mail: goran.eklund@arcticpaper.com

“We have strengthened our position on the European fine paper market with stable or growing sales. As a result, we are able to suggest an increased dividend.”

Michał Jarczyński, CEO of Arctic Paper S.A.

2020 was a turbulent year which proves the value of combining paper and pulp; two segments with different cycles that together provide a balanced development. We are proud to say that we have succeeded in protecting both our people and the business against Covid-19. The year ended with a strong fourth quarter for the paper segment while the result for the pulp segment was weaker. Q4 consolidated sales amounted to PLN 714.7mn (739.7mn) with an EBITDA of PLN 25.1mn (34.9mn). For the full year, consolidated sales reached PLN 2847.5mn (3117.1mn) with an EBITDA of PLN 271.4mn (278.0mn) and a Group net debt/EBITDA of 0,49 (0,57).

Lower raw material costs continued to favour the paper segment during Q4 resulting in an EBITDA of PLN 50.9mn (31.1mn) while turnover declined slightly to PLN 507.4mn (532.0mn). For the full year 2020, the paper segment reached an EBITDA of 235.3mn (125.9mn) and an EBIT margin of 8,2 percent (3,3). The recovery for the paper segment continued during the fourth quarter, with paper sales volumes reaching 146 000 tonnes (150 000) and capacity usage 90 percent (96). In relative terms, we have strengthened our position on the European fine paper market with stable or growing sales of uncoated woodfree paper. Close relationships with customers and flexibility in production have paved the way for a leading position in certain categories such as book paper and design paper. The share of premium and speciality paper sales accounted for 29 percent (29) of total sales in terms of value at year-end thanks to our strong brands and comprehensive sales efforts.

Renewable and fossil-free energy is a key factor for sustainable paper production, and we are investing to increase our capacity. In 2020, Arctic Paper Munkedals received final permit for a solid fuel boiler that is similar to the one providing the Grycksbo mill with renewable energy. A pilot investment in solar cells is under way at Arctic Paper Kostrzyn. Early 2021, Arctic Paper Munkedals completed an investment of SEK 100mn to expand hydropower from 2 to 6 MW.

For the Group company Rottneros – the pulp segment – Q4 was characterized by lower earnings due to a weak dollar and a planned maintenance shut at the Vallvik mill. Sales for the fourth quarter amounted to SEK 490mn (547mn) and EBITDA to SEK -65mn (-5mn). For the full year 2020, pulp segment sales amounted to SEK 2093mn (2376mn) with an EBITDA of SEK 77mn (374mn) while production reached a new annual record of 412 600 tonnes (406 000). The financial position remains strong with available liquidity amounting to SEK 512mn (558mn).

To sum it all up: resilient paper business, record pulp production, new investments in sustainable energy, stable consolidated results and a solid financial position. Despite the turbulent times, Arctic Paper is stronger than in many years. We can rightfully be proud of our achievements, but we cannot lean back. We need to continue our work with focus on creating a more diverse product portfolio, growth in new areas and an even more sustainable and efficient production.

Michał Jarczyński, CEO of Arctic Paper S.A.

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

Table 1: Preliminary selected consolidated profit and loss account items

<i>PLN '000</i>	4Q 2020	3Q 2020	4Q 2019	YTD 2020	YTD 2019
Sales revenues	714 667	702 836	739 666	2 847 450	3 117 118
<i>of which:</i>					
<i>Sales of paper</i>	507 361	491 860	532 036	1 990 774	2 206 815
<i>Sales of pulp</i>	207 306	210 976	207 630	856 677	910 304
Profit on sales	97 788	149 468	128 476	541 791	585 506
<i>% of sales revenues</i>	13,68	21,27	17,37	19,03	18,78
Selling and distribution costs	(85 369)	(84 587)	(87 238)	(336 524)	(336 862)
Administrative expenses	(21 009)	(16 531)	(22 152)	(76 348)	(88 527)
Other operating income	13 847	17 229	7 065	65 280	78 111
Other operating expenses	(10 044)	(6 445)	(12 982)	(35 957)	(46 806)
EBIT	(4 786)	59 132	13 168	158 242	191 422
<i>% of sales revenues</i>	(0,67)	8,41	1,78	5,56	6,14
EBITDA	25 105	86 412	34 909	271 368	278 031
<i>% of sales revenues</i>	3,51	12,29	4,72	9,53	8,92
Financial income	78	(81)	(172)	710	1 149
Financial expenses	(11 781)	(8 678)	(7 873)	(36 633)	(34 640)
Gross profit/(loss)	(16 489)	50 373	5 124	122 318	157 931
Income tax	1 656	(5 017)	407	(18 733)	(33 250)
Net profit/(loss)	(14 833)	45 357	5 530	103 586	124 681
<i>% of sales revenues</i>	(2,08)	6,45	0,75	3,64	4,00

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Table 2: Preliminary selected consolidated balance sheet items

<i>PLN '000</i>	31.12.2020	30.09.2020	31.12.2019
Fixed assets	1 194 503	1 132 134	1 080 905
Inventories	365 491	367 297	353 774
Receivables	302 751	342 605	307 445
<i>including trade receivables</i>	297 543	334 248	302 121
Other current assets	18 337	11 953	27 744
Cash and cash equivalents	255 563	269 835	265 885
Total assets	2 136 646	2 123 824	2 035 753
Equity	1 033 033	977 580	870 528
Short-term liabilities	639 016	641 348	688 098
<i>of which:</i>			
<i>trade and other payables</i>	379 445	424 158	435 366
<i>interest-bearing debt</i>	148 426	115 781	161 591
<i>other non-financial liabilities</i>	111 146	101 409	91 141
Long-term liabilities	464 596	504 896	477 127
<i>of which:</i>			
<i>interest-bearing debt</i>	241 144	289 549	263 268
<i>other non-financial liabilities</i>	223 452	215 347	213 858
Total liabilities	2 136 646	2 123 824	2 035 753

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

<i>PLN '000</i>	Q4 2020	Q3 2020	Q4 2019	YTD 2020	YTD 2019
Cash flows from operating activities	23 908	117 451	117 386	211 464	342 290
<i>of which:</i>					
<i>Gross profit/(loss)</i>	(16 489)	50 373	5 124	122 318	157 931
<i>Depreciation/amortisation and impairment charge</i>	29 891	27 279	21 741	113 126	86 609
<i>Changes to working capital</i>	15 431	40 103	71 776	(25 051)	78 703
<i>Other adjustments</i>	(4 926)	(305)	18 745	1 072	19 047
Cash flows from investing activities	(33 617)	(30 489)	(47 634)	(141 239)	(121 834)
Cash flows from financing activities	(14 935)	(39 415)	(58 323)	(100 950)	(152 939)
Total cash flows	(24 644)	47 547	11 429	(30 725)	67 517

Financial calendar for 2021

Annual report 2021: March 16th, Q1 2021: May 11th, Q2 2021: August 17th, Q3 2021: November 9th

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