



PRESS RELEASE

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Arctic Paper S.A., Q2/H1 2020:

Strengthened position on a Corona-affected market

- Q2 consolidated sales revenue was PLN 616.0mn (EUR¹ 139.5mn).
- EBITDA in Q2 was PLN 48.0mn (EUR¹ 10.9mn).
- EBIT in Q2 was PLN 24.2mn (EUR¹ 5.5mn) and net profit PLN 10.8mn (EUR¹ 2.4mn).
- EBIT in H1 was PLN 103.9mn (EUR¹ 23.5mn) and net profit PLN 73.1mn (EUR¹ 16.55mn).
- The combination of pulp and paper makes the Group more resilient in challenging times.
- The Group maintained a strong liquidity position. Net debt/EBITDA reached 0.83 (as compared to 1.06 for Q2 2019).
- While total sales were negatively impacted by the pandemic, the paper segment managed relatively better, with a decline of 25 percent, than the graphic paper market in general.
- The Munkedal Mill pioneer as Cradle to Cradle CertifiedTM; gearing up for the circular economy.

“Thanks to extensive efforts, the impact on earnings has been limited, even though we have not been able to fully offset the decline.”

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

Selected financial results – Arctic Paper Group and Arctic Paper (paper segment)

PLN (million)	Q2 2020	Q2 2019	Change	H1 2020	H1 2019
Sales revenue, Arctic Paper Group	616.0	762.5	-146.5	1,429.9	1,583.1
Sales revenue, Arctic Paper (paper segment)	403.8	537.6	-133.9	991.6	1,111.0
EBITDA, Arctic Paper Group	48.0	90.5	-42.5	159.9	171.6
EBITDA, Arctic Paper (paper segment)	30.0	35.4	-5.5	114.7	51.7
EBIT, Arctic Paper Group	24.2	69.9	-45.6	103.9	127.7
EBIT, Arctic Paper (paper segment)	16.0	23.8	-7.7	79.3	25.1
Net profit, Arctic Paper Group	10.8	47.7	-36.9	73.1	84.6
Net profit, Arctic Paper (paper segment)	10.1	36.6	-26.5	57.3	27.0
Net profit per share ²	PLN 0.15	PLN 0.46	PLN -0.31	PLN 0.94	PLN 0.66
Net debt/EBITDA	0.83	1.06	-0.23	0.83	1.06

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.

¹ 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. The complete quarterly report is available at www.arcticpaper.com

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.

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“Although there is still great uncertainty about the future, we now see clear signs of a recovery in demand.”

Michał Jarczyński, CEO of Arctic Paper S.A.

Although the second quarter of 2020 was strongly affected by the coronavirus pandemic and its impacts on the economy, the group succeeded relatively well in meeting the challenges. EBITDA for the period amounted to PLN 48.0mn (vs. PLN 90.5mn in Q2 2019), and revenue PLN 616.0mn (762.5mn). For H1, EBITDA was PLN 159.9mn (vs. PLN 171.6mn in H1 2019). The consolidated figures again illustrate the value of combining both pulp and paper, as the fluctuations in the segments compensate for each other. Arctic Paper's financial position is strong, and improved during the period thanks to proactive measures: the net debt/EBITDA ratio decreased to 0.83 (from 1.06 for Q2 2019). We have also succeeded in protecting the organization against Covid-19.

The paper segment generated an EBITDA of PLN 30.0mn in Q2 2020 (vs. PLN 35.4mn in Q2 2019) and a turnover of PLN 403.8mn (537.6mn). For the first half of 2020, the paper segment more than doubled its EBITDA to PLN 114.7mn (vs. PLN 51.7mn in H1 2019). As the graphic paper market fell by 32 percent in Europe during Q2, Arctic Paper developed comparatively better with a decline of 25 percent. Thanks to extensive efforts that have entailed cost savings and measures to optimize working capital and promote higher efficiency, postponed investments, and the use of the relevant government support programs offered, the impact on earnings has been limited, even though we have not been able to fully offset the decline.

Production amounted to 114,000 tonnes during Q2 2020 (vs. 147,000 tonnes in Q2 2019), with capacity utilization of 69 percent (92). At the same time as necessary adjustments to production are continuously made, it is important to plan for the future. One example is our long-term commitment to sustainability and the circular economy, which is in line with the focus of the EU's recovery plan for the economy. During Q2, Arctic Paper Munkedals was the first mill in the world to become Cradle to Cradle Certified™ – a globally recognized standard for safe, circular and sustainable products made for the circular economy – for a wide range of papers.

Rottneros was also pressured by the pandemic, with sales falling to SEK 510mn in Q2 2020 (vs. SEK 582mn in Q2 2019) and an EBITDA result of SEK 31mn (131mn). The Q2 result was negatively impacted by SEK -23mn (0mn) due to the decision to advance the planned maintenance shutdown that normally takes place in Q3, thus limiting production for the period to 97,700 tonnes (107,700).

The pandemic has a strong impact both on the economy as a whole and on the development of our group. The effects will also be visible during the third quarter. But although there is still great uncertainty about the future, we now see clear signs of a recovery in demand. I am confident that Arctic Paper will emerge stronger from the crisis, even though we have not yet seen the end of the pandemic.

Michał Jarczyński, CEO of Arctic Paper S.A.

Financial calendar for 2020: Q3, November 16th, 2020

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 14 sales offices 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