



PRESS RELEASE

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Arctic Paper S.A., Q1 2023:

Continued good results despite lower demand

- Q1 consolidated sales revenue was PLN 1 032,2mn (EUR¹ 219,1mn).
- EBITDA Q1 was PLN 185,5mn (EUR¹ 39,4mn).
- EBIT Q1 was PLN 155,6mn (EUR¹ 33,0mn) and net profit PLN 131,7mn (EUR¹ 27,9mn).
- Continued focus on margins over volumes to maintain profitability despite weaker demand.
- Strong balance sheet with a net debt/EBITDA ratio of -0.27x (0.33x).
- The establishment of a moulded tray factory in Kostrzyn is proceeding according to plan.

“The market outlook is more uncertain than in the end of 2022 and we expect a more challenging year.”

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

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

PLN (million)	Q1 2023	Q1 2022	Change	Q4 2022
Sales revenue, Arctic Paper Group	1 032,2	1 110,8	-78,5	1 085,1
Sales revenue, Arctic Paper (paper segment)	722,3	819,6	-97,3	769,6
EBITDA, Arctic Paper Group	185,5	205,7	-20,2	140,0
EBITDA, Arctic Paper (paper segment)	113,8	130,0	-16,2	122,3
EBIT, Arctic Paper Group	155,6	176,1	-20,4	109,3
EBIT, Arctic Paper (paper segment)	93,4	110,4	-17,0	101,8
Net profit, Arctic Paper Group	131,7	146,4	-14,7	74,8
Net profit, Arctic Paper (paper segment)	82,8	93,6	-10,8	70,3
Net profit, PLN per share ²	1.56	1.74	-0.18	1,05
Net debt	-258,4	150,8	-409,2	-276,2

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. The complete quarterly report is available at www.arcticpapergroup.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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“We continue to focus on profitability instead of aiming for full capacity usage and we have therefore adjusted our capacity accordingly with some production stops during the period.”

Michał Jarczyński, CEO of Arctic Paper S.A.

In the first quarter of 2023, we encountered a more hesitant market, with customer demand on a lower level than in 2022. Quarterly numbers were subsequently lower but still stronger than in Q4, 2022. Group revenue amounted to PLN 1,032.2 million (1 110.8) and EBITDA to PLN 185.5 million (205.7). The operating margin was 15.1 percent (15.9). Our financial position is record strong with a net debt / EBITDA ratio of -0.27 (0.33). The combination of pulp and paper, which has historically balanced each other through economic cycles, continued to reinforce each other as both segments performed well.

The demand for paper shows the same pattern as in the fourth quarter of 2022, with lower volumes sold for all qualities and subsegments. We continue to successfully focus on profitability instead of aiming for full capacity usage and we have therefore adjusted our capacity accordingly with some production stops during the period. The paper sales revenue per ton is 30 percent up compared to Q1, 2022, while capacity utilization fell to 71 percent (99). Revenues decreased to PLN 722.3 million (819.6) with an EBITDA of 113.8 million (130.0) and an EBITDA margin of 15.8 percent (15.9).

For the pulp segment, Rottneros, net sales increased by 13 percent to 744 (660) MSEK. EBITDA remained stable at 178 MSEK (174) while deliveries was 87 200 tons (100 000). Due to the increasing costs, falling pulp prices and a weaker USD, Rottneros gave 24 employees at Vallviks Mill notice of redundancy in April. The company has decided to invest 180 MSEK in an expansion of the capacity to produce CTMP pulp in Rottneros Mill from 125 000 to 165 000 tons.

For the packaging segment, volumes were slightly lower during the first quarter than in the comparable quarter. We are still deliberately holding back the development as we manage production in terms of value per ton and graphical paper has shown better margins for several quarters. The joint venture investment with Rottneros in new production facility for moulded fiber trays in Kostrzyn is progressing according to plan. Production capacity is expected to reach approximately 80 million units per year, and the company expects to achieve a turnover of around PLN 60 million at full capacity.

We continue the expansion of our energy segment. New projects in Sweden include a solar park and a battery storage and it is part of a long-term strategy to reduce the group's exposure to the electricity market. The start-up is planned for 2024. We are also advancing our plan to build a solar park in Kostrzyn. Several other new energy and energy efficiency projects are in planning phases of various states.

The market outlook is more uncertain than in the end of 2022 and we expect a more challenging year. We continue to diversify our business in line with the 4P-strategy with new investments in packaging and power, while maintaining and strengthening our business position in paper and pulp. Our solid finances give us the possibility to continue with our future-oriented plans.

Michał Jarczyński, CEO of Arctic Paper S.A.

Financial calendar 2023: Q2 2023: August 10th, Q3 2022: November 7th