



PRESS RELEASE

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Arctic Paper S.A., Q1 2020:

Strong Q1 prepare the Group for tougher times

- Q1 consolidated sales revenue was PLN 813,9mn (EUR¹ 188,2mn).
- EBITDA Q1 was PLN 111,8mn (EUR¹ 25,9mn).
- EBIT Q1 was PLN 79,7mn (EUR¹ 18,4mn) and net profit PLN 62,3mn (EUR¹ 14,4mn).
- A combination of strong paper and stable pulp boosted Q1 results.
- At the end of the period there is a decline in demand due to Covid-19.
- Measures taken to mitigate negative effects: short-term allowance for Grycksbo and Munkedal.
- The board has decided not to recommend dividend for 2019.

“After a solid fourth quarter 2019 and a robust beginning of this year, the Group stands strong and is better equipped to meet the significant increase in uncertainty.”

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 2020	Q1 2019	Change	Q4 2019
Sales revenue, Arctic Paper Group	813 948	820 572	- 6 624	739 666
Sales revenue, Arctic Paper (paper segment)	587 781	573 346	14 435	532 030
EBITDA, Arctic Paper Group	111 834	81 081	30 753	34 909
EBITDA, Arctic Paper (paper segment)	84 763	16 252	68 511	31 066
EBIT, Arctic Paper Group	79 665	57 775	21 890	13 168
EBIT, Arctic Paper (paper segment)	63 257	1 330	61 928	17 090
Net profit, Arctic Paper Group	62 289	36 891	25 389	5 531
Net profit, Arctic Paper (paper segment)	47 246	-9 596	56 842	35 005
Net profit per share ²	0.79	0.21	0.58	0.15
Net debt	215 865	280 828	-64 963	158 974

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.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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“Challenging times lie ahead of us. We expect both the second and the third quarters of 2020 to be impacted by the corona crisis. Resilience, prudence and creativity will guide our actions.”

Michał Jarczyński, CEO of Arctic Paper S.A.

The year began with a record strong first quarter, with EBITDA earnings of PLN 111.8 million (PLN 81,1 million) and an EBIT margin of 9.8 percent, which is in line with the financial target. Sales amounted to PLN 813.9 million (PLN 820.6 million). Both the pulp and paper segments developed well. The trend with stable raw material prices continued to favour the paper business. The strong consolidated result contributed to the Group reducing its net debt by PLN 65 million compared to Q1, 2019.

The paper business made one of the best quarters with total sales of PLN 587.8 million (PLN 573.3 million) and an EBITDA of PLN 84.8 million (PLN 16.3 million). The driving forces behind the strong result are mainly stable raw material costs. The profit improvement program launched in 2019 contributed to lower fixed costs, although partly offset by costs for maintenance work that normally takes place during summer. Production amounted to 167,000 tons of paper (149,000) and the capacity utilization reached 97 percent.

For Rottneros net turnover decreased to SEK 585 million (630 million). After a stable start of the year, the pulp market has been profoundly affected by the corona pandemic. The negative price trend was offset by higher delivery volumes 110,000 (99,100) tons. Production reached a new quarterly record at 109,400 (97,600) tons. EBIT for the first quarter was SEK 48 million (141 million).

After a solid fourth quarter 2019 and a robust beginning of this year, the Group stands strong and is better equipped to meet the significant increase in uncertainty. Our main European markets are highly affected by the massive restrictions that have been imposed to protect us all against the spread of Covid-19.

Since mid-March, we have started to see weakened markets and subsequently a decline in demand for our products. We are therefore adjusting our operations to mitigate the negative effects and handle the considerable uncertainty. This means, among other things, that we have applied for relevant supporting measures offered by the states in the markets where we operate. For example, in Sweden, the staff at our mills in Grycksbo and Munkedal have been subject to short-term allowance. For the time being, the Kostrzyn mill is operating as normal. We continuously evaluate the market situation and are prepared to take the necessary steps to adapt our operations to market conditions. As a measure of precaution, the supervisory board has decided to withdraw the proposed dividend of PLN 0.20 per share.

Last but not least, we do whatever we can to secure the health and safety of our employees. We have taken measures to protect them, and thus our operations, against the corona virus. We strictly follow the rules and recommendations that apply in each country. So far, no employees have been found to be infected by Covid-19. Challenging times lie ahead of us. We expect both the second and the third quarters of 2020 to be impacted by the corona crisis. Resilience, prudence and creativity will guide our actions as we deal with the current situation and plan for different future scenarios.

Michał Jarczyński, CEO of Arctic Paper S.A.

Financial calendar for 2020: Q2 2020: August 19th, 2020 * Q3 2020: 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 strong, eco-friendly 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