

PRESS RELEASE

Kostrzyn nad Odra / Gothenburg, February 17, 2022

Arctic Paper S.A. Q4, 2021 - preliminary results*:

Strong result and positive outlook for both pulp and paper

- Q4 sales revenue amounted to PLN 953,5mn (EUR¹ 208,8mn).
- EBITDA Q4 was PLN 69,2mn (EUR¹ 15,2mn) and the EBITDA marginal 7,3 percent
- FY 2021 sales revenue amounted to PLN 3412,6mn (EUR¹ 747,2mn).
- EBITDA FY 2021 was PLN 327,8mn (EUR¹ 71,8mn) and the EBITDA margin 9,6 percent
- Record-strong demand for paper; active measures to optimise income per machine hour.
- Preparation for the construction of a 17 MW solar power plant in Kostrzyn has begun.
- New Managing Director of Arctic Paper's paper production in Sweden appointed.
- After the period: decision to invest in moulded tray factory together with Rottneros.
- Management Board will recommend a dividend of PLN 0.40 per share.

*The entire audited report FY2021 will be published on March 22.

"Solid results, a strong cash flow and nearly full production in graphical paper and pulp give us a resilient foundation as we continue to diversify and invest in packaging and renewable energy."

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, 2021	Q4, 2020	Changes	FY 2021	FY 2020
Sales revenue, Arctic Paper Group	953,5	714,7	238,9	3412,6	2847,5
Sales revenue Arctic Paper (paper segment)	689,2	507,4	181,9	2408,3	1990,8
EBITDA, Arctic Paper Group	69,2	25,1	44,1	327,8	271,4
EBITDA Arctic Paper (paper segment)	31,2	50,9	-19,7	160,2	235,3
EBIT, Arctic Paper Group	74,1	-4,8	78,9	244,6	158,2
EBIT Arctic Paper (paper segment)	46,8	31,7	15,1	118,7	163,0
Net profit, Arctic Paper Group	54,7	-14,8	69,5	175,9	103,6
Net profit, Arctic Paper (paper segment)	30,4	20,7	9,7	91,8	121,5
Net profit per share ² (PLN/share)	0,62	0,01	0,61	1,84	1,60
Net debt	119,1	134,0	-14,9	119,1	134,0

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.

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“In line with our 4P strategy, we will expand our investments in renewable and fossil-free energy. Rising and volatile energy prices confirm that this is the future.”

Michał Jarczyński, CEO of Arctic Paper S.A.

The year ended with a strong fourth quarter when both paper and pulp contributed in a balanced way to one of the best results in the Group's history. Consolidated sales for the fourth quarter increased by 33 percent to PLN 953.5 million (714.7 million) with EBITDA of PLN 69.2 million (25.1 million). For the full year, consolidated sales reached PLN 3412.6 million (2847.5 million) with an EBITDA of PLN 327.8 million (271.4 million). The Group's financial strength improved: net debt / EBITDA decreased to 0.36 (0.49) and operating cash flow reached PLN 238.2 million.

Demand for paper continued to develop positively during the period as the economic recovery was further strengthened in our European core markets. The strong demand has led to a shortage of paper when the printers shift sourcing from China to Eastern Europe due to logistical problems, a development that benefits Arctic Paper. The pulp price has been relatively stable, and we have effectively hedged our operations against volatile energy costs, while at the same time other costs are rising. To compensate for the effects, we raised our prices during the fourth quarter and again at the beginning of 2022. We are very close to full capacity usage, and we are now calculating profitability per machine hour to optimize production output. The fact that our average sales revenue per tonne has increased by 18 percent since Q4, 2020 illustrates the combined effect of higher prices and a healthier mix. Total paper production reached 167,000 tonnes for the period (150,000) with sales of 168,000 tonnes (146,000) and the pandemic had very limited impact on our business.

Our packaging business continued to grow and reached 18,600 tonnes for the full year, which corresponds to a growth of 118 percent compared to 2020. In mid-February, the boards of Arctic Paper and Rottneros have decided to proceed with the plan to invest 15 million euro in a moulded tray factory in Kostrzyn. The joint venture project is expected to be operational in 2023.

For the Group company Rottneros – the pulp segment – sales for the fourth quarter amounted to SEK 598 million (490 million) and EBITDA to SEK 88 million (-65 million). For the full year 2021, pulp segment sales amounted to SEK 2303 million (2093 million) with an EBITDA of SEK 385 million (77 million) while production reached 395 300 tonnes (412 600 tonnes). The European pulp market continues to be strong and Rottneros' niches - not least packaging - have grown during the year.

In line with our 4P strategy, we will expand our investments in renewable and fossil-free energy. During the period, we have begun to prepare a 17 MW solar cell installation in Kostrzyn. Rising and volatile energy prices confirm that this is the future. We have also agreed with a Polish-based company that will build a production facility on our premises in Kostrzyn and start production in 2025, from which we will buy recycled residual heat and thereby reduce emissions.

For 2022, we have positive outlooks for both pulp and paper. Solid results, a strong cash flow and nearly full production in graphical paper and pulp give us a resilient foundation as we continue to diversify and invest in packaging and renewable energy.

Michał Jarczyński, CEO of Arctic Paper S.A.

Table 1: Preliminary selected consolidated profit and loss account items

<i>PLN '000</i>	4Q 2021	3Q 2021	4Q 2020	YTD 2021	YTD 2020
Sales revenues	953 547	889 656	714 667	3 412 576	2 847 450
<i>of which:</i>					
<i>Sales of paper</i>	689 247	644 963	507 361	2 408 330	1 990 774
<i>Sales of pulp</i>	264 299	244 694	207 306	1 004 246	856 677
Profit on sales	202 346	182 488	97 788	707 928	541 791
<i>% of sales revenues</i>	21,22	20,51	13,68	20,74	19,03
Selling and distribution costs	(100 507)	(98 547)	(85 369)	(381 287)	(336 524)
Administrative expenses	(31 248)	(23 164)	(21 009)	(103 080)	(76 348)
Other operating income	27 474	20 709	13 847	73 749	65 280
Other operating expenses	(23 976)	(8 712)	(10 044)	(52 741)	(35 957)
EBIT	74 089	72 773	(4 786)	244 570	158 242
<i>% of sales revenues</i>	7,77	8,18	(0,67)	7,17	5,56
EBITDA	69 249	102 099	25 105	327 756	271 368
<i>% of sales revenues</i>	7,26	11,48	3,51	9,60	9,53
Financial income	1 365	333	78	3 435	710
Financial expenses	(3 511)	(7 032)	(11 781)	(24 890)	(36 633)
Gross profit/(loss)	71 943	66 074	(16 489)	223 115	122 318
Income tax	(17 266)	(12 713)	1 656	(47 207)	(18 733)
Net profit/(loss)	54 677	53 361	(14 833)	175 907	103 586
<i>% of sales revenues</i>	5,73	6,00	(2,08)	5,15	3,64

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 2: Preliminary selected consolidated balance sheet items

PLN '000	31.12.2021	30.09.2021	31.12.2020
Fixed assets	1 301 750	1 246 233	1 194 503
Inventories	402 868	391 816	365 491
Receivables	410 939	458 128	302 751
including trade receivables	402 530	449 071	297 543
Other current assets	105 781	54 515	18 337
Cash and cash equivalents	167 927	145 891	255 563
Total assets	2 389 266	2 296 582	2 136 646
Equity	1 242 996	1 153 170	1 033 033
Short-term liabilities	722 066	686 294	639 016
of which:			
trade and other payables	506 813	485 310	367 751
interest-bearing debt	96 659	89 528	148 426
other non-financial liabilities	118 594	111 455	122 840
Long-term liabilities	424 205	457 119	464 596
of which:			
interest-bearing debt	190 363	242 959	241 144
other non-financial liabilities	233 841	214 159	223 452
Total liabilities	2 389 266	2 296 582	2 136 646

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

PLN '000	Q4 2021	Q3 2021	Q4 2020	YTD 2021	YTD 2020
Cash flows from operating activities	132 876	50 630	23 907	238 193	211 464
of which:					
Gross profit/(loss)	71 943	66 074	(16 489)	223 115	122 318
Depreciation/amortization and impairment charge	(4 840)	29 327	29 891	83 186*	113 126
Changes to working capital	90 301	(41 719)	55 422	(33 166)	(25 164)
Other adjustments	(24 528)	(3 052)	(44 917)	(34 941)	1 184
Cash flows from investing activities	(56 447)	(40 168)	(33 617)	(159 513)	(141 239)
Cash flows from financing activities	(53 463)	(111 650)	(14 934)	(162 068)	(100 950)
Total cash flows	22 965	(101 188)	(24 644)	(83 388)	(30 725)

*Depreciation and amortization is positively impacted by adjustment to the value of Arctic Paper Grycksbo assets by 25MPLN.

Financial calendar for 2022

Annual report 2021: March 22nd, Q1 2022: May 9th, Q2 2022: August 10th, Q3 2022: November 7th