



PRESS RELEASE

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Arctic Paper S.A., Q1 2019:

Pulp boosted Q1 result, but bruised the paper segment

- Q1 consolidated sales revenue was PLN 820.6mn (EUR¹ 190.7mn).
- EBITDA Q1 was PLN 82.4mn (EUR¹ 19.1mn).
- EBIT Q1 was PLN 59.1mn (EUR¹ 13.7mn) and net profit PLN 38.2mn (EUR¹ 8.9mn).
- Appointment of new EVP for Sales in March to revitalise the sales organisation.
- Implementation of profit improvement program for the paper business, with the ambition to generate annual cost savings of PLN 40mn with full effect from 2020.
- Launch of Munken Kraft, a new product aimed at the sustainably growing packaging segment.
- The Q1 result for the paper segment resulted in a breach in the covenants of the segment's financing agreement, which the banks have already waived. In a separate process, we plan to convene a bond holders' meeting in order to obtain their waiver.

"In order to meet the market development and strengthen our competitiveness, we must work ever harder to lower our costs, increase productivity and accelerate the reshaping of our product portfolio."

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 2019	Q1 2018	Change	Q4 2018
Sales revenue, Arctic Paper Group	820.6	788.1	+32.5	769.1
Sales revenue, Arctic Paper (paper segment)	573.3	573.6	-0.3	539.1
EBITDA, Arctic Paper Group	82.4	71.5	+10.9	2.7
EBITDA, Arctic Paper (paper segment)	16.3	31.1	-14.8	-12.3
EBIT, Arctic Paper Group	59.1	47.5	+11.6	-21.8
EBIT, Arctic Paper (paper segment)	1.3	14.3	-13.0	-27.9
Net profit, Arctic Paper Group ²	38.2	29.7	+8.5	-33.0
Net profit, Arctic Paper (paper segment) ²	-8.3	3.4	-11.7	-37.9
Net profit per share ²	0.22	0.25	-0.03	-0.51

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 and the full year 2018 respectively. The complete quarterly report is available at www.arcticpaper.com

²From continued operations only. As the Management Board announced in Current Report No. 10/2015 of 28 July 2015, in particular as a result of the active search for a buyer for Arctic Paper Mochenwangen, its results have been excluded from the consolidated income statement and, in compliance with IFRS, are reported separately as discontinued operations.

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 work continuously to develop new products. By the end of 2022, a quarter of our sales must come from other products than graphic paper.”

Michał Jarczyński, CEO of Arctic Paper S.A.

During the first quarter of 2019, Arctic Paper Group had a turnover of PLN 820.6 million (compared to PLN 788.1 million in Q1 2018) with an EBITDA of PLN 82.4 million (71.5 million). The consolidated result makes the quarter the best Q1 we have seen.

Despite a good consolidated result, the results of the paper segment were below our expectations. This segment is operating in a continued tough market and generated a turnover of PLN 573.3 million (573.6 million) with an EBITDA of PLN 16.3 million (31.1 million). Price increases and a better product mix grew the average revenue per tonne by 9.8 percent compared to the first quarter 2018, which compensated for the volume loss. Pulp prices are still 40–45 percent higher than Q1 2017, leading to higher raw material costs, increased paper prices and, as a result, lower demand for paper. In spite of this, the demand for premium and speciality products remains stable and now represents 30 percent of total sales (28). Production amounted to 149,000 tonnes (166,000) and sales 154,000 tonnes (169,000).

In 2018, Arctic Paper decided on a new strategy, which now is being implemented, but at the same time the market development clearly shows that market-related actions are not enough to restore our margins. The Group therefore introduced a profit improvement program for the paper segment, with the ambition to generate annual cost savings of approximately PLN 40 million from 2020. Actions have already been taken to reduce costs, among them closure of PM7 at the Grycksbo Mill and staff reductions at Arctic Paper Munkedals. Further initiatives were taken during the period. The head office in Poznań will be closed and that function moved to our mill in Kostrzyn, where a shared services centre will be established for Group support functions. We are also revitalising the sales organisation, and in March appointed a new EVP for Sales. A cooperation agreement has been reached with Adven AB for an investment in a biomass boiler in Munkedal that will ensure lower, stable, predictable energy costs and reduce CO₂ emissions.

In order to expand our product portfolio, we have recently introduced Munken Kraft, a paper for non-graphic applications aimed at the growing packaging segment. We work continuously to develop new products. By the end of 2022, a quarter of our sales must come from other products than graphic paper. During the period we also launched G-snow, a new, ultra-white, high-quality coated paper which has been well received by the market.

The past quarter proves that the decision taken in 2012 to combine pulp and paper to stabilise consolidated results was right. The fluctuations on the two segments offset each other. For Rottneros AB, of which the Arctic Paper Group owns 51 percent, net turnover increased by 17 percent to SEK 630 million (537 million) and EBITDA by 81 percent to a record-high SEK 141 million (78 million). The full report is available at <http://www.rottneros.com/investors/financial-reports/>

In order to meet the market development and strengthen our competitiveness, we must work ever harder to lower our costs, increase productivity and accelerate the reshaping of our product portfolio. I am confident that these actions will give us the necessary take-off on the road towards better margins.

Michał Jarczyński, CEO of Arctic Paper S.A.

Financial calendar for 2019: Q2 2019: September 3rd, 2019 * Q3 2019: November 28th, 2019

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 the new coated brand G. Most of the products are sold through the company's 14 sales offices in Europe. Arctic Paper S.A. is listed on the Warsaw Stock Exchange and NASDAQ in Stockholm. The Group is the main owner of the listed Swedish pulp producer Rottneros AB. For more information, visit arcticpaper.com