

17.Aug 2021

# Financial results

## Q2 2021



ARCTIC PAPER

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This Presentation contains financial results for Q2 2021.

# Agenda

- Q2 2021 summary
- Paper segment
  - market
  - operating data
  - products
- Pulp segment
  - market
  - operating data
  - products
- Packaging segment
- Power segment
- Financials
- Outlook

Presenters:

Michał Jarczyński – CEO Arctic Paper

Göran Eklund – CFO Arctic Paper



# Summary Q2 2021

Arctic Paper Group Q2 2021 vs. Q2 2020

## Net sales

(PLNmn)

**786,6**

(Q2 2021)

vs.

**616,0**

(Q2 2020)

## EBITDA

(PLNmn)

**84,2**

(Q2 2021)

vs.

**48,0**

(Q2 2020)

## Operating CF

(PLNmn)

**30,6**

(Q2 2021)

vs.

**0,7**

(Q2 2020)

## ROCE\*

**9,5%**

(Q2 2021)

vs.

**11,3%**

(Q2 2020)

## Paper/Pulp EBITDA (PLNmn)

**26/58**

(Q2 2021)

vs.

**30/18**

(Q2 2020)

## Net debt/ EBITDA\*

**0,57x**

(EOP 2021)

vs.

**0,83x**

(EOP 2020)

## Paper sales volume

**149k t**

(Q2 2021)

vs.

**114k t**

(Q2 2020)

## Pulp sales volume

**103k t**

(Q2 2021)

vs.

**93k t**

(Q2 2020)

\*Rolling 12 months

# Summary H1 2021

Arctic Paper Group H1 2021 vs. H1 2020

**Net sales**  
(PLNmn)

**1 569,4**  
(H1 2021)

vs.

**1 429,9**  
(H1 2020)

**EBITDA**  
(PLNmn)

**156,4**  
(H1 2021)

vs.

**159,9**  
(H1 2020)

**Operating CF**  
(PLNmn)

**54,7**  
(H1 2021)

vs.

**70,1**  
(H1 2020)

**ROCE\***

**9,5%**  
(H1 2021)

vs.

**11,3%**  
(H1 2020)

**Paper/Pulp  
EBITDA** (PLNmn)

**83/74**  
(H1 2021)

vs.

**115/45**  
(H1 2020)

**Net debt/  
EBITDA\***

**0,57x**  
(EOP 2021)

vs.

**0,83x**  
(EOP 2020)

**Paper sales  
volume**

**310k t**  
(H1 2021)

vs.

**286k t**  
(H1 2020)

**Pulp sales  
volume**

**215k t**  
(H1 2021)

vs.

**203k t**  
(H1 2020)

\*Rolling 12 months

# Covid-19

## Current situation in the Group

- Since the beginning of pandemic, Covid-19 has not affected the Group's operations.
- We see an recovery in demand and order books as countries cease with lockdowns and restrictions across Europe.
- We continue to follow the rules and procedures that we have implemented to protect the health of our employees and maintain the continuity of production and customer service.
- We continuously monitor the market development and adapt our operations to the changing market conditions.

# Paper Segment

1687  
102

5164  
# 132

# 1674  
120  
106  
356

5156  
74  
114 016  
mitlgang

# Market data

Deliveries of fine paper in Europe

## Q2 2021 compared to Q2 2020

Uncoated woodfree (UWF) up **+35%**

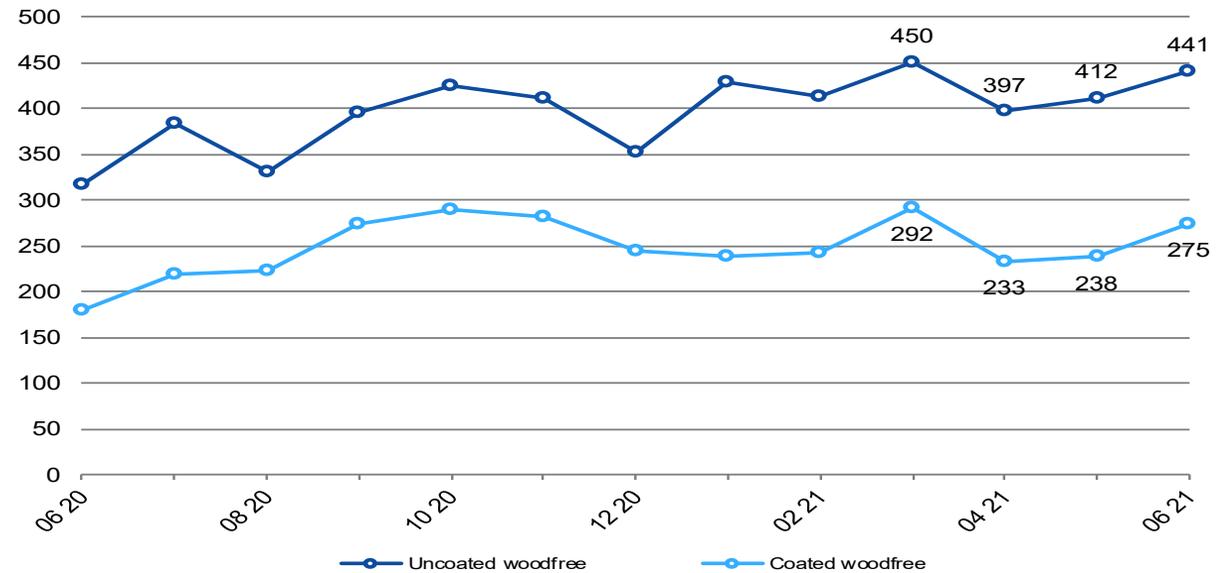
Coated woodfree (CWF) up **+52%**

## Q2 2021 compared to Q1 2021

Uncoated woodfree (UWF) down **-3%**

Coated woodfree (CWF) down **-3%**

## Monthly deliveries of fine paper in Europe (t)



Source: Arctic Paper based on EuroGraph data.

# Market data

Fine paper average market prices

## JUN 2021 compared to MAR 2021

UWF average price change **+3%**

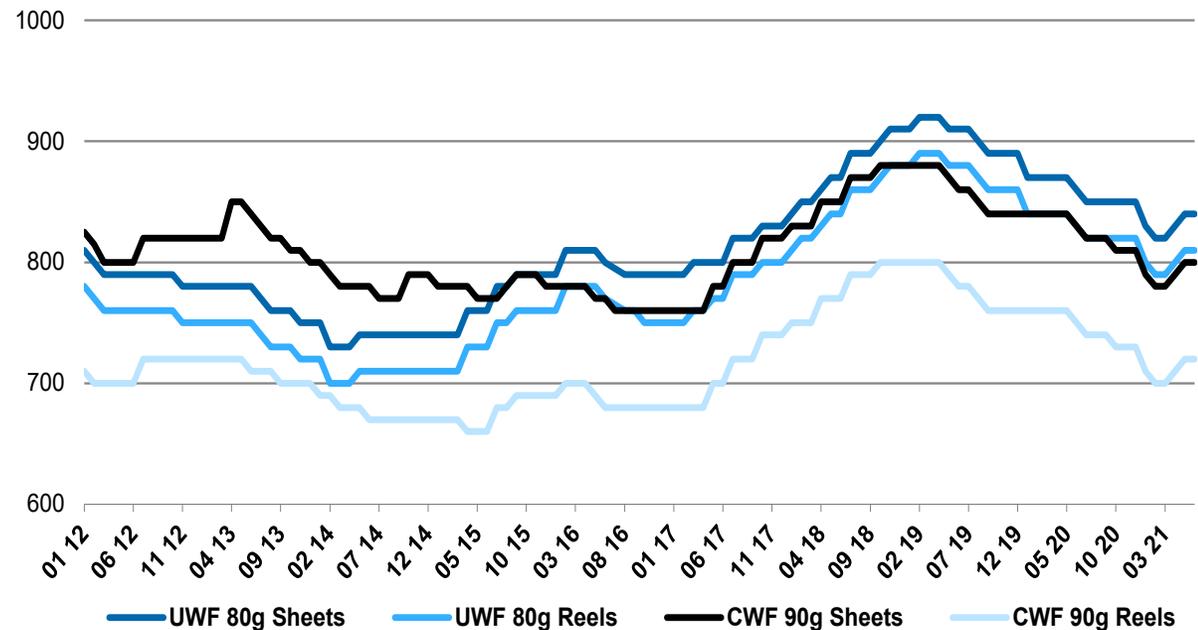
CWF average price change **+4%**

## JUN 2021 compared to JUN 2020

UWF average price change **-1%**

CWF average price change **-2%**

## Graphic fine paper prices – German market



Source: Arctic Paper based on RISI data.

# Arctic Paper - paper segment - operating data

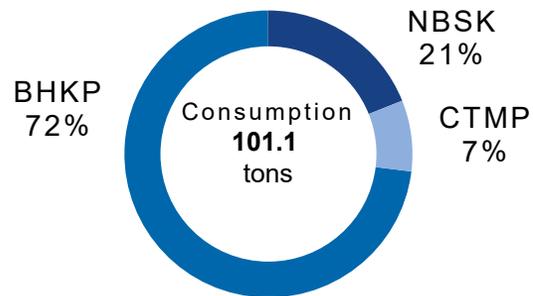
Average Q2 2021 use of production capacity: **92%**

2% lower than in Q1 2021\*  
23% higher than in Q2 2020

Q2 2021 total production volume: **144k tons**

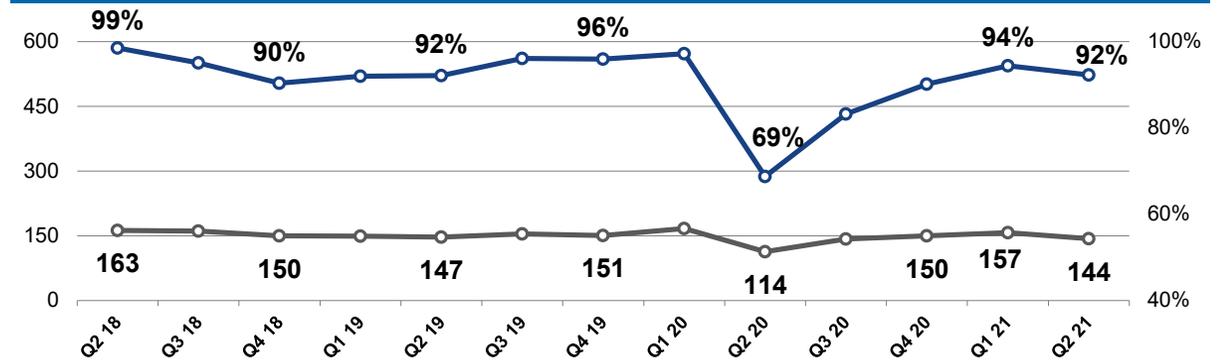
8% lower than in Q1 2021\*  
26% higher than in Q2 2020

## Structure of pulp consumption Q2 2021

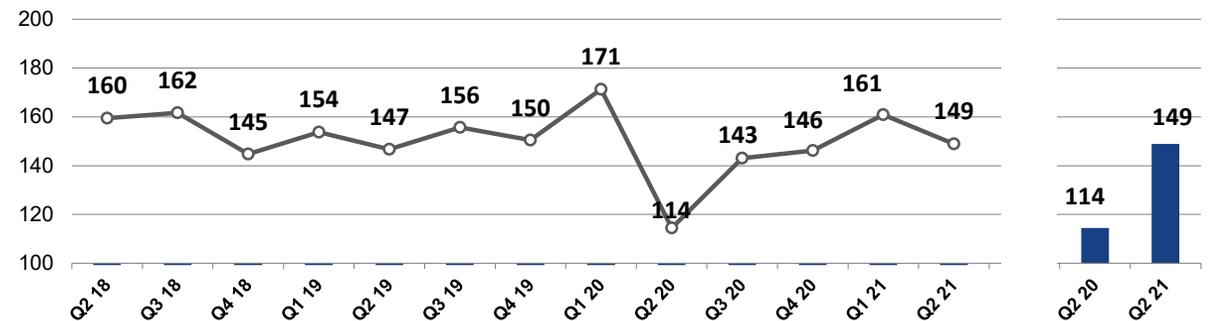


\*due to maintenance and investment shutdown which took place in June 2021

## Production and use of production capacity for all paper mills



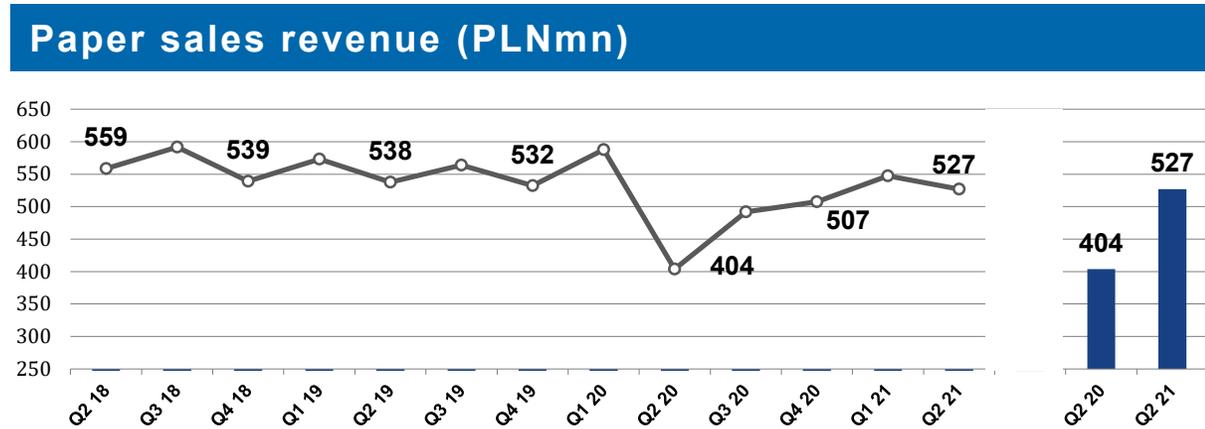
## Paper sales volume



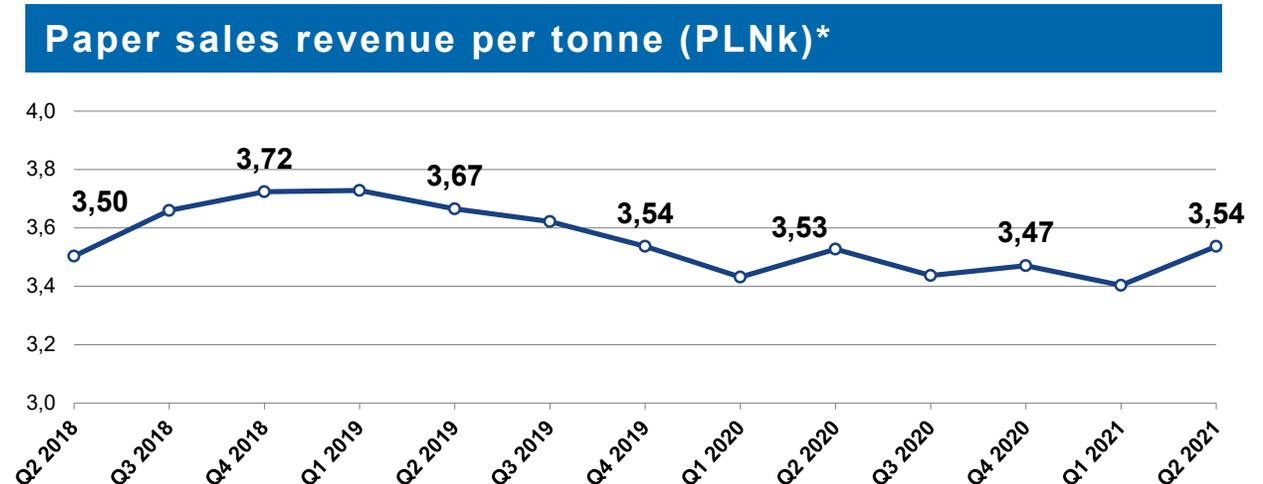
# Arctic Paper - paper segment - operating data

Revenue and revenue per tonne

**Total revenue Q2 2021 (PLN 527mn)  
decreased by 4% compared to Q1 2021**



**Average price Q2 2021 (PLN 3.54k)  
increased by 4% compared to average in  
Q1 2021**



\*price chart includes impact of fx fluctuations, product mix and market mix

# Products

## Top 3 Brands in revenue share

No 1 in European High Quality Bookpaper Sales

No 1 in European Design Paper Sales

**Biggest Uncoated  
Design Brand**



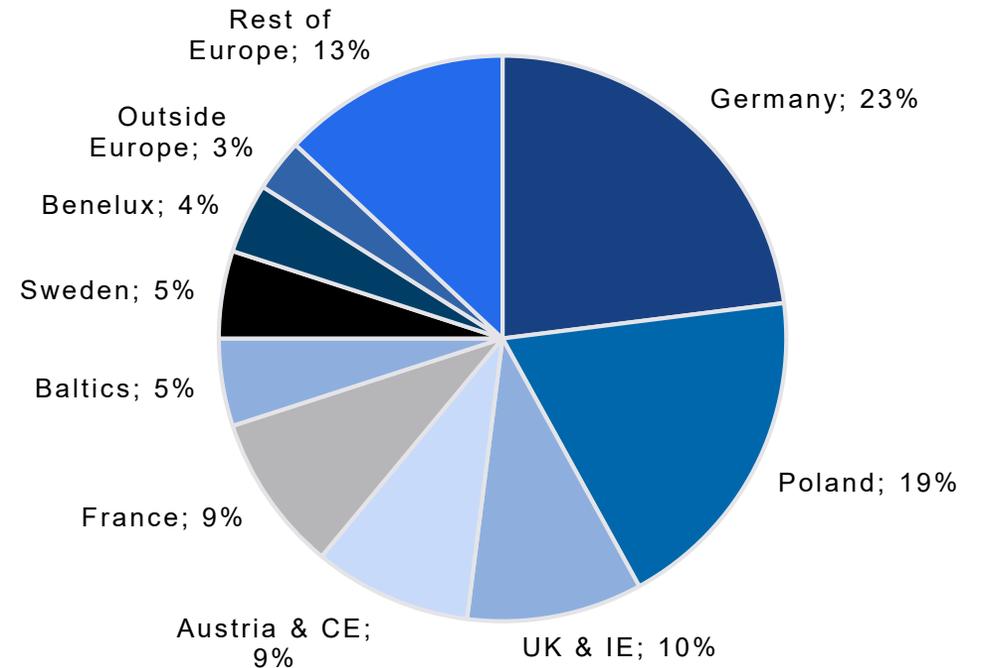
**Advanced Offset  
production in heart of  
Europe**

**AMBER**

**Most complete matt  
coated paper  
assortment**



## Geographical split of sales



# Products

Market segments/products portfolio/target groups



## Printing Houses

Clients who purchase the Group's paper products directly



## Wholesalers

Direct customers who purchase, stock and distribute the Group's paper for resale to other users



## Publishers

Direct and indirect customers, who uses the Group's paper products for use in their publication activities I.e. Random House, Bonniers, Hachette, Holtzbrinck, etc.



## Advertising Industry

Predominantly indirect customers, who use our products I.e. Deutsche Bank, Karl Lagerfeld, Kenzo, L'Oreal, Louis Vuitton, Nike, Mercedes Benz, etc.



## Advertising and design agencies

Predominantly indirect customers but are of significant importance in requiring and recommending our products to end users

# Products

## Samples

Christian Dior St. Valentine  
Journal



WE ARE DIOR:  
NON UN SEMPLICE JOURNAL  
DI SAN VALENTINO!

Koenigsegg catalog



Books



# Pulp Segment

# Market data

Pulp segment – European pulp prices

## Average price Q2 2021 compared to Q2 2020

**NBSK (long fibre): 41% higher**

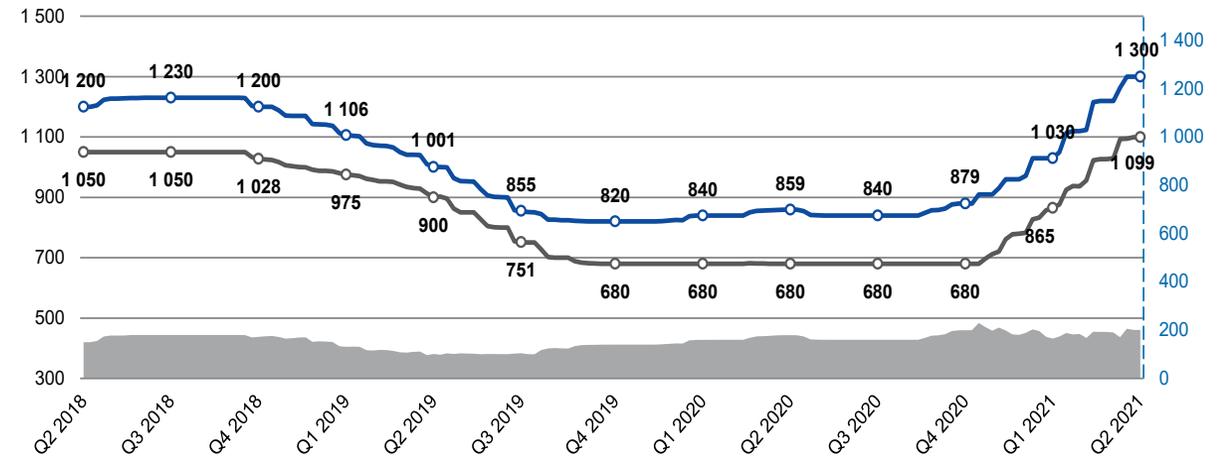
**BHKP (short fibre): 48% higher**

## Average price Q2 2021 compared to Q1 2021

**NBSK (long fibre): 24% higher**

**BHKP (short fibre): 32% higher**

## Pulp PIX Indexes Europe



Source: Arctic Paper based on Foex data.

# Arctic Paper - pulp segment - operating data

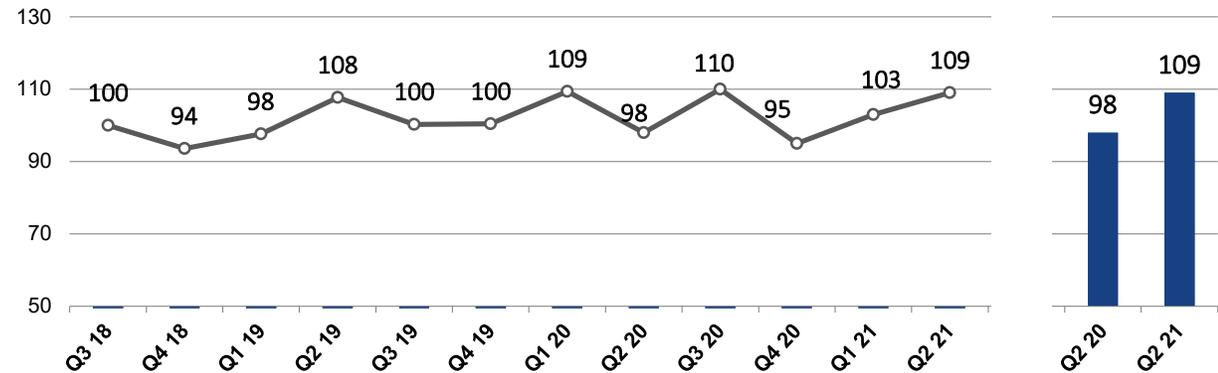
## Pulp production & deliveries

**Q2 2021 total production: 109k tons**

**6% higher than in Q1 2021**

**11% higher than in Q2 2020**

**Pulp production (1 000 tonne)**

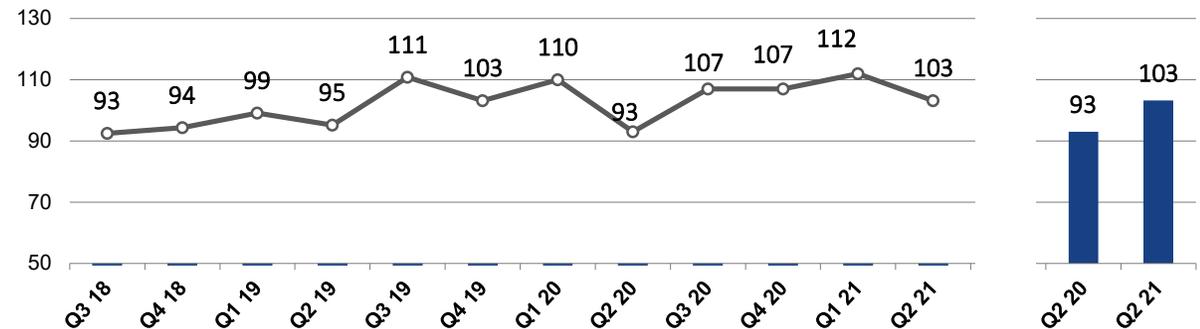


**Q2 2021 total deliveries: 103k tons**

**8% lower than in Q1 2021**

**11% higher than in Q2 2020**

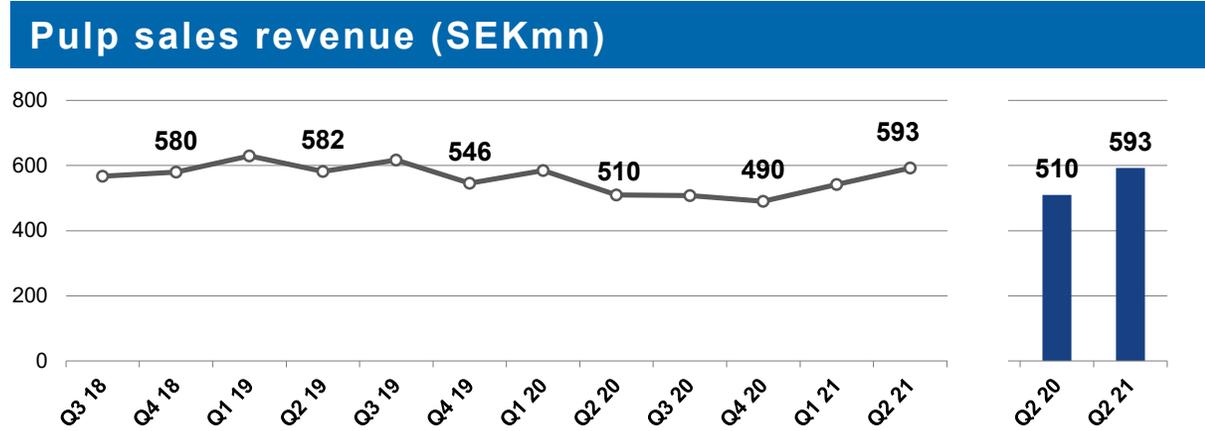
**Pulp deliveries (1 000 tonne)**



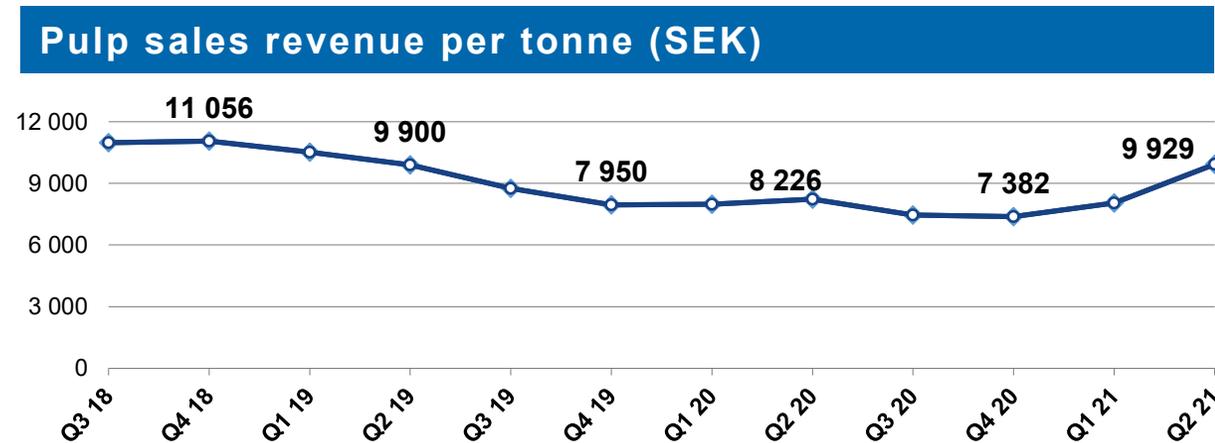
# Arctic Paper - pulp segment - operating data

Revenue and revenue per tonne

**Total revenue Q2 2021 (SEK 593mn)  
increased by 9% compared to Q1 2021**



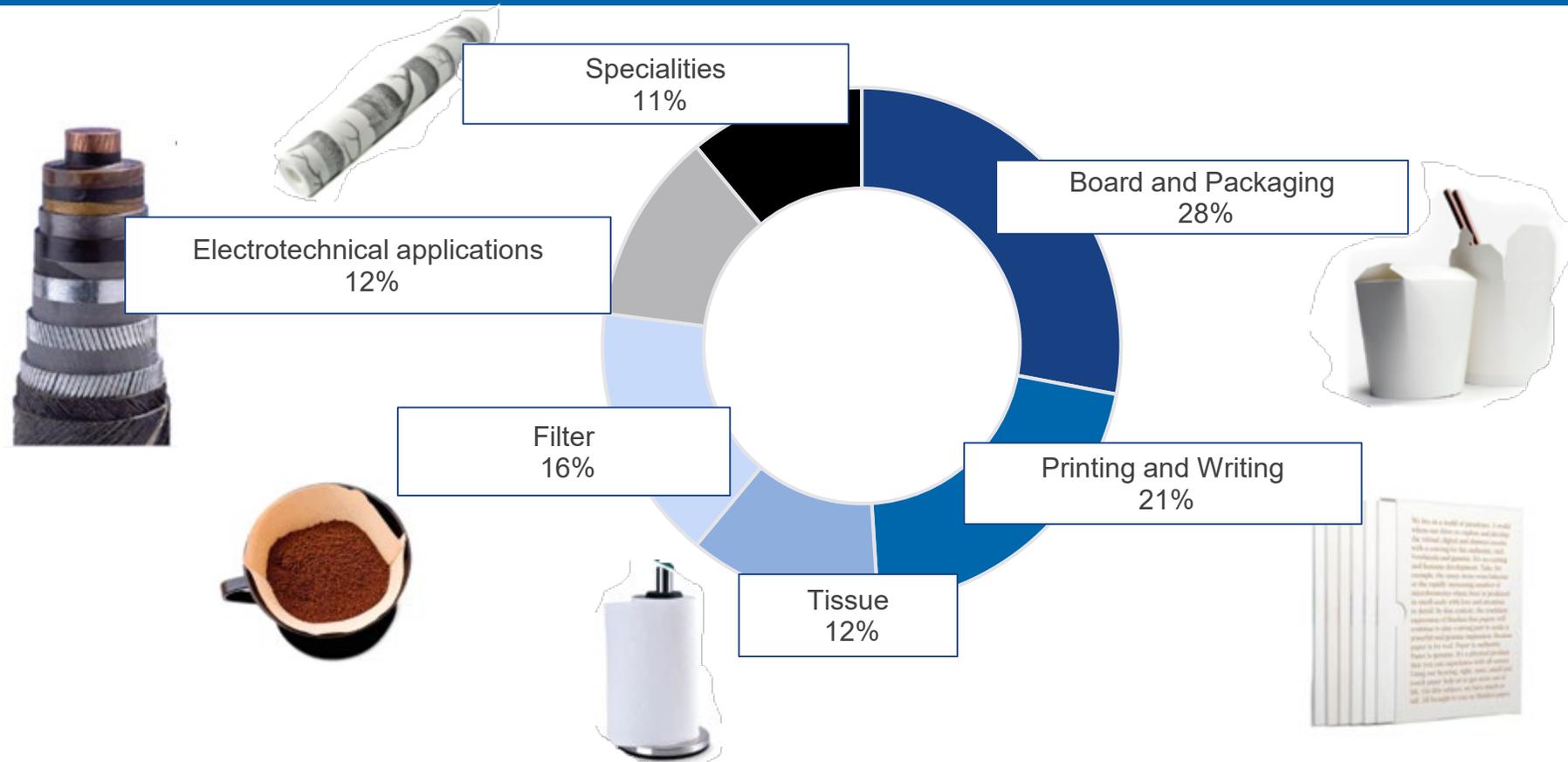
**Average price Q2 2021 (SEK 9 929 per  
tonne) increased by 23% compare to  
average in Q1 2021**

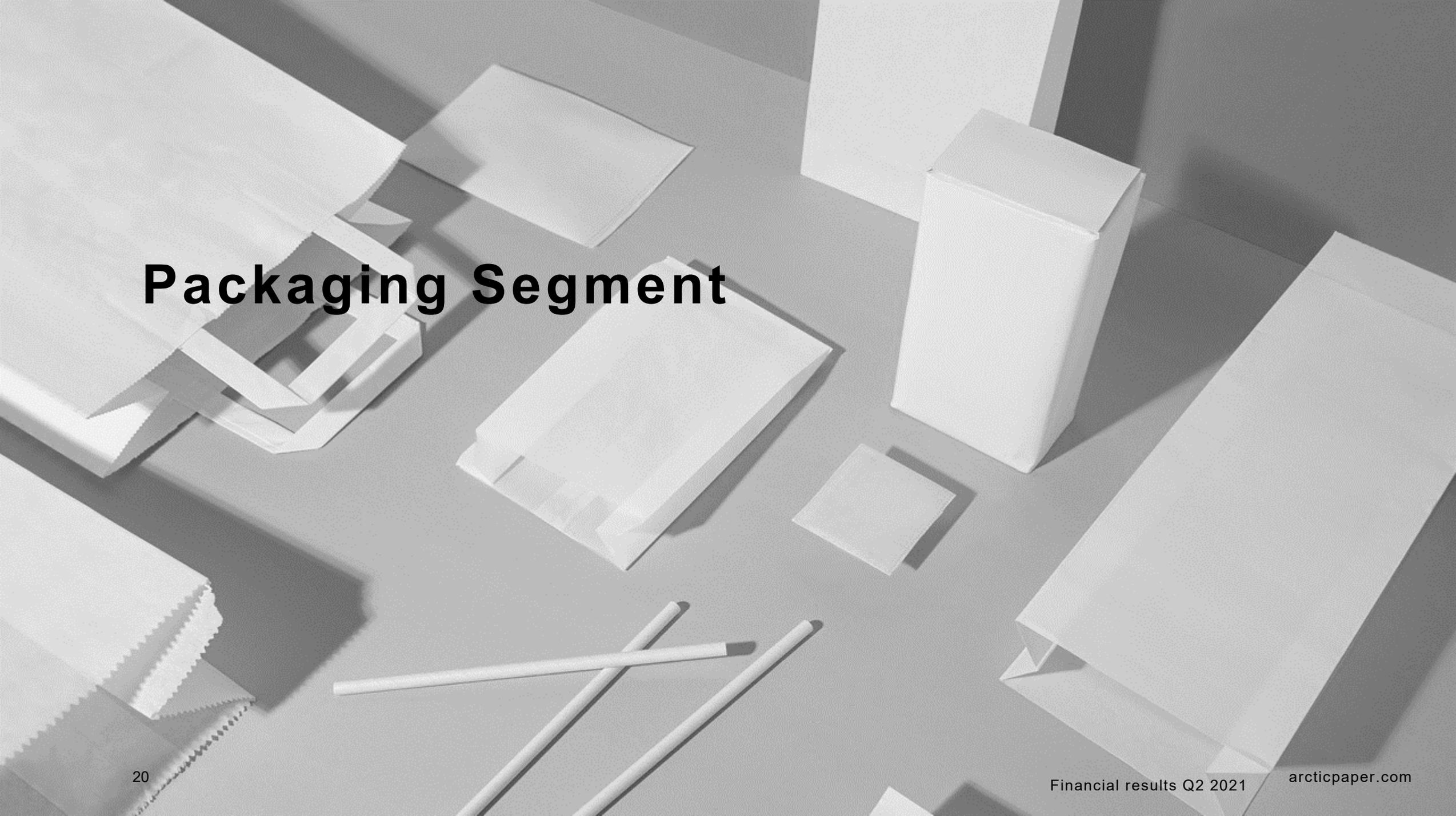


# Products

Pulp sales by application

## Rottneros' sales by application 2020



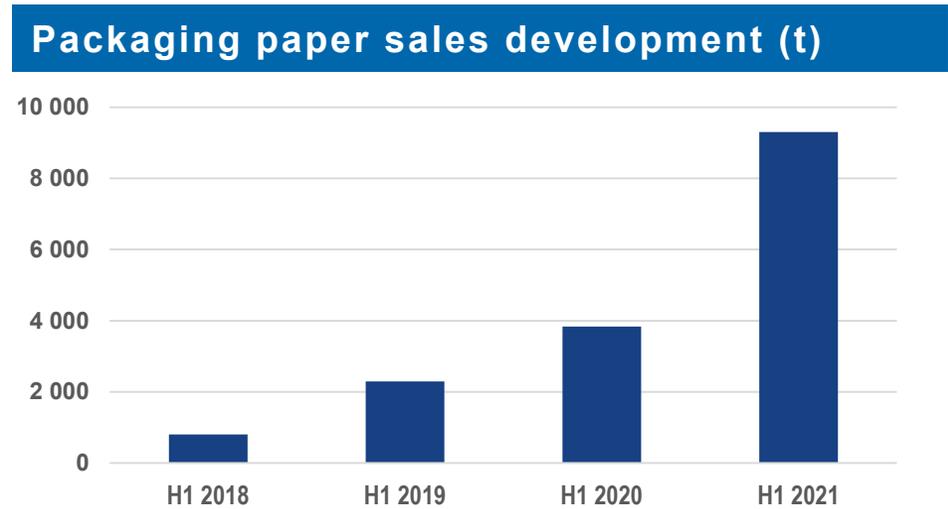


# Packaging Segment

# Packaging paper development

**Packaging papers:**

<b>Munken Kraft</b> Uncoated packaging paper	<b>G-Flexmatt</b> New coated product G-Flexmatt launched on the market in Q2 2021
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# Power Segment



# Power generation

New hydroelectric power plant in Munkedal produced over 13 GWh of green energy in H1 2021.

Biomass power plant in Grycksbo produced over 7 GWh of green energy and 360 GWh of green heat in H1 2021.



Phase 1 of PV solar farm in Kostrzyn will be in operation by end of August.

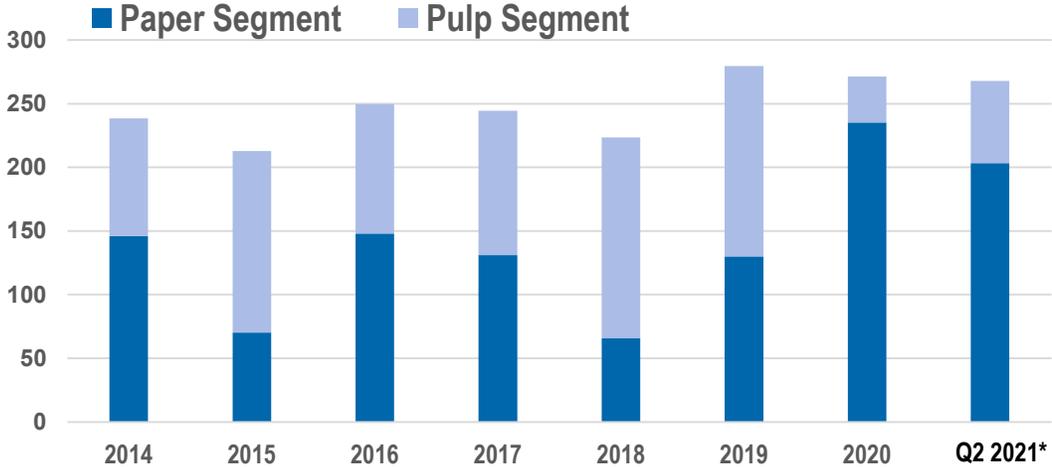
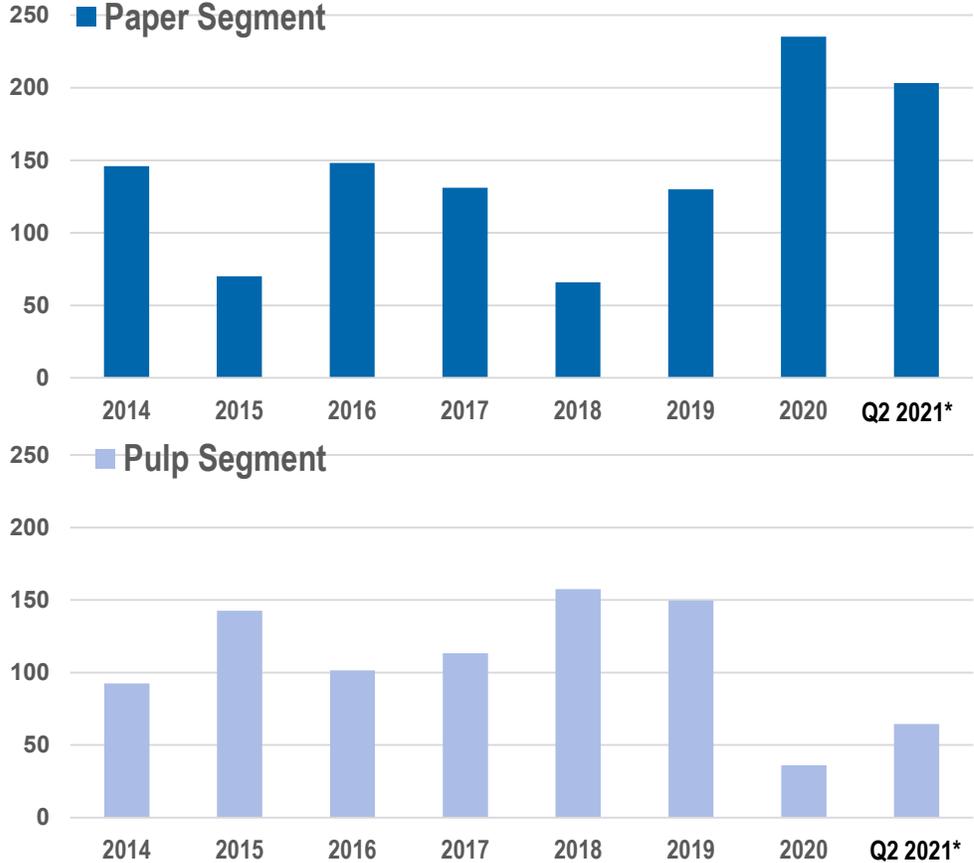


# Financial performance

# Arctic Paper Group

EBITDA evolution 2014 - 2021 (PLNmn)

Effective hedging of both segments – to stabilize financial results in last 8 years



\* Rolling 12 months

# Arctic Paper Group Q2 2021 EBITDA

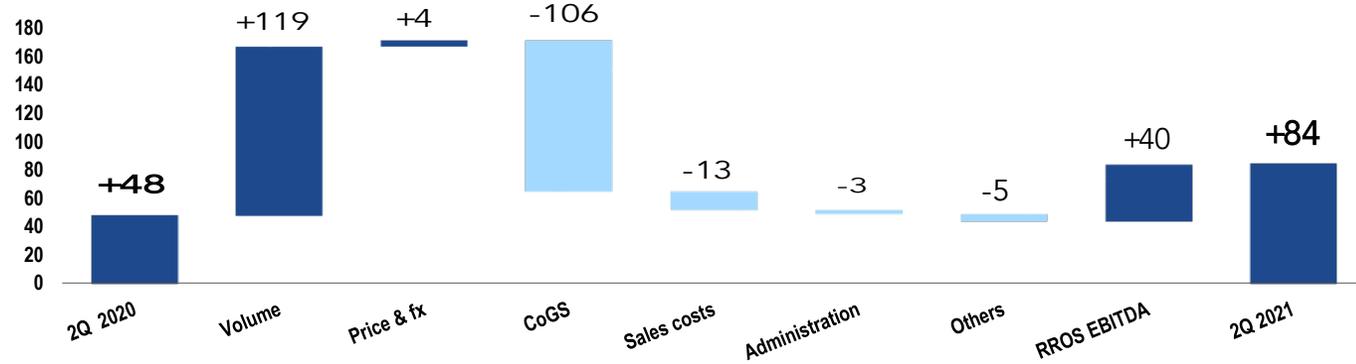
Total

**Q2 2021 EBITDA PLN 84,2mn**

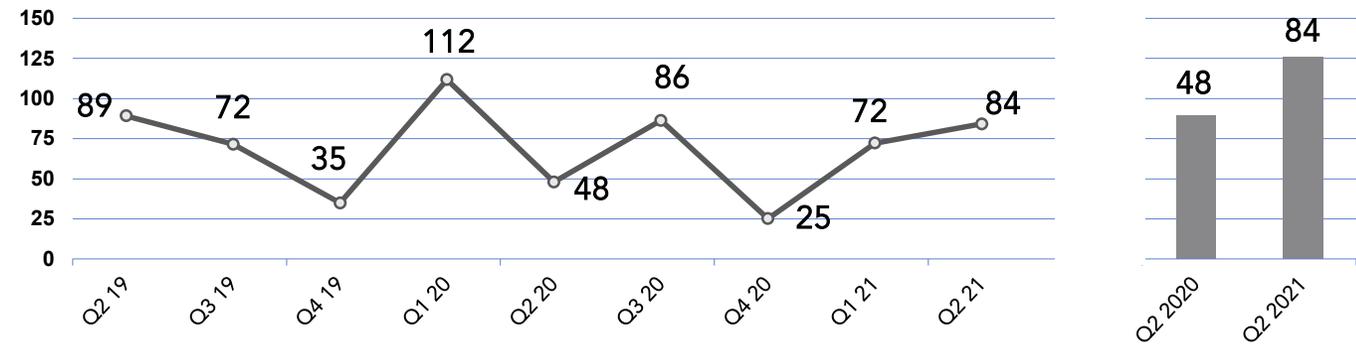
PLN 12,0mn higher than Q1 2021

PLN 36,2mn higher than Q2 2020

## Q2 2021 EBITDA Bridge



## EBITDA evolution





# Outlook

# Outlook for second half of 2021

- Expected production utilization > 95%
- Inflation pressure – the economic recovery has increased operating costs (raw materials, packaging and freight are becoming more expensive)
- Further increases in paper sales prices from September
- High demand of pulp contributes to the profitability of that segment
- Logistics challenges related to the limited availability of means of transport and higher freight costs
- September - launch of the Strategy 2030
- Further growth of packaging grades in product mix
- Identification of new development opportunities in the energy segment

# Sharing our story with you

**Hedged against volatility of profitability & high fluctuation of energy**

**Growth in packaging**

**Increasing share of renewable and fossil-free energy**

**Predictable capex aimed at continued improvements**

**Owner of brands valued by customers**

**Established position on the market with a high entry barrier**

**Stable ownership structure**

**Sustainable production processes**

Arctic Paper Vision:

Turning ideas into experiences.



# Supplementary

643788-1	1	14
ROI	170	46
900 * 640	250	3680
L		
	328876	
		

4123  
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3 411564/29/2021

411564  
↑

411564  
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643975-1	2	10
ROW	120	46
640 * 900	250	2980
L		

323887  
↓  
323887.

# Capex in paper segment

## Recently finished key investments

- Expanded hydropower plant in Munkedal
- The investment of over SEK 100mn increased the power from 2 to 6 MW

## Key investments in 2021+

- Pilot investment in solar cells at Arctic Paper Kostrzyn
- Several projects targeting efficiency improvements
- Continuation of Munkedal plant modernization – off-balance investment financed by future energy supplier (process steam)