



FINANCIAL RESULTS

Q3 2023



ARCTIC PAPER

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THIS PRESENTATION CONTAINS FINANCIAL RESULTS FOR Q3 2023.

AGENDA

PRESENTERS:

Michał Jarczyński / CEO Arctic Paper

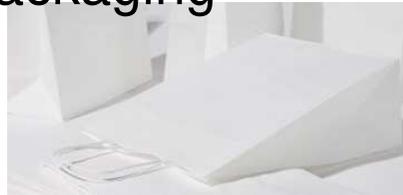
Katarzyna Wojtkowiak / CFO Arctic Paper

Summary Q3 2023

Paper



Packaging



Financials



Pulp



Power



Focus & Strategy Review



SUMMARY Q3 2023

Arctic Paper Group Q3 2023 vs. Q3 2022

Net sales
(PLN mn)

854.8 / 1 402.1
(Q3 2023) / (Q3 2022)

EBITDA
(PLN mn)

124.5 / 298.2
(Q3 2023) / (Q3 2022)

Operating CF
(PLN mn)

200.4 / 245.1
(Q3 2023) / (Q3 2022)

ROCE*

19.2% / 29.3%
(Q3 2023) / (Q3 2022)

Paper/Pulp EBITDA
(PLN mn)

95/30 / 206/92
(Q3 2023) / (Q3 2022)

Net debt/EBITDA*

-0.59x / -0.22x
(EOP Q3 2023) / (EOP Q3 2022)

Paper sales
volume

108k t / 169k t
(Q3 2023) / (Q3 2022)

Pulp sales
volume

102k t / 96k t
(Q3 2023) / (Q3 2022)

* rolling 12 months

SUMMARY Q1-3 2023

Arctic Paper Group Q1-3 2023 vs. Q1-3 2022

Net sales
(PLN mn)

2 723.3 / **3 809.2**
(Q1-3 2023) / (1-3Q 2022)

EBITDA
(PLN mn)

379.0 / **834.0**
(Q1-3 2023) / (Q1-3 2022)

Operating CF
(PLN mn)

345.1 / **481.4**
(Q1-3 2023) / (Q1-3 2022)

ROCE*

19.2% / **29.3%**
(Q1-3 2023) / (Q1-3 2022)

Paper/Pulp EBITDA
(PLN mn)

256/123 / **563/271**
(Q1-3 2023) / (Q1-3 2022)

Net debt/EBITDA*

-0.59x / **-0.22x**
(EOP SEP 2023) / (EOP SEP 2022)

Paper sales
volume

319k t / **501k t**
(Q1-3 2023) / (Q1-3 2022)

Pulp sales
volume

272k t / **302k t**
(Q1-3 2023) / (Q1-3 2022)

* rolling 12 months



PAPER

MARKET DATA

Fine paper average market prices

SEP 2023 COMPARED TO JUN 2023

UWF average price change - **4,9%**

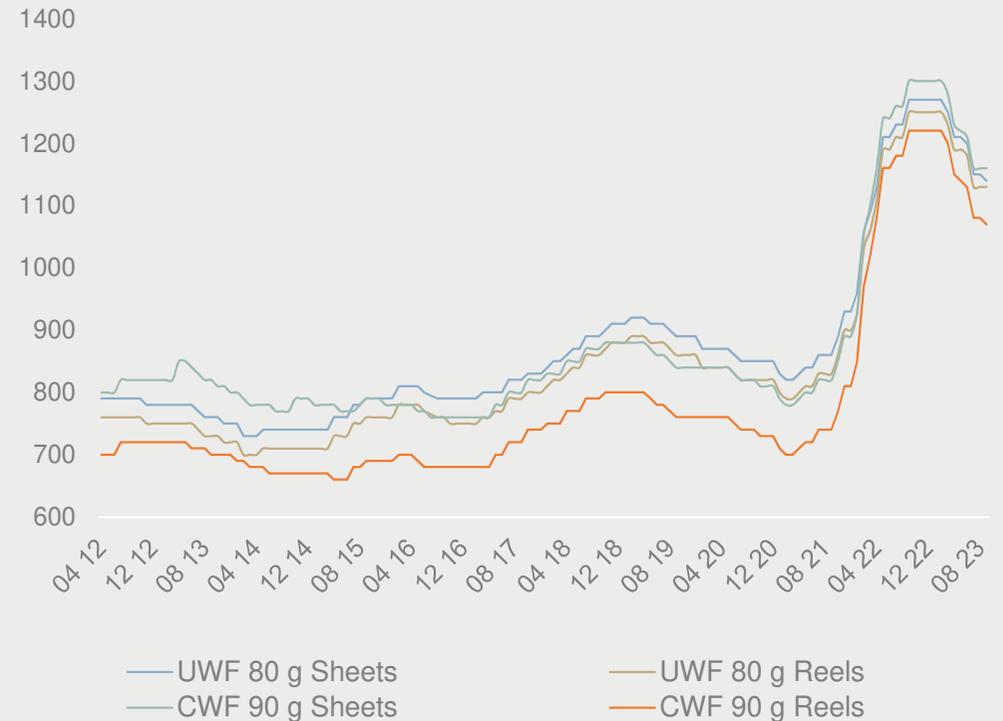
CWF average price change - **5,2%**

SEP 2023 COMPARED TO SEP 2022

UWF average price change - **9,7%**

CWF average price change - **12,1%**

GRAPHIC FINE PAPER PRICES – GERMAN MARKET



Source: Arctic Paper based on RISI data.

OPERATING DATA

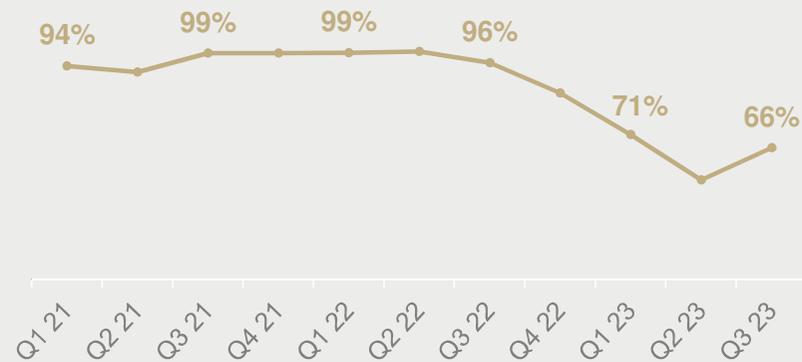
Average Q3 2023 use of production capacity: **66%**

11% HIGHER THAN IN Q2 2023
30% LESS THAN IN Q3 2022

Q3 2023 total sales volume: **108k tons**

11% HIGHER THAN IN Q2 2023
36% LESS THAN IN Q3 2022

PRODUCTION CAPACITY FOR ARCTIC PAPER MILLS



OPERATING DATA

Total revenue Q3 2023 (PLN 590mn)

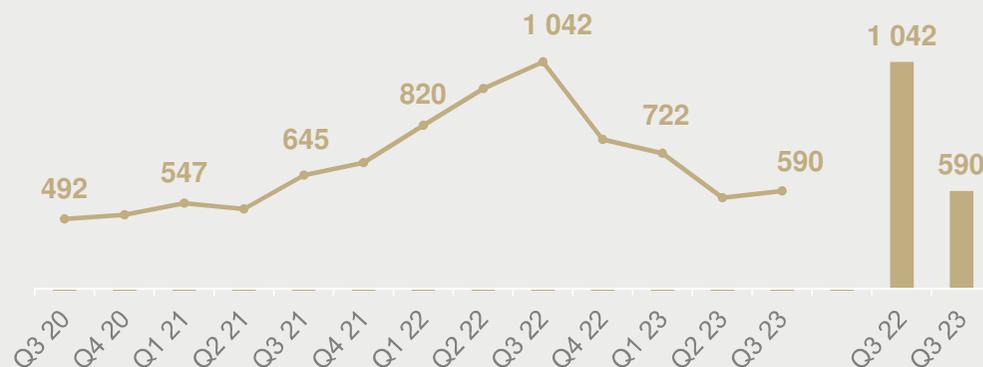
DECREASED BY 44% COMPARED TO Q3 2022

Average price Q3 2023 (PLN 5.46k)

DECREASED BY 12% COMPARED TO AVERAGE IN Q3 2022

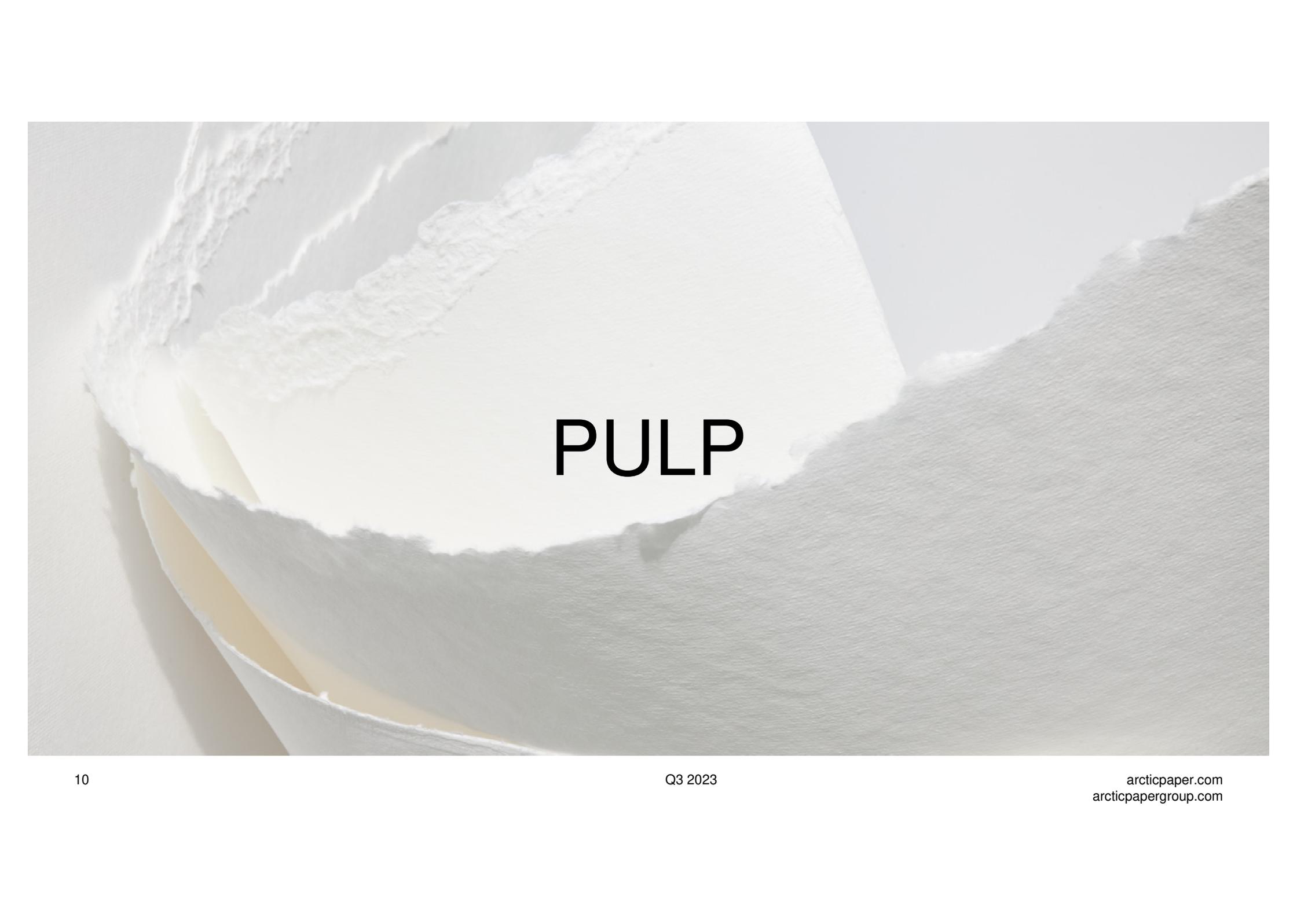
* price chart includes impact of fx fluctuations, product mix and market mix

PAPER SALES REVENUE (PLN mn)



PAPER SALES REVENUE PER TONNE (PLN k)*





PULP

MARKET DATA

Pulp – European pulp prices

AVERAGE PRICE Q3 2023 COMPARED TO Q3 2022

NBSK (long fiber): **21% lower**

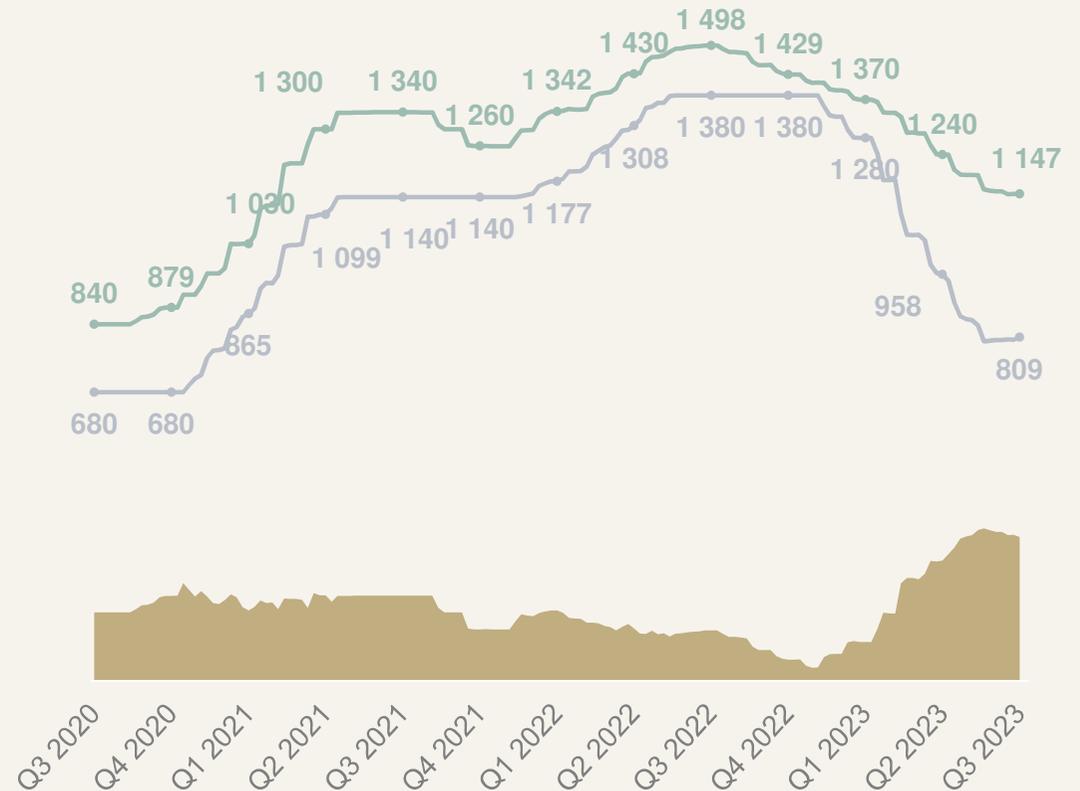
BHKP (short fiber): **39% lower**

AVERAGE PRICE Q3 2023 COMPARED TO Q2 2023

NBSK (long fiber): **10% lower**

BHKP (short fiber): **24% lower**

PULP PIX INDEXES EUROPE



Source: Arctic Paper based on Foex data

OPERATING DATA

Pulp production & deliveries

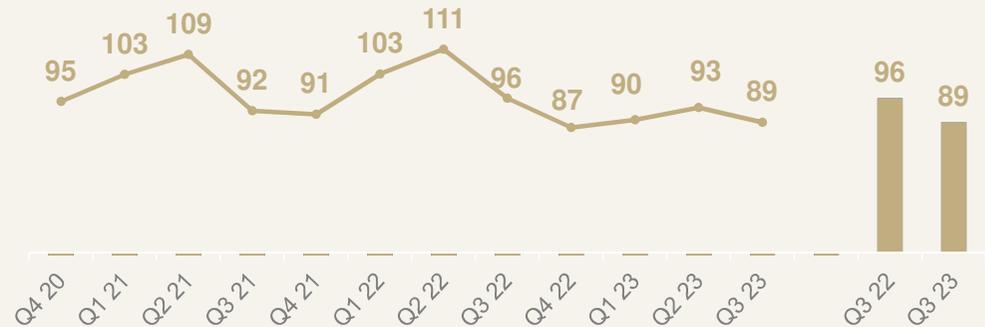
Q3 2023 total production: **89k tons**

5% LOWER THAN IN Q2 2023
7% LOWER THAN IN Q3 2022

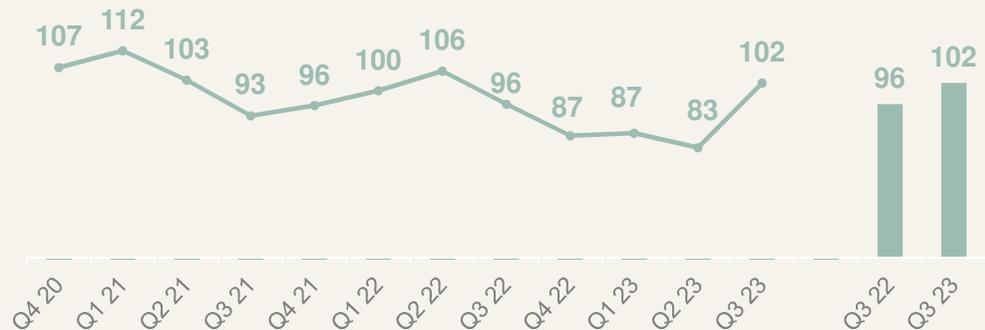
Q3 2023 total deliveries: **102k tons**

23% HIGHER THAN IN Q2 2023
7% HIGHER THAN IN Q3 2022

PULP PRODUCTION (1,000 TONNE)



PULP DELIVERIES (1,000 TONNE)



OPERATING DATA

Revenue and prices

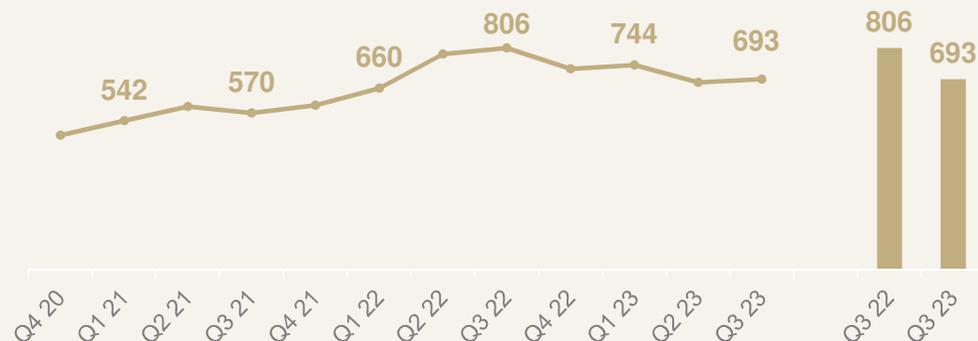
Total revenue Q3 2023 (**SEK 693mn**)

DECREASED BY 14% COMPARED TO Q3 2022

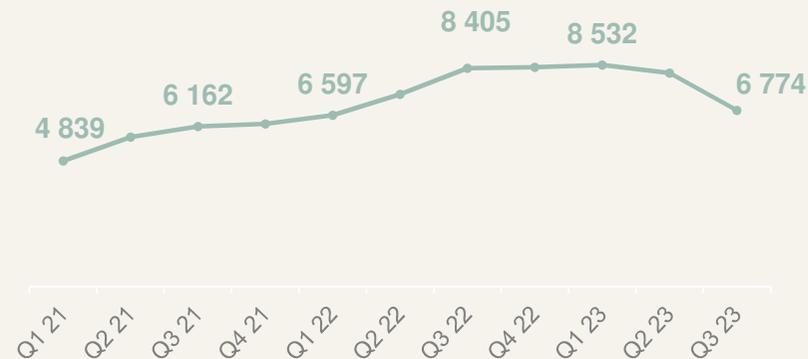
Average price in Q3 2023 (**SEK 6.8k per tonne**)

DECREASED BY 19% COMPARED TO Q3 2022

PULP SALES REVENUE (SEK mn)

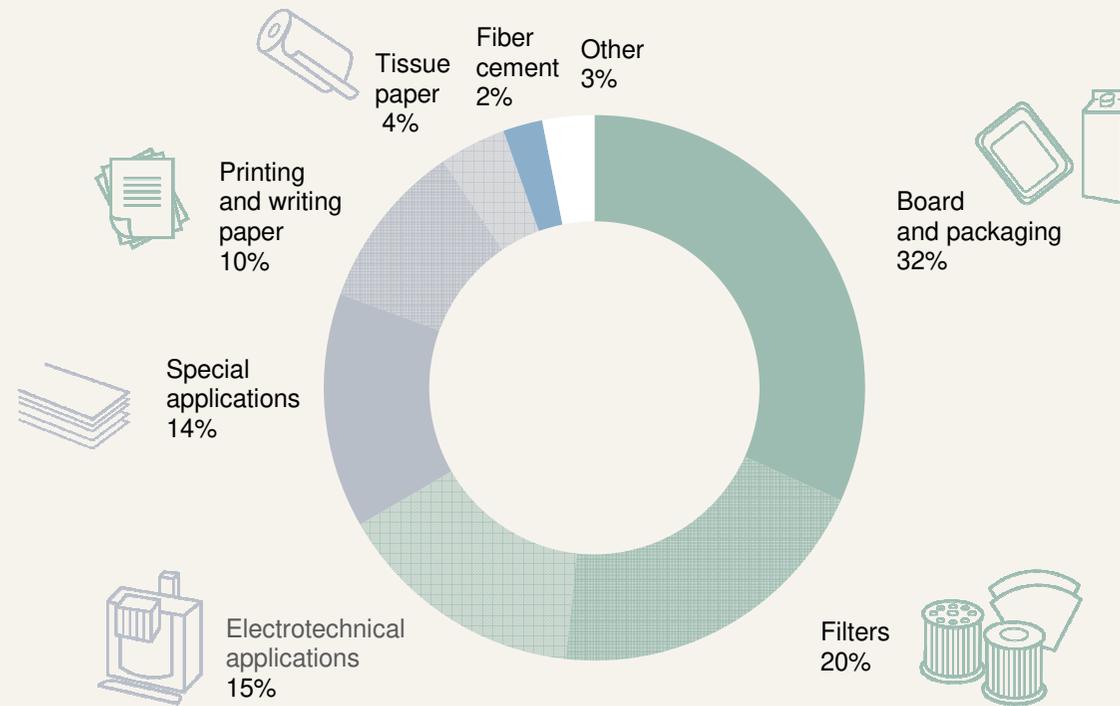


PULP SALES REVENUE PER TONNE (SEK)



PULP – REPLACEMENT MATERIAL FOR PLASTIC

Pulp Sales (Rottneros) by application 2022



PULP

Geographical split of sales





DEVELOPMENT

PACKAGING PAPERS:

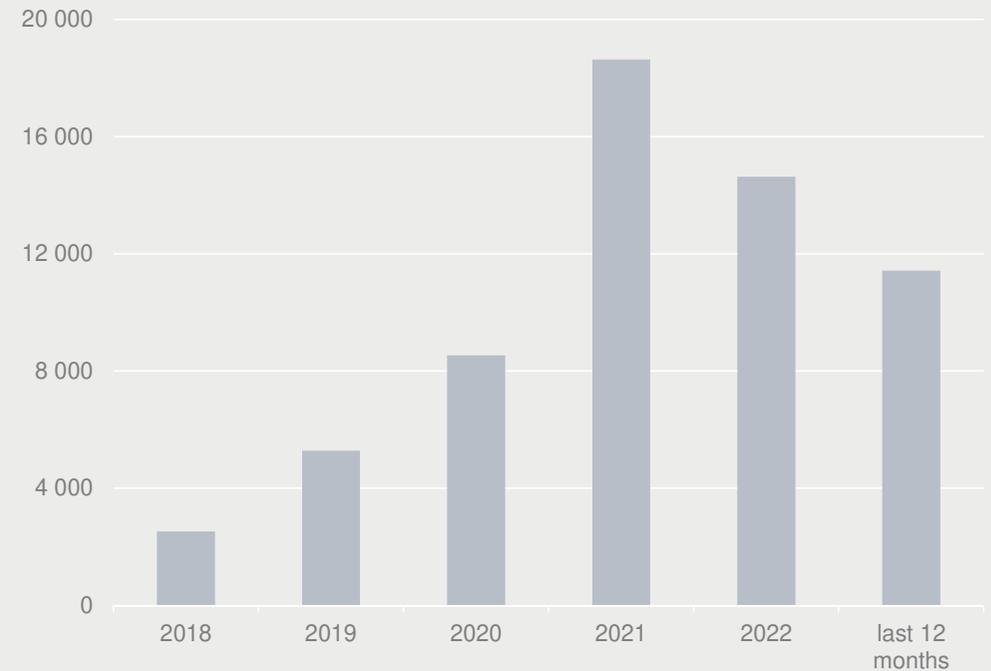
Munken Kraft

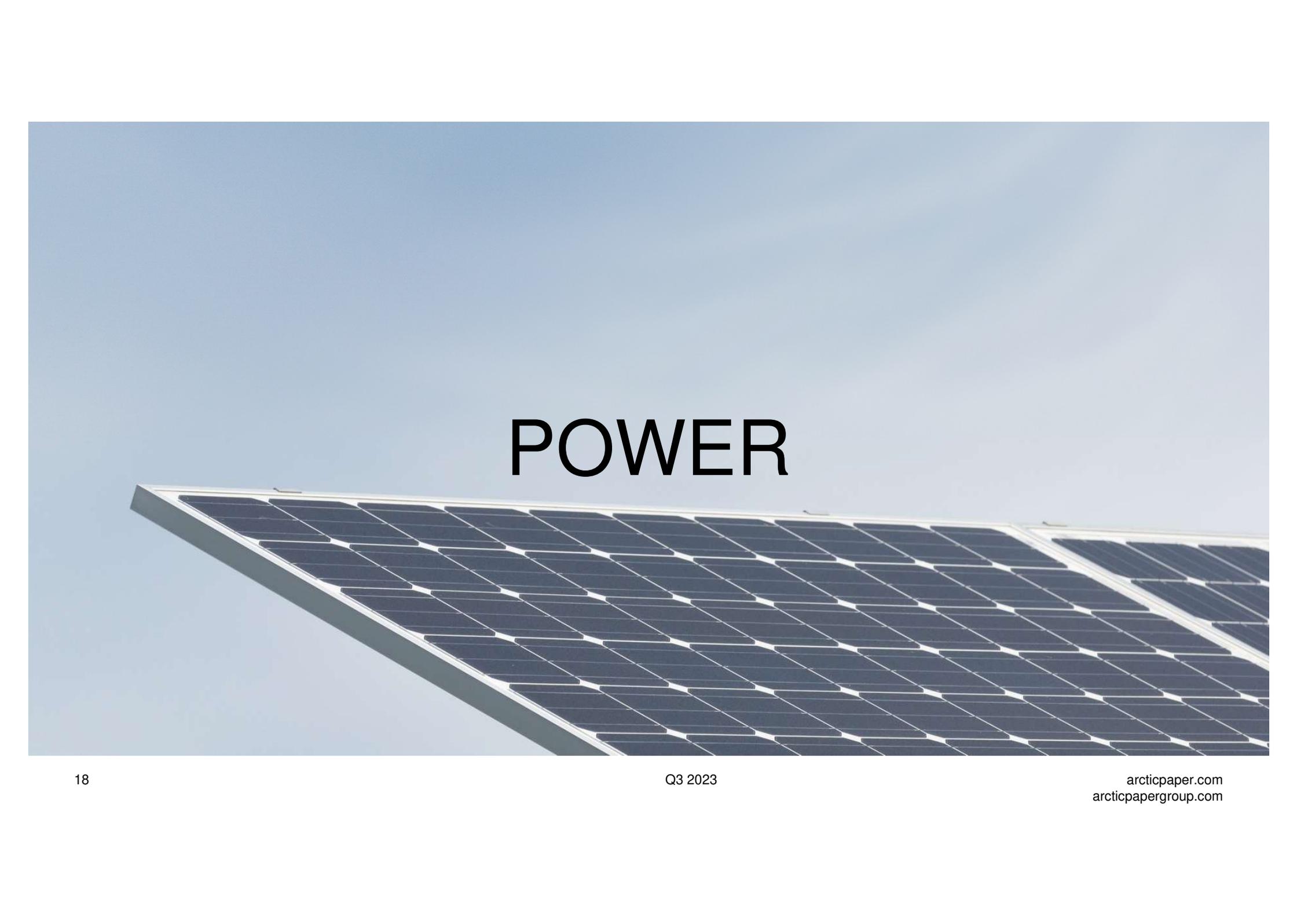
Uncoated packaging paper

G-Flexmatt

Coated packaging paper

PACKAGING PAPER SALES DEVELOPMENT (t)



A large solar panel array is shown from a low angle, extending across the bottom half of the frame. The panels are dark blue with a grid of white lines. The background is a clear, light blue sky. The word "POWER" is centered in the middle of the image in a large, bold, black, sans-serif font.

POWER

ARCTIC PAPER GROUP

POWER SEGMENT

KOSTRZYN

- Contract for building solar park 17 MW in Kostrzyn has been signed, installation will be in operation end of Q2 2024
- Solar installation of 1,2 MW will be installed on the roof in Kostrzyn. Installation will be in operation end of Q1 2024

GRYCKSBO

- Expansion of biofuel boiler and steam turbine at the mill in Grycksbo has been decided. The capex is expected SEK 285 mn and makes SEK 50 mn saving/annum. Additional production of wood pellet (50 000 t/annum) will contribute revenues about SEK 100 mn/annum

ROTTNEROS

- New solar park in Rottneros will generate over 3 GWh/annum of green energy, installation will be in operation next year
- Energy storage in Rottneros will provide grid services for Svenska Kraftnat
- The long-term contract for 30 GWh/annum energy from wind park to Rottneros mill has been signed, the deliveries will start from 2025 and will continue for 8,5 years

The image shows a close-up of industrial machinery, likely from a paper mill, with various rollers and belts. A large, semi-transparent grey diagonal shape is overlaid on the right side of the image. The word "FINANCIALS" is centered in a bold, black, sans-serif font.

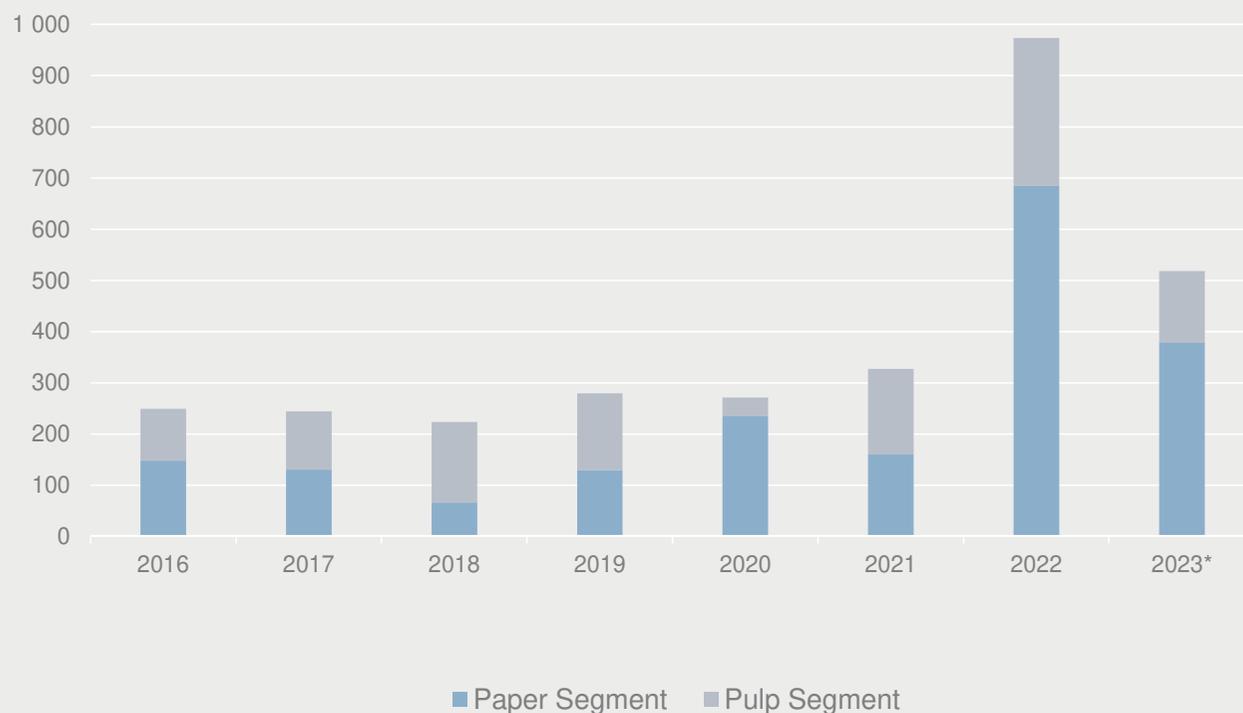
FINANCIALS

EBITDA EVOLUTION 2016 – 2023 (PLN mn)

Effective hedging of both segments – to stabilize financial results

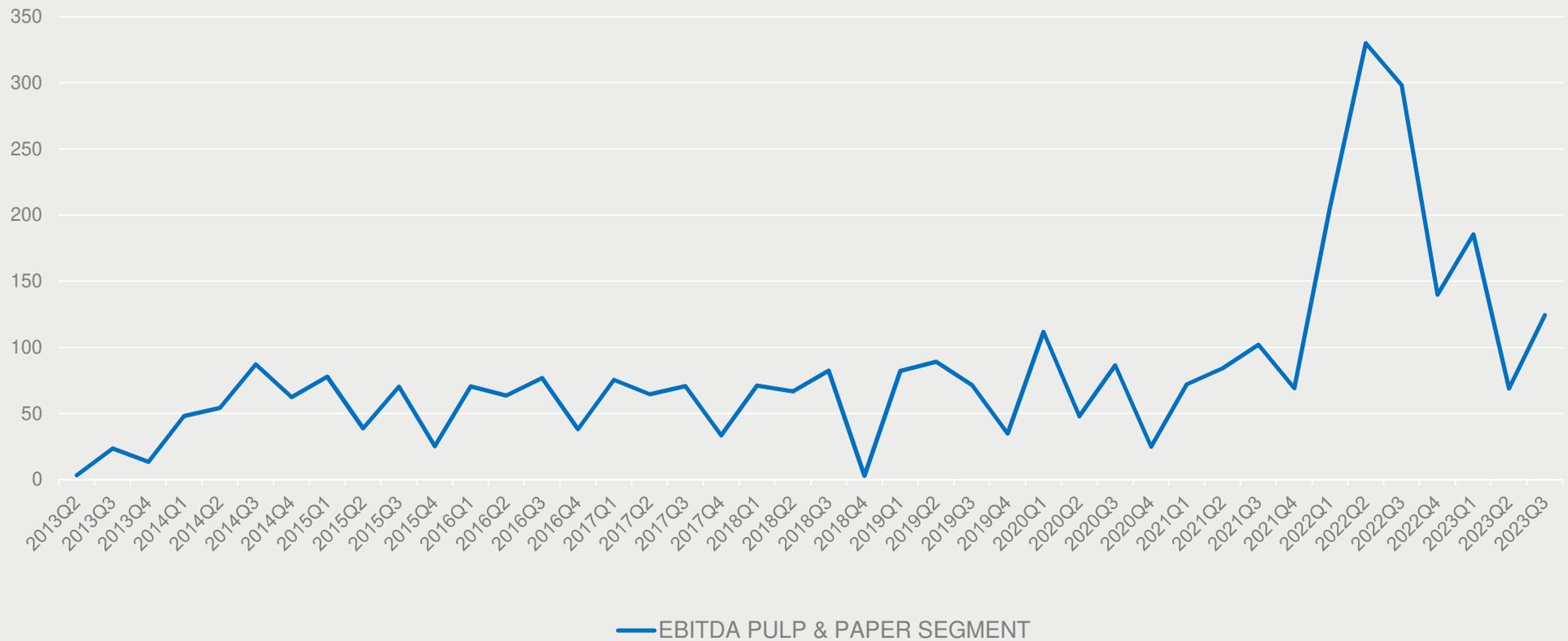
Q3 2023 EBITDA PLN 124.5mn

PLN 56mn HIGHER THAN Q2 2023
PLN 174mn LOWER THAN Q3 2022

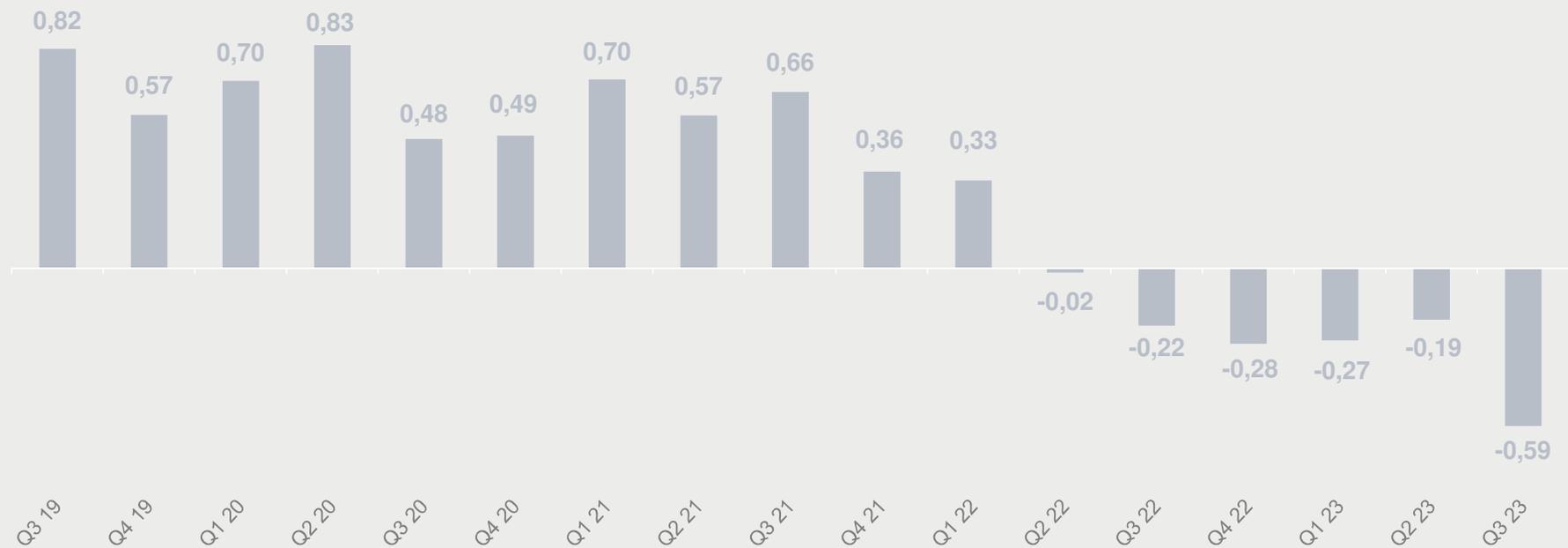


* rolling 12 months

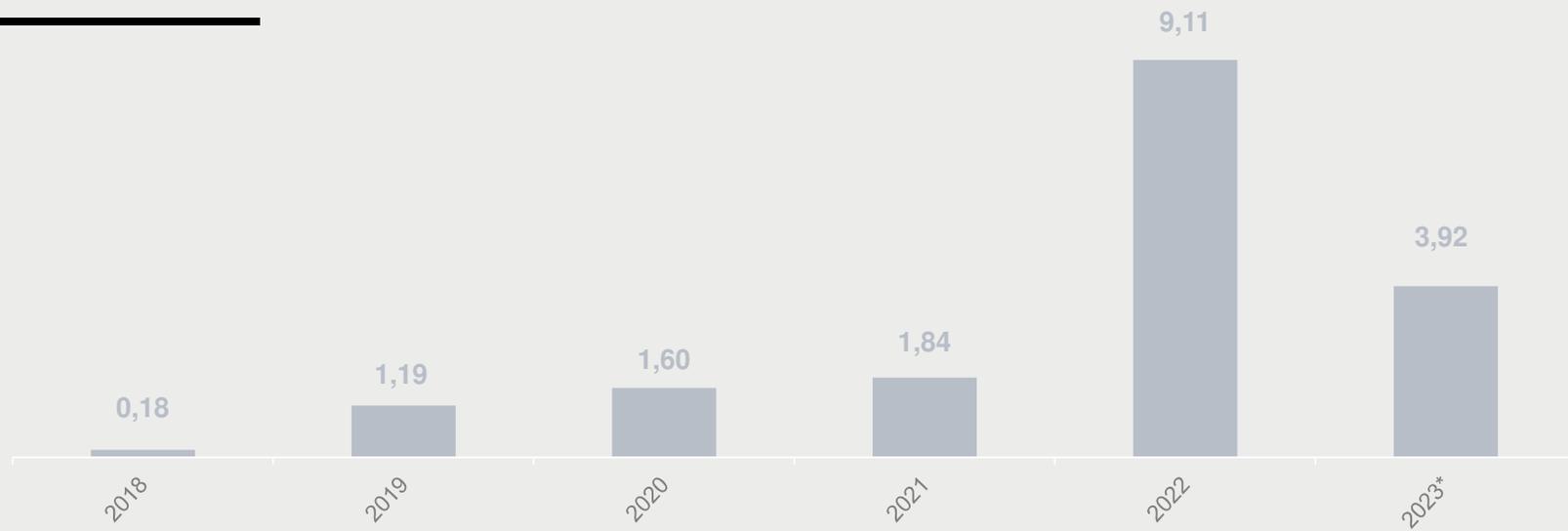
QUARTERLY EBITDA EVOLUTION 2013 – 2023 (PLN mn)



NET DEBT/EBITDA 2019 – 2023



NET PROFIT PER SHARE



* rolling 12 months net profit for the paper segment plus 51% of the net profit for Rottneros divided by the number of shares.



-
- Some early signs of recovery in demand have been seen.
 - Continued focus on margins.
 - Grow within sustainable energy solution.
 - Decision was made to invest SEK 285 million in an upgrade of the biofuel boiler and steam turbine in Grycksbo.
 - The joint venture investment in a new production facility for molded fiber trays in Kostrzyn is progressing with the aim of being operational during 2024.
 - Investments in Rottneros, in the expansion of CTMP capacity, in renewable energy and energy storage.





Diversification continues in line with proven '4P Strategy'

November 2023



ARCTIC PAPER

4P FOR FUTURE ARCTIC

Paper



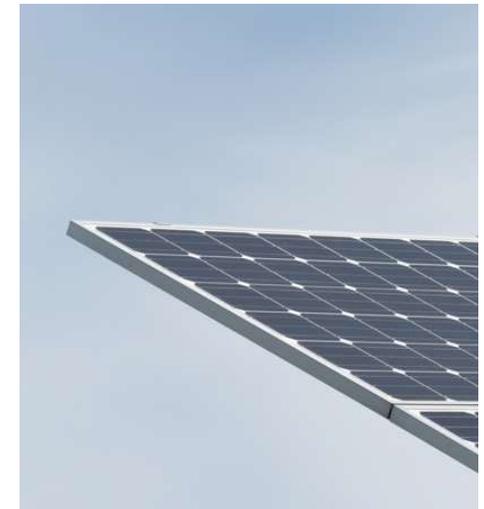
Packaging



Pulp



Power



4P STRATEGY

Background

The '*Arctic Paper 4P Strategy*' was initiated in 2021.

The 4P Strategy involves:

- Continuing organic growth in the segments – paper and cellulose fibre (pulp).
- New market opportunities are opening up in the packaging sector and energy generation (power).

Maintaining a leading position in graphical subsegments, we have planned investments in cellulose-based packaging production and renewable energy sources.

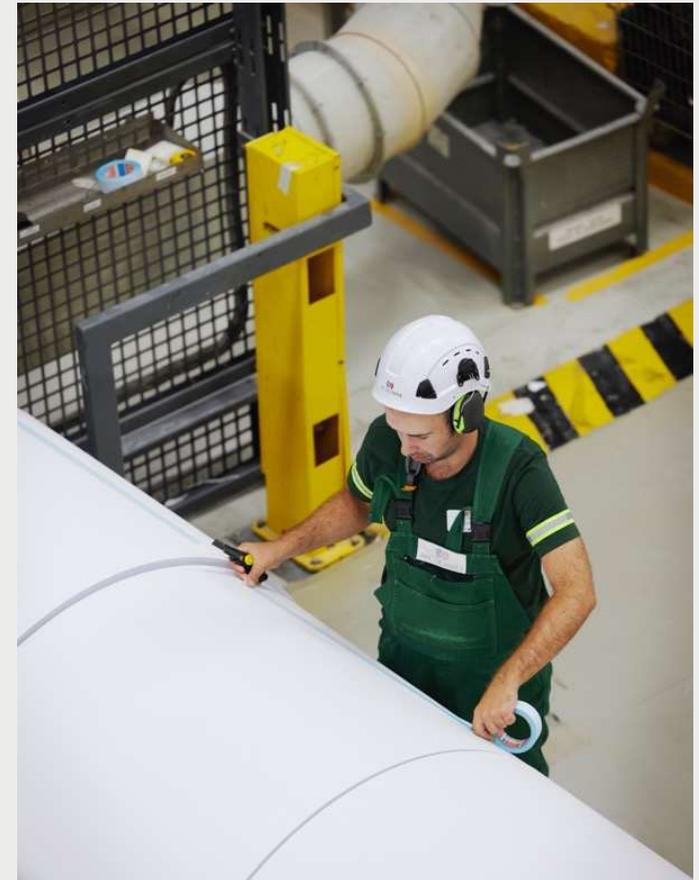


4P STRATEGY

Background

The implementation of the 4P Strategy was planned for the years 2021-2030.

The Group has now completed the first three years of its implementation, and it is time to assess the results and update it.



4P STRATEGY

Outcome

Very good results achieved by the Arctic Paper Group in the years 2021-2023 indicates that we made a correct judgement of the market situation and trends.

Established the right directions for investment.

Our mature business model, stable financial results and as well as investment in new, growth-oriented and profitable segments allows a stable dividend policy, established in 2022.

Still, two segments – cellulose (pulp) and paper – account for the majority of our revenues. Despite a slight decrease in demand for graphic paper, our market share percentage has increased, due to focus on being close to our European key markets.



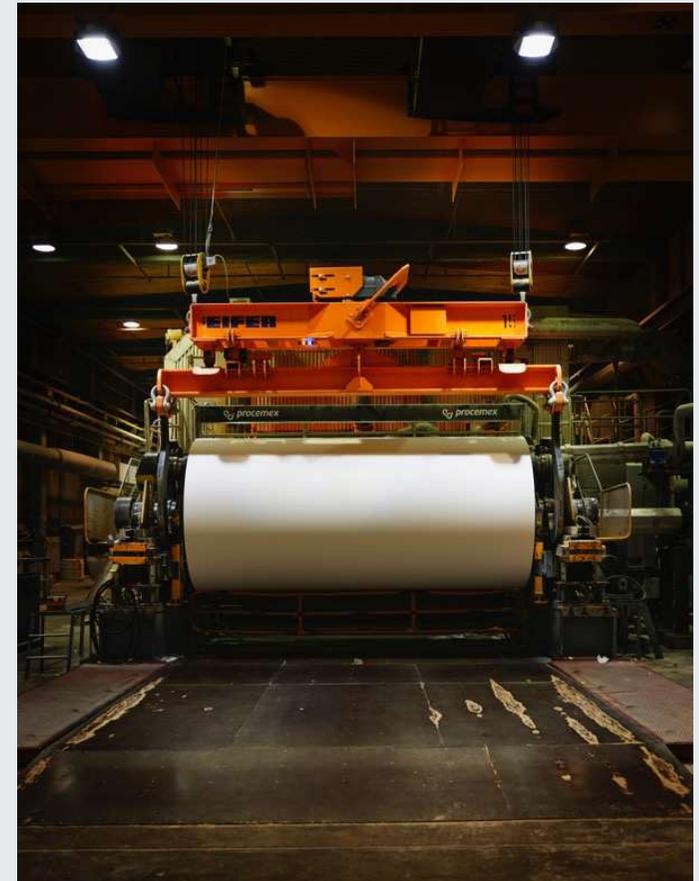
4P STRATEGY

Outcome

Our activities in the packaging segment provide a solid basis for implementing further steps in the coming years.

The new joint venture with Rottneros in molded pulp trays is an important first, with the aim of being operational 2024.

The significant dynamics of changes in the energy market in the last 2 years confirm that our assessment of this segment was correct, and the investments made in this area are already bringing us benefits.



PAPER & PULP SEGMENT

We aim to replicate the successes we achieve in the paper and cellulose fiber segment. Investments in this area are focused on:

- continuously improving our competitive advantage
- enhancing efficiency, digitalization and automation
- and implementing new technologies into the production process, and exploring new applications for our products.

We strive to maintain our position as a leader in various European graphical segments and as a producer of high-quality cellulose for special applications.

Our focus will remain on profitability rather than continual expansion of production capacity.

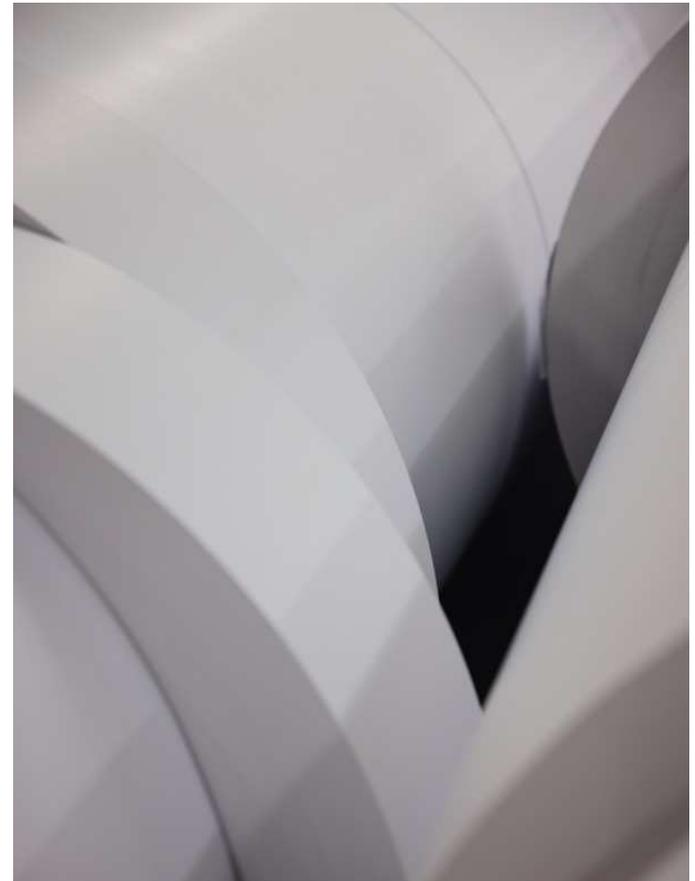


PACKAGING SEGMENT

The global trend of replacing plastic packaging with products made from natural resources presents a significant opportunity.

As a cellulose producer, we have expertise in manufacturing packaging from cellulose fiber and will be pursuing further investments in this segment.

We aim to identify and select market areas where niche segments allow for higher margins, partly by implementing new solutions and innovation advancing the production of functional papers.



PACKAGING SEGMENT

We aspire to develop the packaging segment both independently and through joint venture partnerships. The molded fibre tray production unit in Kostrzyn Poland will be the first step in 2024.

We do not rule out growth through acquisitions.



POWER SEGMENT

High profitability in the energy market. We aim to continue focusing on renewable energy.

Investments in the industrial energy segment are being pursued in two directions:

- Increasing energy generation for our internal production processes (energy self-sufficiency) to achieve 100% by 2030.
- Selling energy to customers outside our group.

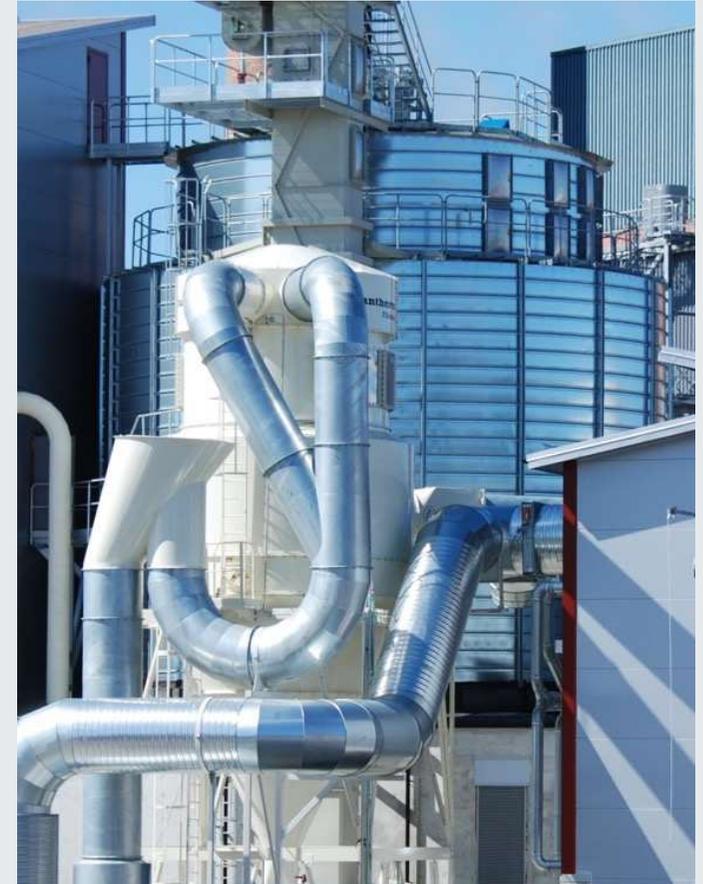


POWER SEGMENT

Shift our focus towards photovoltaic farms and biomass.

By 2026, the capacity of our renewable energy sources will reach 25 MW, and by 2030, it will be 80 MW.

We aim to develop energy projects through acquisitions, which will lead to a significant increase in installed capacity to 140 MW.



POWER SEGMENT

In Sweden, we have gained expertise in providing system services for the power grid. The nature of our operations presents significant opportunities for this development both in Sweden and Poland.

In 2025, we are opening a new area of activity for the group – producing wood pellets for mainly household heating. In the initial stage, 50 thousand tons will be produced annually, with plans to increase production to over 100 thousand tons of pellets per year.

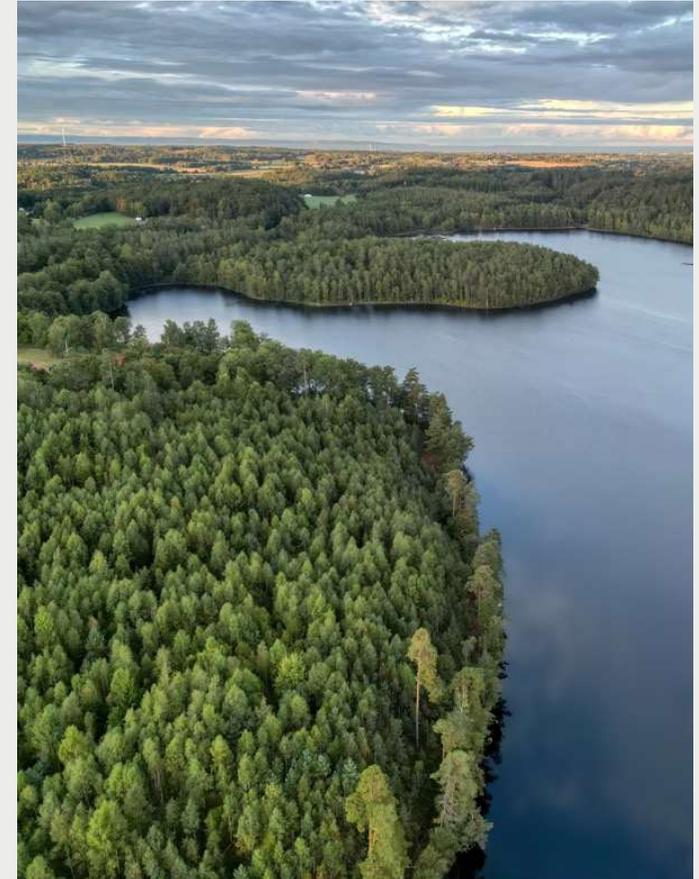


CORPORATE SOCIAL RESPONSIBILITY

We are part of the bio based circular economy, based on cellulose fiber.

We continue our development towards a sustainable and emissions-neutral economy. By 2035, we aim to achieve neutral fossil CO₂ emissions according to Scope 1 and Scope 2.

We will do our utmost to reduce fossil CO₂ emissions in Scope 3, demanding reductions from our entire value chain.



CORPORATE SOCIAL RESPONSIBILITY

We will focus on securing, maintaining and developing a diverse, inclusive and engaged workforce.

Arctic Paper is committed to the principles of the Universal Declaration of Human Rights by United Nations and the United Nations Global Compact principles.



ARCTIC PAPER GROUP

Financial Perspective

We target to maintain a strong financial position for the group. The planned investments in the four segments by 2030 will amount to approximately 1,325 million PLN.

The investments will be – according to the 2021 published strategy – financed in a ratio of 40% equity and 60% external capital.

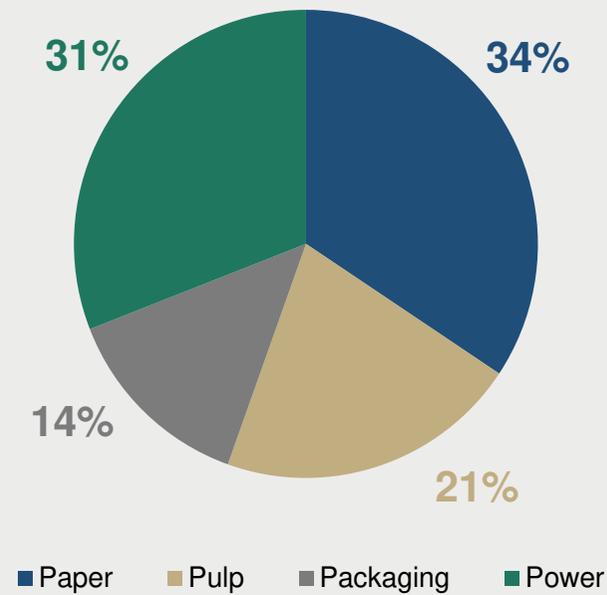
Our goal is to ensure that despite the investments currently underway and in the coming years, the net debt to EBITDA ratio does not exceed 3.5x



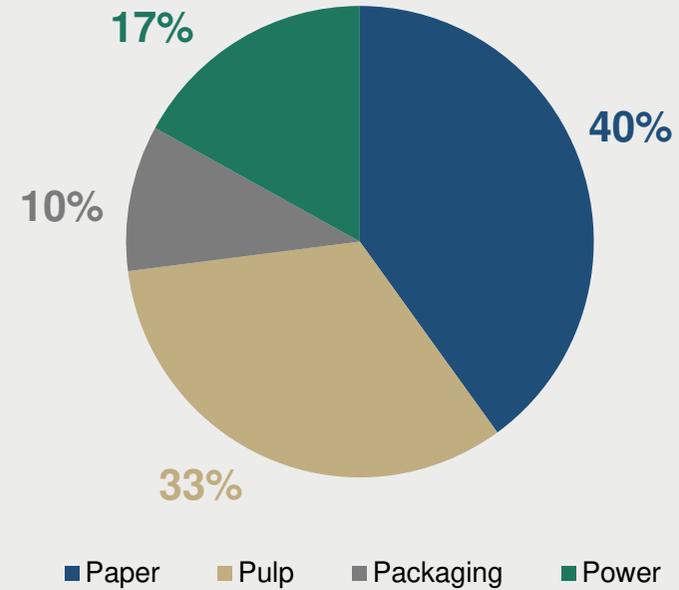
ARCTIC PAPER GROUP

Financial Perspective

Investment Directions 2024-2030



EBITDA 2030 by Segments

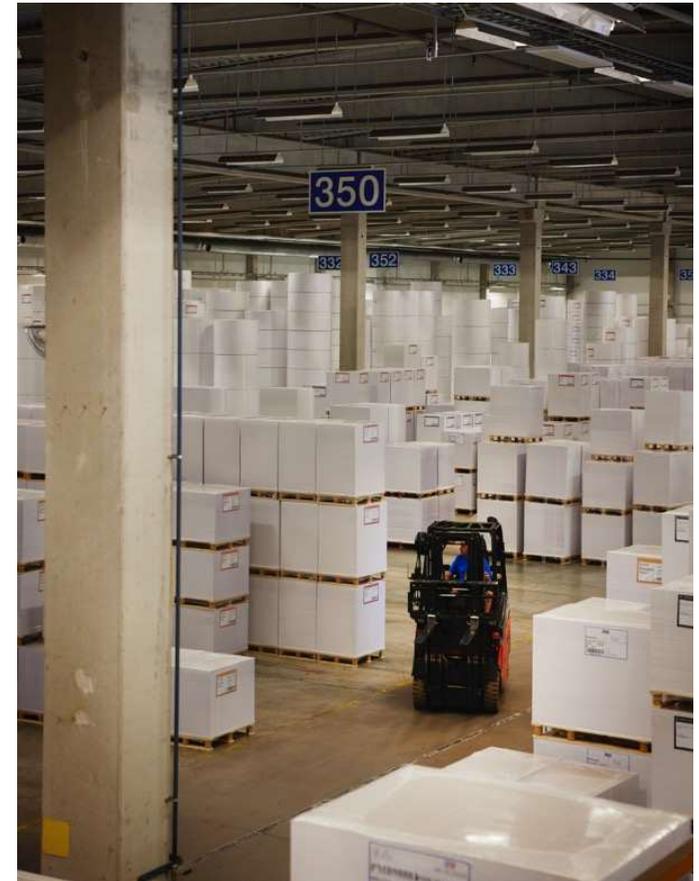


ARCTIC PAPER GROUP

Financial Perspective

We aim to be perceived by shareholders as a mature, stable company with solid foundations, effectively managing risks.

We maintain our dividend policy and planning to allocate 20 to 40% of profits for dividends.



4P FOR FUTURE ARCTIC

Paper



Packaging



Pulp



Power

