

This
is
Arctic
Paper

A Future in Paper
Arctic Paper S.A.
2018

Arctic Paper in Brief

Arctic Paper S.A. is one of the leading producers of high-quality graphical fine paper in Europe. The Group produces coated and uncoated woodfree paper for quality-conscious customers (printers, book and newspaper publishers, advertising agencies, paper distributors and others) under well-known brands such as Munken, Arctic Volume, G-Print, Amber and Arctic. The production takes place at the three paper mills located in Grycksbo (Sweden), Kostrzyn (Poland) and Munkedal (Sweden).

The Group is the majority owner (51 percent ownership) of the pulp producer Rottneros (Sweden). Rottneros operates two pulp mills in Vallvik (Sweden) and Rottneros (Sweden) and is producing both chemical and high-yield pulp.

Arctic Paper is headquartered in Poland and is listed on the Warsaw Stock Exchange and on NASDAQ, Stockholm (ARP).

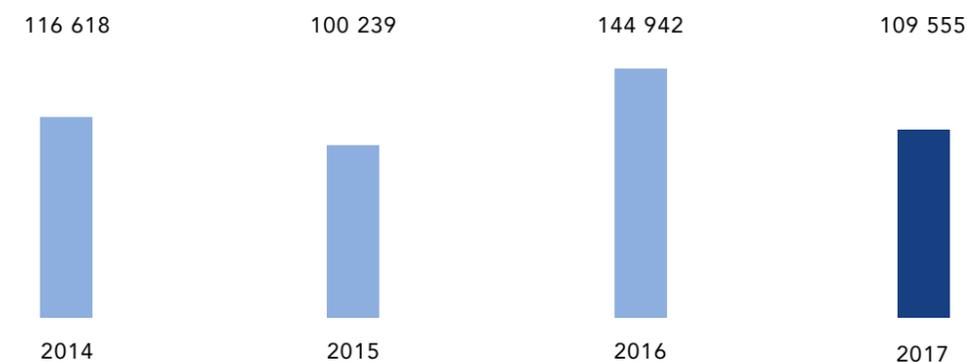
Ownership structure



Key KPIs

EBIT

in PLN thousand



Revenues

in PLN thousand



Earnings per share

in PLN



From continuing operations attributable to shareholders of the parent entity

Earnings for 2017

Revenues:	2 952 806
Net earnings from continuing operations:	70 629
Operating profit from continuing operations:	109 555

in PLN thousand

A Future in Paper – Strategic Agenda 2022

We go for growth

We focus on innovations to strengthen our customer offering

We build on our brands

We strive for continuous cost improvement

We live a performance culture

We care for our people and the environment

Recent events

2015

Profit improvement programme launched

The programme is adopted as a response to changes in the market, aiming to increase operating profitability.

Launch of Highway grades

Amber Highway is launched, the first grades for high-speed inkjet printing.

2016

Refinancing process finalised

Combining bank credit and a bond issue increases flexibility in financing sources and allows Arctic Paper to increase competitiveness by continuing to invest in energy and resource efficiency.

2017

New business strategy and financial target

Arctic Paper sets a financial target of EBIT 10 percent at the latest 2022. In connection with this a new strategy is adopted, A Future in Paper – Strategic Agenda 2022, consisting of six strategic initiatives showing the way to a growing and more profitable business.

Expanding capacity

Arctic Paper Kostrzyn
Decision is taken to invest in expanding capacity at Arctic Paper Kostrzyn.



Sales offices

- Arctic Paper Papierhandels GmbH, Austria
- Arctic Paper Benelux N.V., Belgium
- Arctic Paper Danmark A/S, Denmark
- Arctic Paper France SAS, France
- Arctic Paper East Sp. z o.o. Representative office, Ukraine
- Arctic Paper Deutschland GmbH, Germany
- Arctic Paper Italia Srl, Italy
- Arctic Paper Baltic States, Latvia
- Arctic Paper Norge AS, Norway
- Arctic Paper Polska Sp. z o.o., Poland
- Arctic Paper España S.L., Spain
- Arctic Paper Sverige AB, Sweden
- Arctic Paper Schweiz AG, Switzerland
- Arctic Paper UK Ltd., United Kingdom



Head offices

- Arctic Paper S.A. Poznan, Poland
- Arctic Paper S.A. (Filial) Gothenburg, Sweden

Mills

- Arctic Paper Kostrzyn S.A., Poland
- Arctic Paper Munkedals AB, Sweden
- Arctic Paper Grycksbo AB, Sweden

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CEO Foreword

2017 – important steps taken towards a brighter future in paper

Over the past two years, we have laid the foundation for positive development for the Arctic Paper Group. The first steps were taken in 2015–2016, when a comprehensive cost-efficiency programme, combined with refinancing, strengthened our competitiveness. During 2017, we have developed a new strategy for the paper business, the Strategic Agenda 2022, which is now being implemented in order to achieve sustainably higher profitability.

Our efforts have shown results. In 2017, the Arctic Paper Group reached a turnover of PLN 2,952 million and an EBITDA of PLN 244 million, despite tough market conditions for graphical paper operations. The massive increase in the pulp price during the year – which we have not yet fully compensated for by price increases – in combination with the fact that we operate in a competitive environment has put pressure on our margins. Through our majority ownership in the Swedish listed pulp producer Rottneros, which we consider to be a strategic financial asset, we receive our share of the profitability in the pulp market. The combination contributes to stability.

We continue to gain market share

The market for graphical paper is shrinking and there remains significant overcapacity in the industry. Even though we estimate that we have the largest volume loss behind us, we are expecting the trend to continue in the foreseeable future. But development is not unequivocally negative. There are growing segments in the graphical paper market, for example within digital printing and high-quality graphic design.

The future of Arctic Paper does not primarily build on tonnes and volumes, but on customer relations and premium products with a higher value per tonne. We continue to gain market share with the help of our strong brands Munken, Arctic Volume, G-Print, Amber and Arctic. During 2017, we created growth in the digital printing segment, having introduced Amber Highway in 2015 and Munken Highway in 2016. During 2018 we complete the offering with the coated G-Print Highway. Of our total output of 663,000 tonnes, speciality and premium papers now account for 20 percent of the volume, measured in tonnes, and 26 percent of the sales value.



Per Skoglund, CEO of Arctic Paper S.A.

»The future of Arctic Paper does not primarily build on tonnes and volumes, but on customer relations and premium products with a higher value per tonne.«

Building a result-oriented corporate culture

An important part of our work is to continue to build a strong result-oriented corporate culture, in which all employees are truly engaged in our efforts. Therefore, we work goal-oriented, breaking down our goals to the level of entities and individuals. Sustainability is a central part of our strategy, and we make significant investments to reduce our environmental impact. The decision to expand the hydropower at our mill in Munkedal is one important step in this process.

We enter 2018 stronger than before. We have a plan for the future with six strategic initiatives for achieving an EBIT margin of 10 percent. We believe in the future of paper and see great opportunities to become more profitable by focusing on selected segments and new geographical markets, working with customer-driven innovation and continuing to build strong brands.

Per Skoglund
CEO

This is Arctic Paper

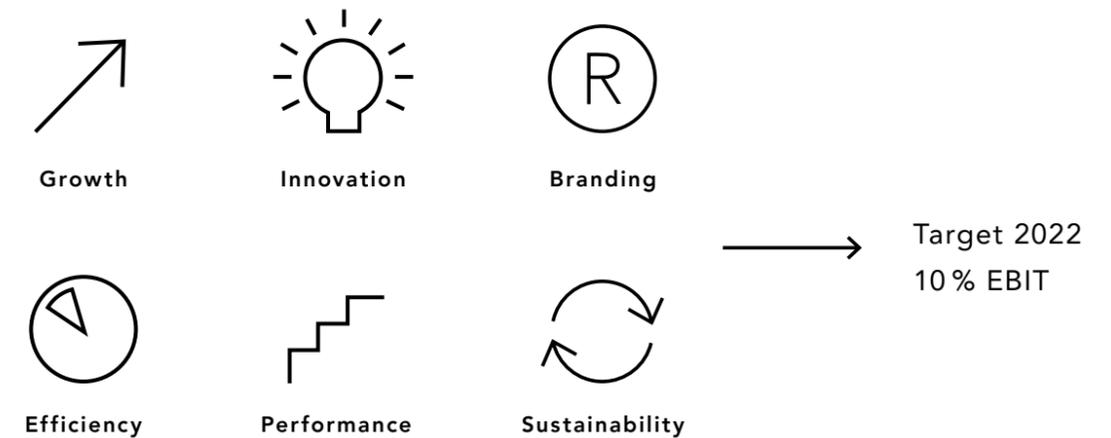
With a new strategic agenda for 2022, Arctic Paper is setting ambitious goals for the future, recognising that in a transforming and changing market, business as usual is not enough. Building on our strengths, we see great opportunities to become more profitable by focusing on selected segments and new geographical markets. Arctic Paper has defined a comprehensive financial target to achieve sustainable earnings of 10 percent EBIT by 2022. Six strategic initiatives – growth, innovation, branding, efficiency, performance culture and sustainability – lead the way to a growing and profitable business.

Turning ideas into experience

»Our mission is to offer a variety of superior, reliable and eco-friendly paper products and services that turn creative ideas into distinctive experiences and cater to the latest printing technologies. The new strategy is built on the ambition to reach a sustainably higher profitability.«

Per Skoglund, CEO of Arctic Paper S.A.

A Future in Paper – The New Strategic Agenda 2022



We go for growth



Arctic Paper focuses on selected and profitable segments, where we perceive paper to have a strong position and growth opportunities. For example, paper that helps to position and communicate exclusive brands via promotional materials, user manuals and packaging. A strong global trend is that luxury segments are growing faster than other segments. Another growing area is paper qualities for digital printing, where Arctic Paper is taking a lead in the field with Highway products across all our brands, providing our great range of papers to the digital print market. A central part of the growth strategy is to identify and cultivate markets where there is potential for Arctic Paper's premium products. Arctic Paper has a strong foothold in Eastern Europe and has decided to expand its capacity in Kostrzyn, which also serves as a logistical centre.

We focus on innovations



Arctic Paper has a long tradition of developing new innovative products and grades in close collaboration with the market. Arctic Paper's R&D team closely follows trends and continuously strives to develop new and innovative grades and products. As a niche producer, Arctic Paper has a flexible production and extensive experience of quickly switching between different qualities while retaining profitability. Arctic Paper actively works to ensure its customers have a positive experience by providing high service levels and agile distribution and logistics.

We build on our brands



The future of Arctic Paper does not build on volumes and tonnes, but on our customer relations and premium products with higher value per tonne, thereby reducing the impact of raw material costs. In the future, building strong brands that are known for high quality will become an even more important competitive advantage. Strengthening all brands is an important part of the strategy for 2022.

We optimise our operations



Arctic Paper is working on continuous improvements to achieve cost benefits and sustainably higher profitability. This involves resource-intensive production at all levels, improving productivity and lowering costs. More efficient logistics and distribution, based on developing Kostrzyn as a logistical centre, is an important part of this, as is the use of IT and modern technology to optimise processes.

We strive for a performance culture



With our roots in Sweden and Poland, Arctic Paper is a pan-European organisation with global sales. Creating a common, results-oriented corporate culture focused on engaging all employees is crucial for achieving profitable growth. Developing leadership and strengthening all employees in their roles are natural parts of this work. The goal is to increase performance and efficiency by clearly outlined targets at both unit and individual levels.

We care for people and the environment



Sustainability is at the core of Arctic Paper and we consider it a prerequisite for running a successful business. Sustainability is about caring for the environment as well as society. We want to create a sound balance between people, production and communities by being a sustainable and profitable producer of paper. Continuously working towards Arctic Paper's zero work-related injuries vision, investing in technologies that increase resource efficiency and minimise emissions, and ensuring responsible raw material procurement are all key as we work towards 2022.

Consolidated income statement

Key figures from the consolidated income statement of Arctic Paper S.A.
For more figures and full financial statements please see Annual Report.

PLN thousand	2017	2016
Revenues	2,952,806	2,966,972
including:		
Sales of paper	2,173,538	2,219,154
Sales of pulp	779,267	747,818
Gross profit on sales	535,725	567,126
Gross profit on sales margin %	18.14	19.11
Sales costs	(348,093)	(353,255)
EBIT	109,555	144,942
EBIT margin %	3.71	4.89
EBITDA	244,388	249,603
EBITDA margin %	8.28	8.41
Financial income	1,831	1,350
Financial costs	(25,929)	(52,192)
EBT	85,458	94,099
Corporate income tax	(14,829)	(19,747)
Net profit/(loss) from continuing operations	70,629	74,352
Net profit margin from continuing operations %	2.39	2.51
Net profit/(loss) from discontinued operations	(5,637)	2,198
Net profit margin from discontinuing operations %	(0.19)	0.07
Net profit/(loss)	64,991	76,550
% of sales revenues	2.20	2.58
Net profit/(loss) attributable to shareholders of the parent entity	36,720	47,910
Earnings per share (PLN) from continuing operations attributable to shareholders of the parent entity	0.61	0.66

The paper industry might not be so complex in terms of understanding the fundamentals of how paper is made. However, understanding the factors and resource interdependencies that ultimately influence performance requires much more in-depth knowledge of the dynamics of the market. As Arctic Paper implements a new strategic direction for 2022, it is as important as ever to analyse our past performance and have a common understanding of the conditions under which we operate. As such, we leverage our expert knowledge of the paper market and share our insights into the background of our performance during 2017.

Managing influencing factors

Naturally, the two most influential factors on our economic performance are the prices of pulp and paper. During 2017, Arctic Paper increased total production volumes, but increases in the price of pulp, which affected the entire paper industry, had a dampening effect on our revenue.

Aside from the actual resource prices for pulp and paper, there are many factors that affect our average sales price, such as the relation between different currencies and changes in product demand. During the second half of 2017, the Swedish mills were positively affected by the development of EUR in relation to SEK, as most of Arctic Paper's sales are made in EUR.

In 2016, due to an overall decline in pulp prices, Arctic Paper gradually decreased sales prices during the year. In 2017, the average purchase price for pulp increased by over 50 percent during the year, which impacted the business. Arctic Paper has made sales price adjustments, improvements in productivity, purchasing and optimisation of the product mix to compensate for the pulp price development.

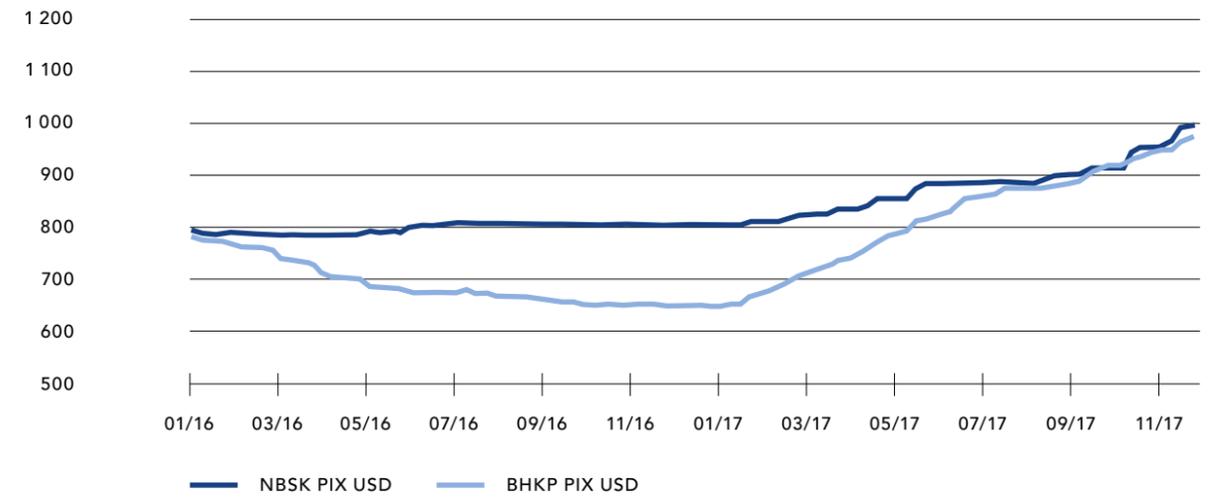
»We are constantly trying to find new and sustainable ways to improve our profitability. This is one of the essential pillars of Arctic Paper’s new business strategy. We will focus on increased productivity, agile logistics, and an efficient sales organisation working even smarter than before. This is all ongoing improvement work with cost-effectiveness in mind.«

Göran Eklund, CFO of Arctic Paper S.A.

Winning on a declining market

During 2017 Arctic Paper saw an increase in overall volume, especially in premium grades. Although we had planned production stops in the mill in Kostrzyn, to facilitate capacity expansion during 2018, we still managed to maintain volumes during the year compared to last year. The volumes have been retained, but the challenge is to stimulate growth as the overall market decreases. Aiming for growth, we will keep increasing our productivity at the same time as we look into new product segments, new markets and innovations to continue moving forward.

Average price development in USD for pulp in Europe – 24 months



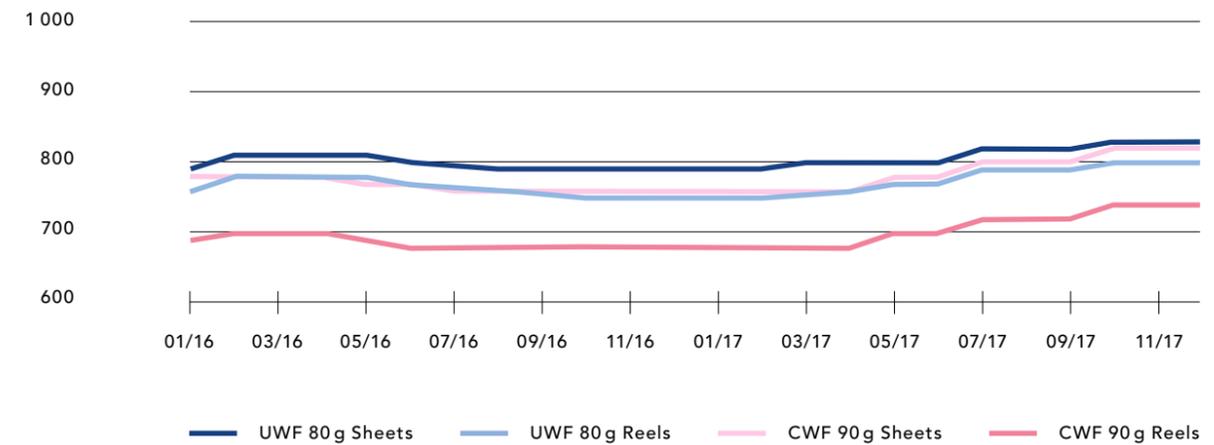
Pulp is mainly purchased in USD.

NBSK – Northern bleached softwood kraft. Long fibre (pine).

BHKP – Bleached hardwood kraft pulp. Short fibre (eucalyptus, birch, aspen).

Short fibre is mostly used by Arctic Paper.

Average price development in EUR for paper in Europe – 24 months



UWF – Uncoated woodfree.

CWF – Coated woodfree.

All four types of paper in this graph are relevant to Arctic Paper and are sold as either sheets or reels.

A Future in Paper

Arctic Paper has a long heritage of making graphical paper, but also of cultivating active and attentive analysis of the paper industry and paper market. Understanding how the market is developing and being able to identify growth potential is a key capability in an industry that is facing changes and challenges.

Our niche

The graphical paper market consists of two segments: woodfree fine paper and wood containing paper, both divided in the sub-segments uncoated and coated paper. Arctic Paper operates in the fine paper segment of woodfree paper products. Our mills in Munkedal and Kostrzyn produce uncoated wood-free paper, while the mill in Grycksbo produces coated woodfree paper.

The woodfree paper market is commonly divided into two market niches: premium and standard products. The premium segment is more attractive and more profitable, but requires increased attention and technical developments. Examples of coated premium end-user products are high-end magazines, annual reports and art book publishing. Examples of uncoated premium products are different creative niche products, such as luxury brand communication and global corporate stationery. Arctic Paper has a strong position in the premium niche with well-known brands, and our main customers are global brand owners, high-end printing houses, well-assorted wholesalers and national and international publishers.

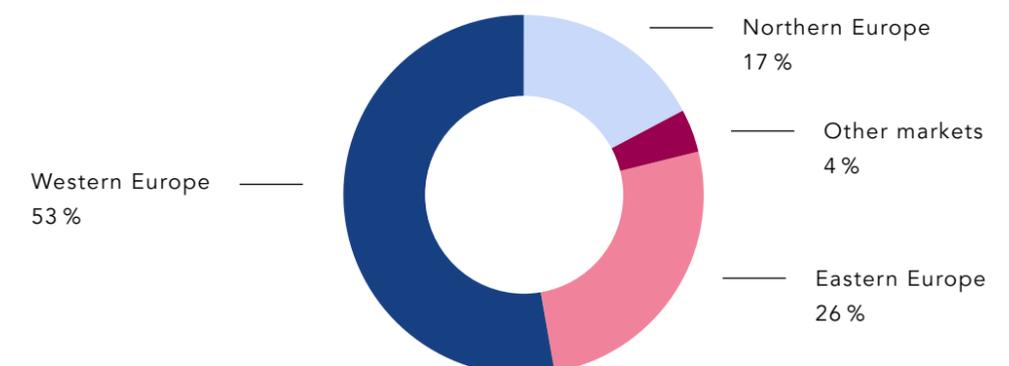
Forecast for key markets

Arctic Paper's business and economic performance ultimately depends on the micro-economic progress inside the company and the overall macro-economic environment and outlook. We continuously evaluate and analyse the wider context of our business in order to understand how we should adapt to external factors.

During 2017, world economic growth exceeded expectations and is projected by the OECD to grow by 3.7 percent in 2018 and 3.6 percent in 2019. Additionally, the ECB forecasts that economic expansion in the Euro area will remain robust, with stronger growth than previously expected.

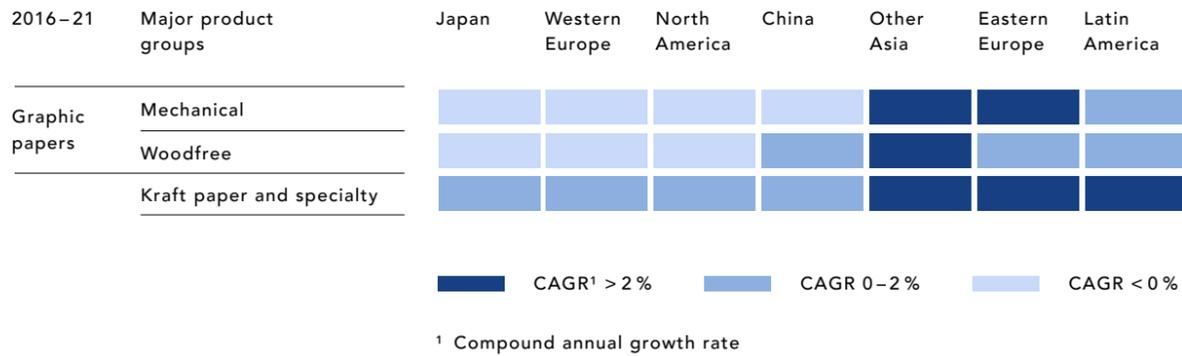
Western Europe continues to be Arctic Paper's largest region, but markets in other regions are showing signs of stronger growth within the near future. The OECD economic outlook for Germany, one of the most important markets for Arctic Paper, projects the market to grow by 2.3 percent in 2018. Meanwhile in Eastern Europe, home to Arctic Paper Kostrzyn in Poland and a key market for Arctic Paper, the European Commission expects the economy to grow by 3.8 percent in 2018.

Sales per region



Growth prospects vary significantly among segments and regions

Market demand



The Kraft paper and specialty segments are growing and the Eastern European markets are growing.

The graphic paper market

The paper industry is going through its most substantial transformation in decades. Acknowledging this, we continuously expand our perspective to include new markets, new segments and new ideas.

Demand for woodfree printing and writing grades is expected to decline in Western Europe but to be partly offset by growth in the Eastern European markets until 2030. Emerging markets, especially China and India are also projected to increase their demand for woodfree paper.

Global market drivers

Digitalisation, transition of working life, structural changes and technological development are key factors driving the decline in the demand for woodfree paper. Despite several negative factors, there are also strong drivers for growth in selected markets and segments, such as high-speed inkjet for digital printing techniques.

Growth drivers (+)

- _____ Growth of emerging markets
- _____ Structural change from blue to white collar workers
- _____ Educational efforts and increasing literacy
- _____ Growing computer/printer populations
- _____ On demand printing, digital print
- _____ Hybrid business models: online & print
- _____ Growth in special interest magazines and direct mail
- _____ Increased focus on, and demand for, sustainable and renewable materials

Regression drivers (-)

- _____ Digitalisation of business, information and media (online media, electronic invoicing, digital archives etc.)
- _____ Cost-cutting, printing optimisation and restrictions
- _____ Extinction of some products (encyclopedias) and decline of others (catalogues)
- _____ Consumers spend more time online – less advertising expenditure on paper

A Sustainable Balance

At Arctic Paper we strive to be a business that contributes to creating a sound balance between people, production and communities. Arctic Paper believes in making well-considered investments that are evaluated based on their effect on the entire production process. We run our business in a stable manner with a long-term perspective, and we continue to make investments that develop the business and create a sustainable balance for the future.

2018 – expanding hydropower at Arctic Paper Munkedals	Arctic Paper will invest SEK 70 million in a new hydropower plant at the Munkedal mill, strengthening the mill's sustainability profile. The investment will double the amount of Arctic Paper Munkedals energy supply produced by environmentally friendly hydropower, increasing the mill's energy self-sufficiency.
2017 – increased capacity at Arctic Paper Kostrzyn	During 2017, Arctic Paper resolved to carry out a significant investment of EUR 10 million in Kostrzyn to increase output by an additional 35,000 tonnes per year. This means that the total production capacity of the mill will increase from 280,000 to 315,000 tonnes per year. The project is scheduled for completion during 2019.
2016 – refinancing programme	In 2016, the Group carried out a refinancing initiative that took effect in 2017. The refinancing lowered Arctic Paper's interest expenses and also secured the liquidity.
2015 – improved logistics	In 2015, Arctic Paper decided to move the entire logistics administration to Kostrzyn. This has resulted in lower total logistics costs and an improved ability to coordinate transports through a centralised approach. This has also led to a larger procurement volume.

Consolidated balance sheet

Key figures from the consolidated balance sheet of Arctic Paper S.A.
For more figures and full financial statements please see Annual Report.

PLN thousand	31.12.17	31.12.16
Fixed assets	946,363	930,984
Inventories	350,996	360,353
Receivables	336,758	354,824
including trade receivables	330,071	343,496
Other current assets	20,734	27,711
Cash and cash equivalents	241,403	130,157
Assets associated with discontinued operations	4,071	12,694
Total assets	1,900,325	1,816,722
Equity	791,294	789,543
Short-term liabilities	576,275	580,457
Long-term liabilities	531,128	428,634
Liabilities directly associated with discontinued operations	1,626	18,088
Total equity and liabilities	1,900,325	1,816,722

Sensitive towards nature and positive towards the future

Paper is a fantastic material. It can be recycled and reused in new ways at the same time as it is durable enough to last for decades. It is made from a raw material that can be regrown and that takes up and binds carbon dioxide, which makes it a positive force in reducing climate change. We believe that paper is a material for the future, both as a medium for communication but also as a natural material based on a renewable resource.

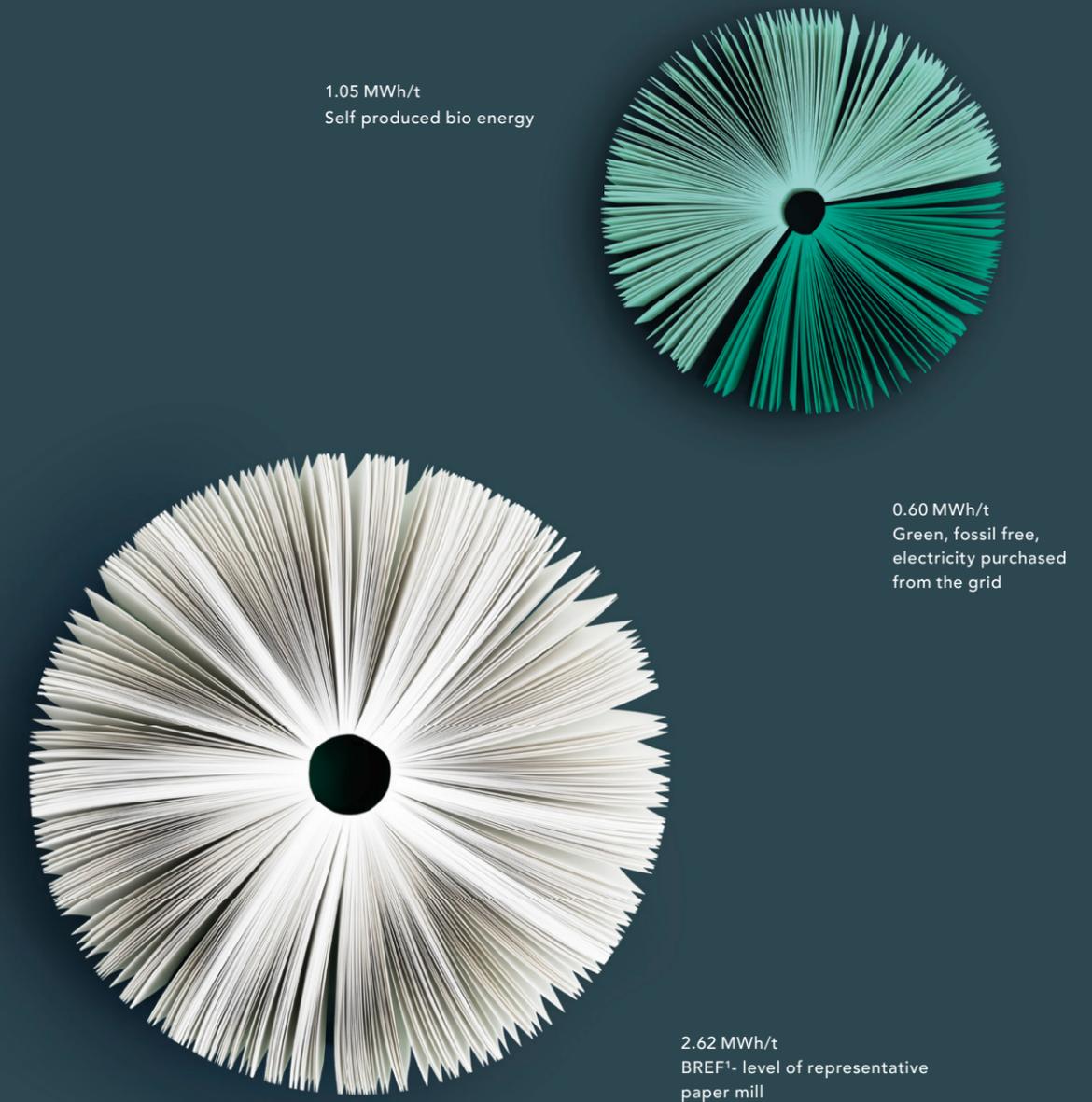
Sustainably managed forests are the origin and starting point for our paper. All of Arctic Paper's mills have chain of custody certificates for FSC (Forest Stewardship Council) or the equivalent for PEFC (Programme for the Endorsement of Forest Certification) to ensure Arctic Paper produces paper that is based on a truly renewable resource.

Caring for the whole process

Making paper is a complex process that involves many different aspects that affect how production can be performed in the most sustainable way. Saving energy or resources in one step may result in an increase in another. The overall goal of Arctic Paper's environmental work is for our industrial processes to have the lowest possible impact on the environment. This means continuously evaluating the choice of energy sources, technology and development of new products from a holistic perspective, taking into account the whole chain of production and the specific geographic location.

All of Arctic Paper's mills strive to perform above official requirements in resource usage and emissions. Today, we run some of the most environmentally friendly mills worldwide and constantly improve our sourcing, production processes and energy management.

Arctic Paper Grycksbo Carbon neutral energy usage 2017



¹ Best available technology Reference document (BREF)

The European Commission produces BREF documents with the aim of determining environmental performance that can be achieved using best available techniques (BAT) for the specific industrial sector. For energy consumption in non-integrated paper mills the latest BREF document from 2015 does not set a legally binding level, but only refers to representative levels for paper mills.

A long-standing commitment

Aside from pulp, a key input in our production process is energy needed for electricity and steam. During the last three years, all Arctic Paper mills have installed heat recovery systems to maximise the recycling of heat in production and lower the amount of energy required. At Arctic Paper Grycksbo, all energy required for steam, and about one-third of the electricity, is produced by the mill's bio-fuel burner. The remainder is purchased from the grid as green electricity. This means that there is no emission of carbon dioxide from the mill's energy generation.

At Arctic Paper Kostrzyn, major investments have been made in modern and efficient energy solutions in recent years. Investments in updating the power plant to operate on natural local gas reduced carbon dioxide emissions by more than 50 percent, which has made the mill self-sufficient in its total energy needs for heat and electricity. Arctic Paper Munkedals is an industry leader in several aspects of resource use and low emissions to both air and water, and generates some of its energy from the mill's own hydropower plant.

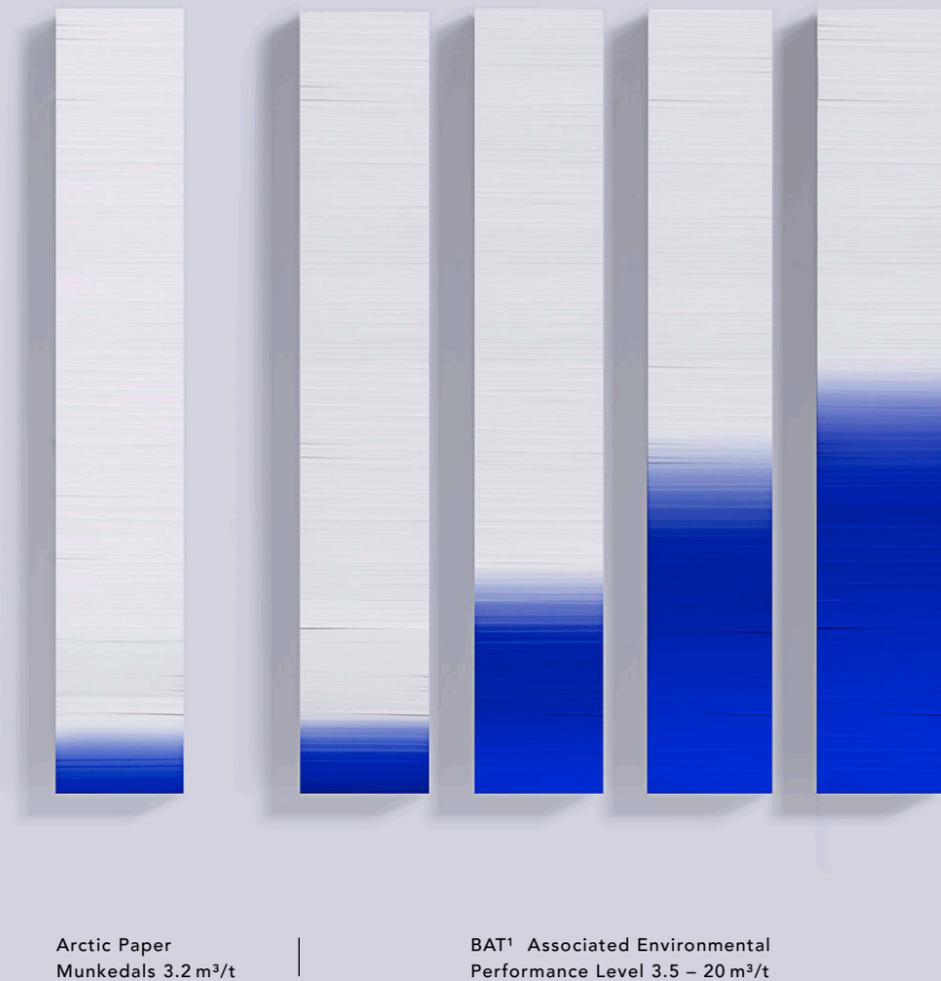
Arctic Paper Kostrzyn Energy consumption 2017



¹ Best available technology Reference document (BREF)

The European Commission produces BREF documents with the aim of determining environmental performance that can be achieved using best available techniques (BAT) for the specific industrial sector. For energy consumption in non-integrated paper mills the latest BREF document from 2015 does not set a legally binding level, but only refers to representative levels for paper mills.

Arctic Paper Munkedals Water usage 2017



¹ Best Available Technology (BAT)

BAT is selected based on key environmental issues for the specific sector, the most relevant techniques for addressing these issues and identification of the best environmental performance levels of actors in the sector. For water usage, the BAT associated interval is an indication for how levels well-performing and responsible mills should perform.

Above and beyond what is necessary

Water at Arctic Paper Munkedals

It is easy to see why water is so important at Arctic Paper Munkedals. Not only does the Örekil river, known as some of the country's finest salmon waters, flow right by the mill, a bit further downstream it flows out into Sweden's only threshold fjord, Gullmarn. Both the river and the fjord are conservation areas, specially protected to preserve the pristine nature. Water is also one of the key resources used in the production of paper, which has traditionally used large amounts of water in the steam and heating process. At Arctic Paper Munkedals, we knew early on, with our special location and commitment to being a forerunner in sustainability, that we wanted to do things differently.

To ensure that new investments are made with the best available technology for the environment, the European Commission has set an interval, based on a benchmark of the most environmentally friendly mills, between 3.5 m³ and 20 m³ water used per tonne of paper. Arctic Paper's average water consumption in all the mills is currently 7.6 m³ per tonne of paper (2016), well within the lower end of the benchmark. For decades, Arctic Paper Munkedals has done more than stay within the benchmark interval. With water usage being as low as 3.2 m³ per tonne of paper, reaching one of the lowest consumption rates in Europe, the mill in Munkedal is an industry-leader setting the standard for how non-integrated paper mills should perform. This is achieved by water being reused internally, with about 40 m³ being recirculated from and to the two paper machines every minute.

Sustainability at Arctic Paper is always about the whole production process and about having the expertise to understand how our choices affect all stages of our value chain. Efficient use of water means that less energy is required for heating up the water and producing steam, one of the most energy-intensive processes in paper making.

Products and Brands

We build on our brands

We produce high-quality graphical paper products and services for the most demanding creatives and technologies valuing the freshness as well as the superior, reliable and eco-friendly quality of our paper brands.

With our roots in the Nordic region we have been producing and crafting paper since 1740. Arctic Paper's reputation in the high-quality graphical paper market is built on a long tradition of outstanding works with the help of our brands.

Premium Brands

Munken

The leading paper for highly innovative and creative projects – through an aesthetic and progressive yet environmentally sound approach.

Munken is Arctic Paper's premium brand for fine paper with a natural look and feel, adding an extra-sensory dimension. The Munken Design Range consisting of Munken Kristall, Munken Polar, Munken Lynx, Munken Pure, is tailor-made to suit the need of high-demanding creatives.

The Munken Bookpaper Range includes Munken Premium and Munken Print, two exclusive book-papers that last for generations.

The Munken Highway Range is a true multifunctional product with a treated surface developed for black and white text and full colour high-speed inkjet printing, whilst delivering the same high-quality in other printing methods.



Arctic Volume

The coated design paper with the characteristic and natural feel. Made for today's ambitious creative professionals.

Arctic Volume is Arctic Paper's premium brand for coated fine paper with exceptional printing properties and perfect image reproduction. Arctic Volume has a matt surface and a natural feel. The paper's properties make it ideal for high-quality four-colour books, advertising material, magazines, posters and many other types of printed material that require a special feel.



Brands

Amber

The ideal uncoated house paper.

Amber is a range of high-white uncoated graphical papers with excellent printing properties, specially developed for both traditional and modern printing techniques. The Amber products consist of high-performing papers that cater to many areas of application such as brochures, books, catalogues and direct mail, and have the technical capabilities for both offset and digital printing.

The Amber Highway Range is specifically developed to suit high-speed inkjet printing, offering flexible printing on a high-quality paper.



G-Print

The paper with unique properties and service in selected segments.

G-print is a range of coated, versatile papers with excellent runnability, readability and a pronounced paper feel. The G-print papers have a non-reflective surface and are particularly suited for the printing of books, magazines, direct mailings, maps and posters.

G-print Highway provides the brand's excellent qualities and capabilities for high-speed inkjet printing.



Arctic

The choice of a new generation, idea-oriented creatives.

Arctic is a brand providing coated paper created to give the freedom for creative ideas to be expressed on a surface that is best suited for the situation, whilst at the same time delivering excellent reproduction of pictures and text. Both the matt and the silky surface has a natural feel suited for a wide range of printing techniques.



Ideas made real

In an industry facing changes and challenges, it is crucial to stay ahead of the curve in adapting our product portfolio for new market demands.

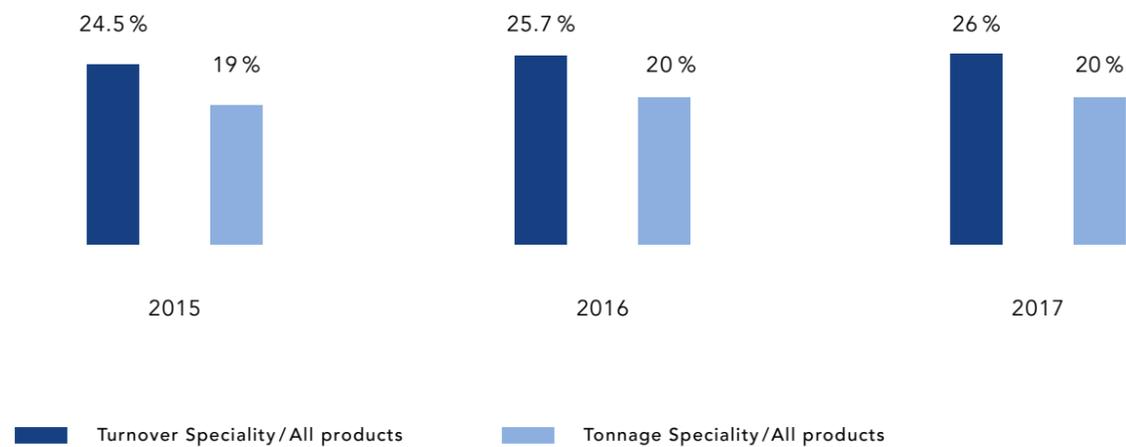
Listening to our clients and knowing our market has always been at the core of developing new products and grades. We know the importance of local connections, and in our fourteen sales offices spread out across Europe we are building a strong market network presence. The size of Arctic Paper's production enables knowledge and ideas to be shared directly, every day, between top management and machine engineers.

In our R&D process, we work in small, creative cross-functional groups that continuously work on translating market trends into products to be tested in our laboratory facility. For any new development, all details of chemical and technical

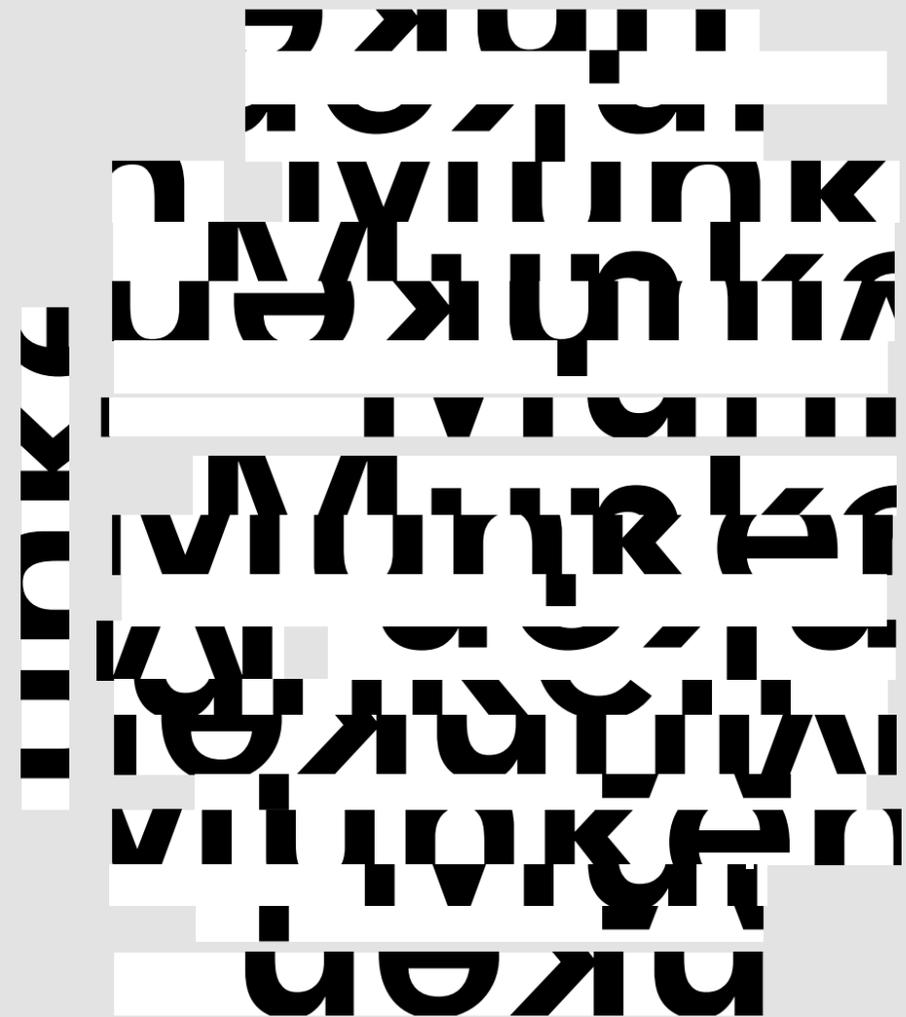
aspects are assessed to ensure products can be produced sustainably and efficiently in our mills.

As a response to the increasing trend of digital printing, Arctic Paper has created the Highway Range, a new innovative and flexible range of quality papers designed for today's fastest and most efficient inkjet printers. High-speed inkjet technology is well suited for printing exclusive, smaller editions as well as printing for the growing transactional and trans-promo markets. Taking the lead in the field, Arctic Paper is able to offer Highway products across all our brands, providing our great range of papers to the digital print market. The Highway range has been very well received by the market, almost tripling in sales volume during the second year of sales in 2016, and continuing to increase in both volume and sales value in 2017.

Share of speciality products



Speciality products: Arctic Volume, Munken Book, Munken Design, Amber Highway



New packaging design for digital Munken grades

Customer Stories

Paper passion

We believe in a future in paper, and so do our customers. The unique ability of paper to not only convey a message, but also a feeling and an experience, makes it a timeless medium of communication.

Arctic Paper's customer base of publishers, printing houses, advertising agencies, distributors and brands knows that some things are too important not to be printed on paper. We let them tell you why.

Scandinavian Man, Sweden

Fashion and lifestyle platform.
Preferred paper: Munken Kristall, uncoated.
Product: Biannual magazine.

Scandinavian Man is a global platform for Nordic fashion and lifestyle brands, working with some of the most reputable and esteemed designers, buyers and international editors in the fashion industry.

Why have you chosen to create a printed magazine as the foundation for your platform?

We are creating a platform devoted to displaying refined fashion features, profound interviews and essays that communicate our vision of what a Scandinavian Man is. In conveying this type of storytelling content, especially photography, print is unbeatable. A printed magazine is a lasting product that not only presents a unique opportunity of exposure but also provides a tactile experience of the message within. Putting a beautiful magazine, one kilo of paper, in the hands of someone does not compare to giving a link to a website. That impact and that experience will never go out of style.

Why is the choice of paper important?

In the world of fashion, credibility is everything. In creating our platform, we need to have credibility so that the brands we represent are confident and comfortable being visible on our platform in every detail. It is vital for us that every aspect of what we do aligns with our Scandinavian values of equality, sustainability and innovation – from the stories we tell, to the paper we print on. That is why it is important to us that our magazine is printed on paper with a high standard of quality and colour rendering, and that it is produced in a sustainable manner with locally sourced raw materials.



Konrad Olsson, Scandinavian Man Founder, President and Editor in Chief (Photography: Johan Renck)



Michal Rejnowski, CEO of Totem

Totem, Poland

Printing house specialising in digital printing.
Preferred paper: Amber Highway, uncoated.
Product: Books.

Totem is a Polish printing house specialised in digital printing, using the best machines on the market within high-speed inkjet printing.

What are important factors for you when choosing a paper supplier?

In working with digital printing, we offer our clients speed and flexibility unparalleled to that of offset printing. To deliver on this, we need to cooperate with stable business partners that offer not only a wide range of papers well-known to our clients, but also well-organised logistics and service. We need paper of continuously high-quality, specially treated to suit our high-speed inkjet printers, as this has a direct impact on the print quality.

What will allow printed information to stay relevant in the future?

With digitalisation, the choice of paper will become even more important. The things we choose to print will be something special, and digital printing makes it possible to print small, even single editions as well as highly personalised information made for the specific recipient. New technology is providing the ability to integrate printed information with other media, expanding the limits of what content paper can hold. The way we print, what we print and how much we print is definitely changing, but the possibility to turn pages and the experience of reading a book on paper is deeply rooted in us.

Kiska, Austria

Branding agency representing among others, premium motorcycle brands KTM and Husqvarna.
Preferred paper: Arctic Volume White, coated.
Product: product catalogues and brand magazines.

Kiska is a global brand agency that works across a broad range of industries, creatively designing brands and products from the core.

What is the role of paper in building successful brands such as KTM and Husqvarna?

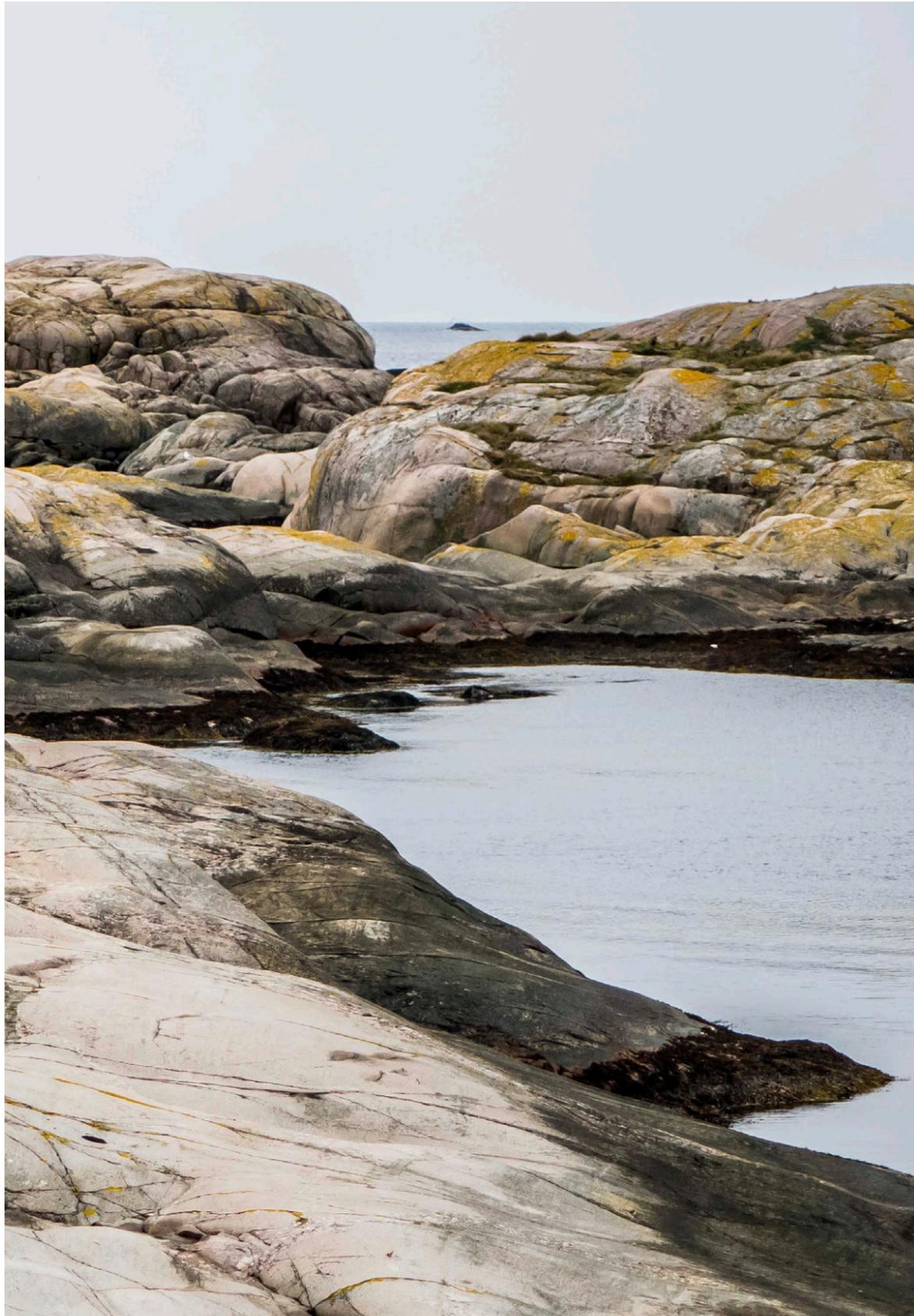
A core quality and task of paper is to deliver an emotional experience and translate a feeling to the end consumer. Our clients want to emphasize the quality and their passion that goes in to creating their motorcycles. Done right, printed information serves as a natural extension of the physical meeting with an end consumer, making the impression last longer and inviting people to continue to engage with the products. As such, printed material is a key function in supporting the buying decision by carrying the feel of the brand and experience of the products all the way into people's homes.

What was the process behind choosing paper?

The premium brands that we work with want their products to be displayed with all the details and choice of materials that distinguish them from other brands. The quality of the paper is absolutely key in making photos of products come alive. For the motorcycle catalogue for our client, we wanted a paper with brilliant colour rendering and ability to reprint fine details of textures, as well as a rougher feel of the paper to connect with the personality of the brand.



Wolfgang Trampusch, Lead Desktop Publisher at Kiska



Coastline of the Gullmarn fjord, a couple of kilometres downstream from the mill in Munkedal

Arctic Paper Munkedals

Innovation and design from idea to production,
driving the market for design papers

Arctic Paper Munkedals is located on the west coast of Sweden. The paper mill has a unique location, just by Örekil river, known to be one of Sweden's richest in salmon, which runs through a nature conservation area out into the beautiful Gullmarn fjord. Inspired by the surrounding nature, Munkedals is pushing the limits in the market for high-quality, environmentally friendly design papers.

When it comes to design papers, Munkedals' Munken is one of the most renowned brands and the preferred choice by many high demanding creatives. Munken's broad product range caters to a wide spectrum of printing needs, in particular book printing and advertising and marketing material. The Munken brand has been repeatedly acknowledged for bringing attention to paper as a creative medium and won several awards in leading European Design awards, for example Silver in the category »Information – Print« at the Swedish Design Awards 2017.

In terms of production capacity and volume, Arctic Paper Munkedals is a medium-sized mill, with the benefits of short lead times, flexible

production and close cooperation on new product innovation. At the core of production at the mill in Munkedal is a great awareness and care for the environment. The mill is one of the best in Europe in several aspects of resource usage, especially in terms of water usage. With its own hydropower plant, Arctic Paper Munkedals makes use of its natural surroundings and invites visitors to take part in its extensive work with sustainability in its Environmental Centre.

At the mill in Munkedal, reducing the use of energy and resources is always an ongoing process. In 2017, Arctic Paper Munkedals has continued to make investments in energy saving programmes, which have contributed to improving energy use by 14,000 MWh per year. During the year, the Munken product range has been expanded to include papers suited for digital printing, offering the same high-quality paper specially treated to work seamlessly with high-speed inkjet printers. For 2018, Arctic Paper will invest SEK 75 million in expanding the hydropower plant in Munkedal, further strengthening the mill's sustainability profile.

Arctic Paper Munkedals AB

Managing Director Göran Lindqvist

335 employees

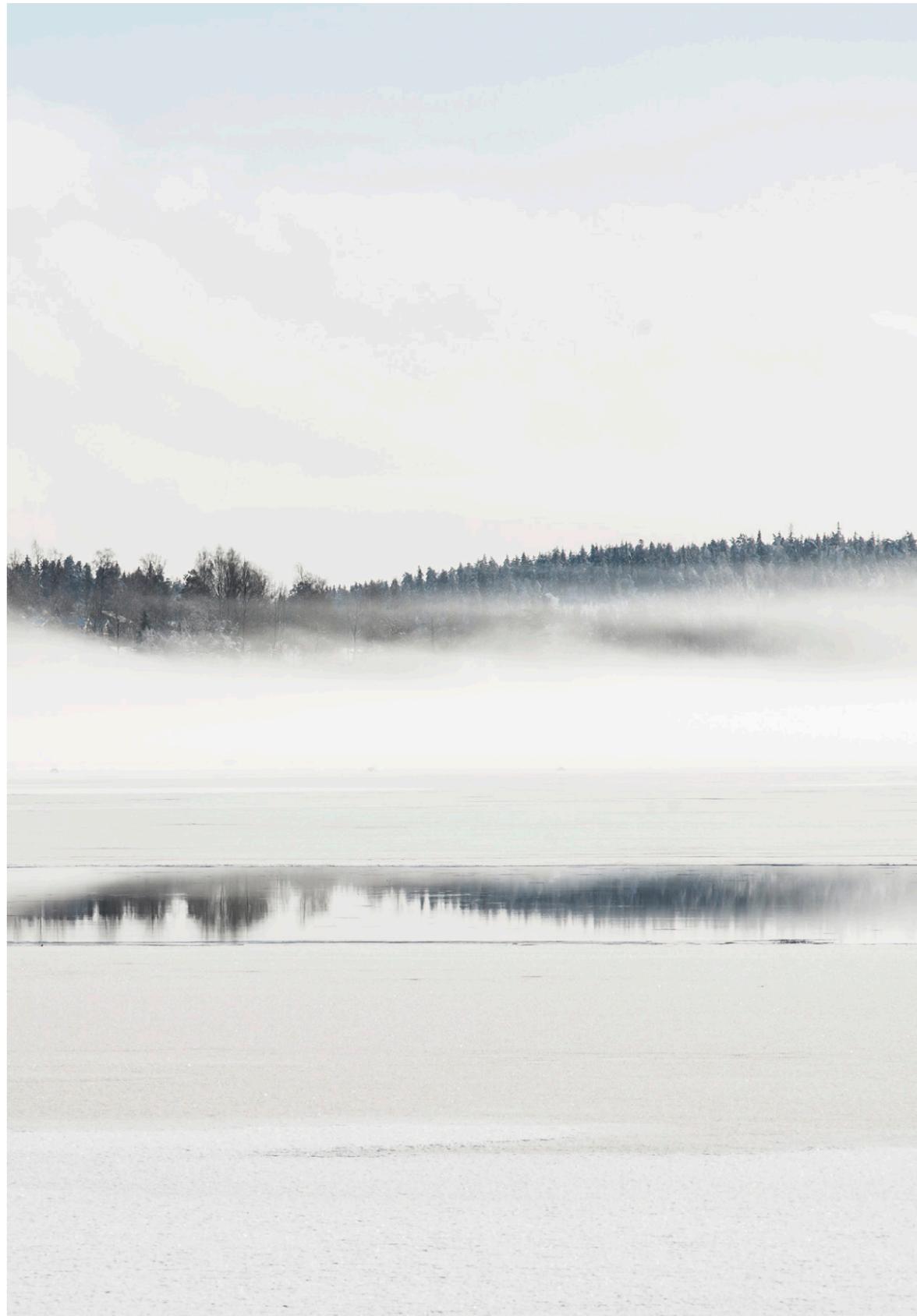
88 % of production is exported

Non-integrated paper mill

Produces high-quality uncoated graphical paper under the Munken and Amber brand

Production capacity approximately 160,000 tonnes/year

Two paper machines with a trim-width of 3.97 m and 3.25 m



Misty forests in the region of Dalarna, home to the mill in Grycksbo

Arctic Paper Grycksbo

Fossil free production of strong brands with a long tradition of craftsmanship

The mill in Grycksbo, located in the heart of Dalarna, Sweden, was originally founded in 1740 and has a long tradition and knowledge of the craftsmanship of making paper. But Arctic Paper Grycksbo doesn't rest on its laurels and has been continuously updating and improving processes and efficiency.

Under the brands G-print, Arctic and Arctic Volume, Grycksbo produces coated woodfree paper mainly used for printing books, magazines, posters, maps and printing of advertising materials. Using a single coating process, the mill produces a unique paper, delivering the benefits of a coated paper's printability at the same time as the contour and feel of the paper comes through. Introducing G-print Highway, suitable for high-speed inkjet techniques, allows the unique paper qualities produced at Arctic Paper Grycksbo to take on the niche market in digital printing.

Sustainability is in focus in all aspects of operations, and Arctic Paper Grycksbo strives to be one of the most environmentally friendly mills in Europe. This is accomplished with the selection of renewable raw materials and environmentally compatible production processes through to responsible energy utilisation and transportation systems. Since 2009, Arctic Paper Grycksbo's production is fossil free, with energy supplied by a bio burner and supplementary green electricity.

During 2017, Arctic Paper Grycksbo has invested in quality and efficiency upgrades, increasing production efficiency by 18,000 tonnes and productivity by 6 percent. Dedicated and systematic work on health and safety measures has been carried out during the year, working towards Arctic Paper's vision of zero work-related injuries.

Arctic Paper Grycksbo AB

Managing Director Michael Fejér

340 employees

92% of production is exported

Non-integrated paper mill

Produces high-quality coated graphical paper under the G-Print and Arctic brands

Production capacity approx. 265,000 tonnes/year

Three paper machines with a trim-width of 2.36 m, 2.52 m and 3.86 m



View from the mill in Kostrzyn, overlooking the river Warta

Arctic Paper Kostrzyn

In the heart of Europe, producing high quality paper that the market needs

Located in the west of Poland, Arctic Paper Kostrzyn is perfectly positioned for logistics reaching all parts of Europe. The mill brings together Polish and Nordic culture and passion for paper craftsmanship, with efficiency and a continuous attitude to develop and improve as a result.

In a beautiful location by the Warta river, downstream from a national park, the mill has a strong commitment to having minimal impact on its surroundings and making efficient use of natural resources. During 2017, Arctic Paper Kostrzyn made substantial investments in the heat recovery system, allowing for heat to be more efficiently reused in production and decreasing energy consumption in the mill.

Arctic Paper Kostrzyn is the largest producer of offset paper in Poland. To stay successful, the

mill is always striving to improve processes and products to remain cost efficient, but also to continue to deliver paper with qualities that the market needs. Under the brand Amber, Arctic Paper Kostrzyn produces uncoated woodfree paper for general printing use such as printing books, brochures and forms, but also modern papers for high-speed inkjet technologies.

The mill continues to be a logistical hub for Arctic Paper in servicing customers throughout Europe. For 2018, the Supervisory Board has approved an expansion of the mill's capacity, increasing production to 315,000 tonnes of fine paper per year. Preparation for this expansion was initiated in 2017, with a planned pause in production as a consequence, and will enable Arctic Paper Kostrzyn to serve even more customers in profitable segments of the graphical paper market.

Arctic Paper Kostrzyn S.A.

Managing Director Henryk Derejczyk

420 employees

70 % of production is exported

Produces high-quality uncoated graphical paper under the Amber brand

Production capacity 280,000 tonnes/year

Two paper machines, both with a trim-width of 5.30 m

Governance

As a Polish company, Arctic Paper S.A. follows the continental European governance model; a two-tier system with the executive power in the Management Board and the monitoring power in the Supervisory Board. The Supervisory Board is responsible for monitoring the Management Board and approving important corporate decisions, as well as appointing the members of the Management Board.

The Supervisory Board of Arctic Paper S.A. comprises five members. The Supervisory Board held a total of six meetings during the 2017 financial year. The Management Board has two members.



Per Skoglund, CEO of Arctic Paper S.A.



Göran Eklund, CFO of Arctic Paper S.A.

Members of the Management Board

Per Skoglund, CEO
Göran Eklund, CFO

Members of the Executive Team

Per Skoglund, CEO
Göran Eklund, CFO
Jacek Los, Executive Vice President Procurement
Michał Sawka, Executive Vice President Sales
Wolfgang Lübbert, Executive Vice President Marketing and Strategy
Henryk Derejczyk, Managing Director Arctic Paper Kostrzyn S.A.
Göran Lindqvist, Managing Director Arctic Paper Munkedals AB
Michael Fejér, Managing Director Arctic Paper Grycksbo AB

Members of the Supervisory Board

Per Lundeen, Chairman
Roger Mattsson, Deputy Chairman
Thomas Onstad
Mariusz Grendowicz
Maciej Georg

Letter from the Chairman of the Supervisory Board

A Group built to last

Arctic Paper S.A. has a heritage dating back to the 1740s. Then and now, Arctic Paper's key to success lies in its extensive knowledge of pulp and paper. With a history of craftsmanship, production in currently three paper mills and two pulp mills is characterised by industrial efficiency, combined with the flexibility required by a niche producer focusing on customer needs.

Long-term is a key word for us. The Arctic Paper Group has stable ownership with a major owner whose commitment extends back 65 years. When Arctic Paper was formed 25 years ago, there was already an understanding of the risks of unintegrated paper mills in a volatile market. This was the motive for the long-term investment in the Swedish pulp producer Rottneros, which since 2013 has been consolidated as a subsidiary through our 51 percent stake. There are major similarities between the companies, both of which have a business that is to a large extent based on speciality products with a focus on high quality and niche markets.

Historically, the pulp price has risen early in a cyclical upturn, while paper has a late cyclicity. Combining pulp and paper production improves the Group's stability throughout the business cycle. This integration creates very clear benefits for the company.

Arctic Paper's current brand portfolio and innovative new product developments provides a solid base to meet future challenges in our markets. A positive development is that the graphical paper industry has, in recent decades, reduced capacities by shutdowns and converting paper machines into packaging and speciality paper production.



Per Lundeen, Chairman of the Supervisory Board of Arctic Paper S.A.

»Arctic Paper's current brand portfolio and innovative new product developments provides a solid base to meet future challenges in our markets.«

Driving a sustainable business has been a corner stone for Arctic Paper and a long-term commitment. An example of our continued focus on sustainability is the recent decision to invest in a new hydropower plant at the mill in Munkedal, which provides access to climate-neutral energy at a competitive price.

During 2017, the Supervisory Board appointed a new CEO and a new CFO of Arctic Paper S.A., both members of the Management Board. We have taken part in the process of crafting the new corporate strategy towards 2022, and we have approved important investments. Given this, we are confident that the Group is built on a solid foundation for providing lasting success.

Per Lundeen
Chairman of the Supervisory Board

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