

This
is
Arctic
Paper

A Future in Paper
Arctic Paper S.A.
2019

CEO Foreword

»Greater focus is needed on efficiency and productivity.«



Michal Jarczyński,
CEO of Arctic Paper S.A.

Flexibility and efficiency – key to meeting changes in the market

Our strategy shows the way to a growing and more profitable business, however there is still a lot to do to strengthen Arctic Paper's competitiveness. Our machine park is ready to meet the changes in the market with high efficiency. We are faster, smarter, more customer-oriented and above all, more flexible than the largest paper producers. At the same time, we are large enough to develop new products together with our customers and to offer well-functioning logistics and excellent service.

The need for graphical paper will not cease, but the market is changing rapidly. We see opportunities to continue to grow our business by focusing on the European market, our core market. As an innovative company we will develop new products, not just graphical paper but also in new segments such as packaging and technical paper.

Arctic Paper is a brand-oriented company. We will continue to build on our strong brands, and also explore the possibilities of extending our brands to areas other than graphical paper.

Building a strong performance-oriented culture

To succeed in achieving our long-term financial goal, even greater focus is needed on efficiency and productivity. We must spend our money in a more efficient way to achieve better results. The road to sustainably higher efficiency is not only about cost savings but about building a strong performance-oriented culture at Arctic Paper. We need to be better at recruiting, engaging, involving and motivating all employees in contributing to the company's development and to make the necessary changes.

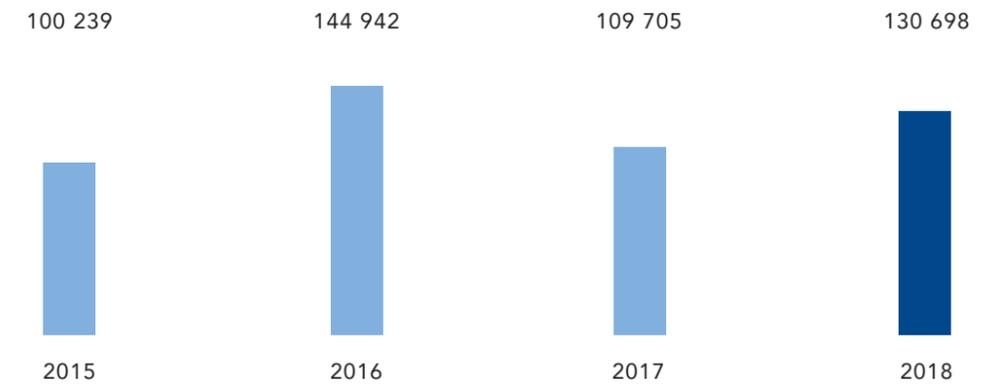
Last but not least, I want to emphasize the importance of our strategic holding in Rottneros, which contributes to stability and greater financial muscles. All in all, this means that I look to the future with confidence, and I look forward to leading Arctic Paper in a time of great challenges and major changes.

Michal Jarczyński
CEO

Key KPIs

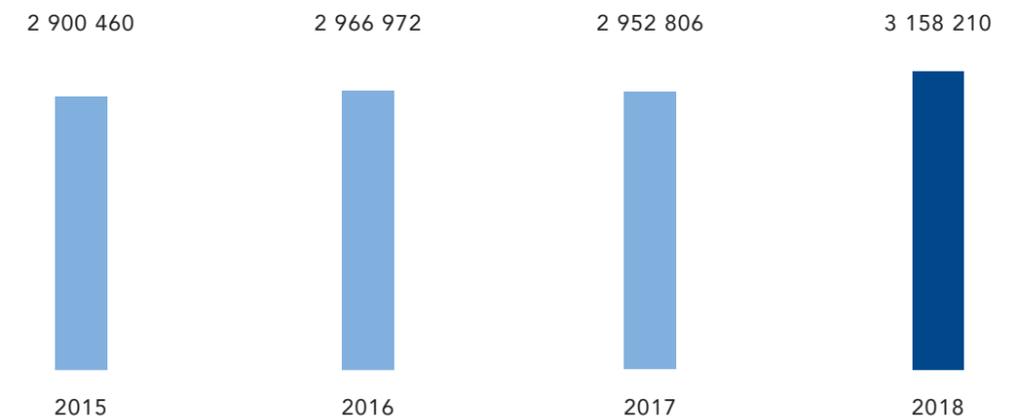
EBIT

in PLN thousand



Revenues

in PLN thousand



Earnings per share

in PLN



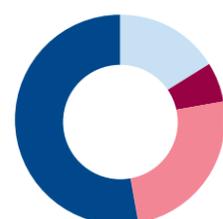
From continuing operations attributable to shareholders of the parent entity

A Future in Paper – Strategy

The market for graphical paper is changing and evolving at a rapid speed. That means that we have to do the same. During 2018 Arctic Paper has focused on implementing our strategy »A Future in Paper« and take actions in line with our six strategic initiatives.

2018 has been characterized by tough market conditions, with rising pulp price putting pressures on margins for paper producers all over the industry. Arctic Paper has worked hard to defend our margins by implementing price increases, which has however not fully compensated the increased costs.

Arctic Paper has defined a comprehensive financial target to achieve sustainable earnings of 10 percent EBIT by 2022.



Sales per Region



Summary Consolidated Income Statement

PLN thousand	2018	2017
Revenues	3,158,210	2,952,806
including:		
Sales of paper	2,263,284	2,173,538
Sales of pulp	894,926	779,267
EBIT	130,698	109,705
EBIT margin %	4.14	3.72
EBT	93,888	85,608
Earnings per share attributable to shareholders of the parent company	0.18	0.61

Summary Consolidated Balance Sheet

PLN thousand	2018-12-31	2017-12-31
Fixed assets	1,037,969	933,646
Current assets	915,371	708,488
Cash and cash equivalents	201,118	241,403
Total assets	2,156,174	1,887,608
Equity	861,193	780,993
Short-term liabilities	850,245	576,275
Long-term liabilities	441,381	528,712
Total equity and liabilities	2,156,174	1,887,608



● 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

We go for growth



Arctic Paper focuses on selected and profitable segments, where we perceive paper to have a strong position and growth opportunities. A strong global trend is that premium segments are growing faster than other segments. A central part of the growth strategy is to identify and cultivate markets where there is potential for Arctic Paper's premium products.

Although the market environment during 2018 has been one of the toughest yet for the graphical paper industry, Arctic Paper has managed to find opportunities by having a flexible market focus. Whilst the market in Western Europe is decreasing, the Eastern European market has been relatively stable and the North American market is showing positive growth tendencies. During 2018 Arctic Paper has successfully launched Munken and other speciality products on the North American market, increasing our sales in this region. In line with our strategy, speciality products has been leading the way in all our markets and continues to create a stable volume even in tough market conditions. At the end of the year, speciality and premium papers accounted for 22.3% (20) percent of the volume in tonnes and 27.1% (26) percent of the sales value.

We focus on innovations



Arctic Paper has a long tradition of following trends and developing new innovative products and grades in close collaboration with our customers. 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 logistics.

Our new, ultra-white, high-quality coated paper G-Snow has been developed during 2018 to cater for the high demands of print experts and was launched in the beginning of 2019. G-Snow's production process is carbon neutral and its qualities with a white shade, smooth surface, true stiffness, and excellent print results makes it a truly versatile paper. G-Snow can be used in combination with Amber Graphic which has the same white shade. Arctic Paper has during the year also continued to explore possibilities within kraft paper, aiming to find new, innovative ways of optimising utilisation of the mills.

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. Strengthening all brands is an important part of the strategy. In the future, building strong brands that are known for high quality will become an even more important competitive advantage.

During the year Arctic Paper has developed and refined our brand strategy to further strengthen our brands and position them for the future. Within the new brand strategy one of the oldest brands, G-Print, has been repositioned as simply G. G is intended for print experts and the launch of G-Snow demonstrates G's sharper profile within the coated graphical paper market. Together, our brands Amber, Arctic, Munken and G lead the way in the modern, high-quality graphical paper market, focusing on meeting customer's needs and expectations in a time of continuous change.

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.

The market conditions during 2018 have clearly shown that market related actions are not enough to restore our margins. In late 2018 the plan to close the smallest paper machine, PM7, at Arctic Paper Grycksbo, was announced. The paper machine was less efficient and more expensive to operate than the other two paper machines at the mill. Arctic Paper has taken actions to initiate a programme to reduce fixed costs in all processes, with the ambition to see the full effect of these reductions in 2020. Moving forward we need to put even greater emphasis on cost reductions and productivity gains.

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, result oriented corporate culture focused on engaging all employees is crucial for achieving profitable growth. Developing leadership and reinforce 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.

During the year Arctic Paper has developed a process to break down the overarching strategic goals into operational targets. The aim is to engage all units, and eventually individuals, in how they can contribute to making Arctic Paper a more efficient and high-performing company. The focus for 2019 is to implement local adaptations to the process and take a broader approach in structuring performance conversations to align with the strategic goals. We believe that the synergy effect will positively impact the work environment and will bring tangible benefits to the business.

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. Continuous efforts to enforce 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.

In 2018 the decision was taken to invest further in sustainable hydro power at Arctic Paper Munkedals. The 70 million SEK investment will double the amount of Arctic Paper Munkedals' energy supply produced by environmentally friendly hydro power, which increases the mill's energy self-sufficiency. The project is underway and is planned to be completed in 2019. Investments have also been made in modernising the vacuum system at Arctic Paper Kostrzyn, improving energy efficiency by reducing electricity consumption and enhancing heat recovery at the mill.

Head Office (Poland)
Arctic Paper S.A.
J.H. Dąbrowskiego 334 A
PL-60406 Poznań

Head Office (Sweden)
Arctic Paper S.A. (Filial)
Stampgatan 14
SE-41101 Gothenburg

Investor relations:
ir@arcticpaper.com

arcticpaper.com