

An aerial photograph of a dense forest of evergreen trees, likely spruce or fir, showing a rich green canopy with some darker shadows between the trees.

# ARCTIC PAPER CAPITAL GROUP

Consolidated quarterly report  
for Q3 2021

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# Introduction

## Information on the report

This Consolidated Quarterly Report for Q3 2021 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757) and a part of the interim abbreviated consolidated financial statements in accordance with International Accounting Standard No. 34.

The Abbreviated Consolidated Financial Statements do not comprise all information and disclosures required in the Annual Consolidated Financial Statements which are subject to mandatory audit and therefore they should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 December 2020.

Certain selected information contained in this report comes from the Arctic Paper Group management accounting system and statistics systems.

This consolidated quarterly report presents data in PLN, and all figures, unless otherwise indicated, are given in thousand PLN.

## Definitions and abbreviations

Unless the context requires otherwise, the following definitions and abbreviations are used in the whole document:

### Abbreviations applied to business entities, institutions and authorities of the Company

Arctic Paper, Company, Issuer, Parent Entity, AP	Arctic Paper Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint ventures
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB with its registered office in Munkedal Municipality, Västra Götaland County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH with its registered office in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB with its registered office in Kungsvagen, Grycksbo, Sweden
Paper mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
Arctic Paper Investment AB, API AB	Arctic Paper Investment AB with its registered office in Göteborg, Sweden
Arctic Paper Investment GmbH, API GmbH	Arctic Paper Investment GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH with its registered office in Wolpertswende, Germany

Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG with its registered office in Wolpertswende, Germany
Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. with its registered office in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	Arctic Paper Grycksbo AB and Arctic Paper Investment AB
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria)
	Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium)
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark)
	Arctic Paper France SA with its registered office in Paris (France)
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, (Germany)
	Arctic Paper Italia Srl with its registered office in Milan (Italy)
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia)
	Arctic Paper Norge AS with its registered office in Oslo (Norway)
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland)
	Arctic Paper España SL with its registered office in Barcelona (Spain)
	Arctic Paper Finance AB with its registered office in Munkedal (Sweden)
	Arctic Paper Schweiz AG with its registered office in Derendingen (Switzerland)
	Arctic Paper UK Ltd with its registered office in London (UK)
Arctic Power Sp. z o.o. (previously Arctic Paper East Sp. z o.o.)	Arctic Power Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Arctic Paper Finance AB	Arctic Paper Finance AB with its registered office in Göteborg, Sweden
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne (Sweden)
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjo Bruk AB with its registered office in Söderhamn, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne,

	Sweden; SIA Rottneros Baltic with its registered office in Kuldīga, Latvia; since 1 January 2020 – Nykvist Skogs AB with its registered office in Gräsmark, Sweden
Pulp mills	Rottneros Bruk AB with its registered office in Rottneros, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden
Rottneros Purchasing Office	SIA Rottneros Baltic with its registered office in Kuldīga, Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden
Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer's core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper S.A.; a member of the Issuer's Supervisory Board
Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
AGM, GM, Issuer's General Meeting, Company's General Meeting	Annual General Meeting of Arctic Paper S.A.
EGM, Extraordinary General Meeting, Issuer's Extraordinary General Meeting, Company's Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of Association	Articles of Association of Arctic Paper S.A.
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
Court of Registration	District Court Poznań-Nowe Miasto i Wilda in Poznań
Warsaw Stock Exchange, WSE	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna with its registered office in Warsaw
PFSA	Polish Financial Supervision Authority
SFSA	Swedish Financial Supervisory Authority, equivalent to PFSA
NASDAQ in Stockholm, Nasdaq	Stock Exchange in Stockholm, Sweden
CEPI	Confederation of European Paper Industries
EURO-GRAPH	The European Association of Graphic Paper Producers
Eurostat	European Statistical Office
GUS	Central Statistical Office of Poland
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

## Definitions of selected terms and financial indicators and abbreviations of currencies

Sales profit margin	Ratio of gross profit (loss) on sales to sales revenues from continuing operations
EBIT	Profit on continuing operating activities
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit (loss) to sales revenues from continuing operations
EBITDA	Operating profit from continuing operations plus depreciation and amortisation and impairment allowances
EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment allowances of assets to sales revenues from continuing operations
Gross profit margin	Ratio of gross profit (loss) to sales revenues from continuing operations
Sales profitability ratio, net profit margin	Ratio of net profit (loss) to sales revenues
Return on equity, ROE	Ratio of net profit (loss) to equity income
Return on assets, ROA	Ratio of net profit (loss) to total assets
EPS	Earnings Per Share, ratio of net profit to the weighted average number of shares
BVPS	Book Value Per Share, Ratio of book value of equity to the number of shares
Debt-to-equity ratio	Ratio of total liabilities to equity
Equity to fixed assets ratio	Ratio of equity to fixed assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA from continuing operations
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals and deferred income to short-term liabilities
Acid test ratio	Ratio of total cash and cash equivalents to short-term liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales revenues from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period

Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO
FY	Financial year
Q1	1st quarter of the financial year
Q2	2nd quarter of the financial year
Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	First half of the financial year
H2	Second half of the financial year
YTD	Year-to-date
Like-for-like, LFL	Analogous, with respect to operating result.
p.p.	Percentage point, difference between two amounts of one item given in percentage
PLN, zł, złoty	Monetary unit of the Republic of Poland
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)
Euro, EUR	Monetary unit of the European Union
GBP	Pound sterling, monetary unit of the United Kingdom
SEK	Swedish Krona – monetary unit of the Kingdom of Sweden
USD	United States dollar, the legal tender in the United States of America
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
IFRS EU	International Financial Reporting Standards endorsed by the European Union
GDP	Gross Domestic Product

## Other definitions and abbreviations

Series A Shares	50,000 Shares of Arctic Paper S.A. A series ordinary shares of PLN 1 each
Series B Shares	44,253,500 Shares of Arctic Paper S.A. B series ordinary shares of PLN 1 each
Series C Shares	8,100,000 Shares of Arctic Paper S.A. C series ordinary shares of PLN 1 each
Series E Shares	3,000,000 Shares of Arctic Paper S.A. E series ordinary shares of PLN 1 each
Series F Shares	13,884,283 Shares of Arctic Paper S.A. F series of the nominal value of PLN 1 each
Shares, Issuer's Shares	Series A, Series B, Series C, Series E, and Series F Shares jointly

## Forward looking statements

The information contained in this report which does not relate to historical facts relates to forward looking statements. Such statements may, in particular, concern the Group's strategy, business development, market projections, planned investment outlays, and future revenues. Such statements may be identified by the use of expressions pertaining to the future such as, e.g., "believe", "think", "expect", "may", "will", "should", "is expected", "is assumed", and any negations and grammatical forms of these expressions or similar terms. The statements contained in this report concerning matters which are not historical facts should be treated only as projections subject to risk and uncertainty. Forward-looking statements are inevitably based on certain estimates and assumptions which, although our management finds them rational, are naturally subject to known and unknown risks and uncertainties and other factors that could cause the actual results to differ materially from the historical results or the projections. For this reason, we cannot assure that any of the events provided for in the forward-looking statements will occur or, if they occur, about their impact on the Group's operating activity or financial situation. When evaluating the information presented in this report, one should not rely on such forward-looking statements, which are stated only as at the date they are expressed. Unless legal regulations contain detailed requirements in this respect, the Group shall not be obliged to update or verify those forward-looking statements in order to provide for new developments or circumstances. Furthermore, the Group is not obliged to verify or to confirm the analysts' expectations or estimates, except for those required by law.

## Forward looking statements relating to risk factors

In this report we described the risk factors that the Management Board of our Group considers specific to the sector we operate in; however, the list may not be exhaustive. Other factors may arise that have not been identified by us and that could have material and adverse impact on the business, financial condition, results on operations or prospects of the Arctic Paper Group. In such circumstances, the price of the shares of the Company listed at the Warsaw Stock Exchange or at NASDAQ in Stockholm may decrease, investors may lose their invested funds in whole or in part and the potential dividend disbursement by the Company may be limited.

We ask you to perform a careful analysis of the information disclosed in "Risk factors" of this report – the section contains a description of risk factors and uncertainties related to the business of the Arctic Paper Group.



**Selected consolidated  
and standalone  
financial data**

## Selected consolidated financial data

	Period from 01.01.2021 to 30.09.2021 PLN '000	Period from 01.01.2020 to 30.09.2020 PLN '000	Period from 01.01.2021 to 30.09.2021 EUR '000	Period from 01.01.2020 to 30.09.2020 EUR '000
Continuing operations				
Sales revenues	2 459 029	2 132 784	540 548	482 084
Operating profit (loss)	170 481	163 028	37 475	36 850
Gross profit (loss)	151 172	138 807	33 231	31 375
Net profit (loss) for the period	121 230	118 418	26 649	26 767
Net profit / (loss) attributable to the shareholders of the Parent Entity	84 309	109 861	18 533	24 832
Net cash flows from operating activities	105 318	187 557	23 151	42 394
Net cash flows from investing activities	(103 066)	(107 621)	(22 656)	(24 326)
Net cash flows from financing activities	(108 605)	(86 016)	(23 874)	(19 443)
Change in cash and cash equivalents	(106 353)	(6 080)	(23 379)	(1 374)
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	1.22	1.59	0.27	0.36
Diluted EPS (in PLN/EUR)	1.22	1.59	0.27	0.36
Mean PLN/EUR exchange rate*			4.5491	4.4241
	As at 30 September 2021 PLN '000	As at 31 December 2020 PLN '000	As at 30 September 2021 EUR '000	As at 31 December 2020 EUR '000
Assets	2 296 582	2 136 646	495 712	462 999
Long-term liabilities	457 119	464 596	98 668	100 675
Short-term liabilities	686 294	639 016	148 135	138 471
Equity	1 153 170	1 033 033	248 909	223 852
Share capital	69 288	69 288	14 956	15 014
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	16.64	14.91	3.59	3.23
Diluted book value per share (in PLN/EUR)	16.64	14.91	3.59	3.23
Declared or paid dividend (in PLN/EUR)	20 786 334.90	-	4 486 679	-
Declared or paid dividend per share (in PLN/EUR)	0.30	-	0.06	-
PLN/EUR exchange rate at the end of the period**	-	-	4.6329	4.6148

\* – Profit and loss and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.

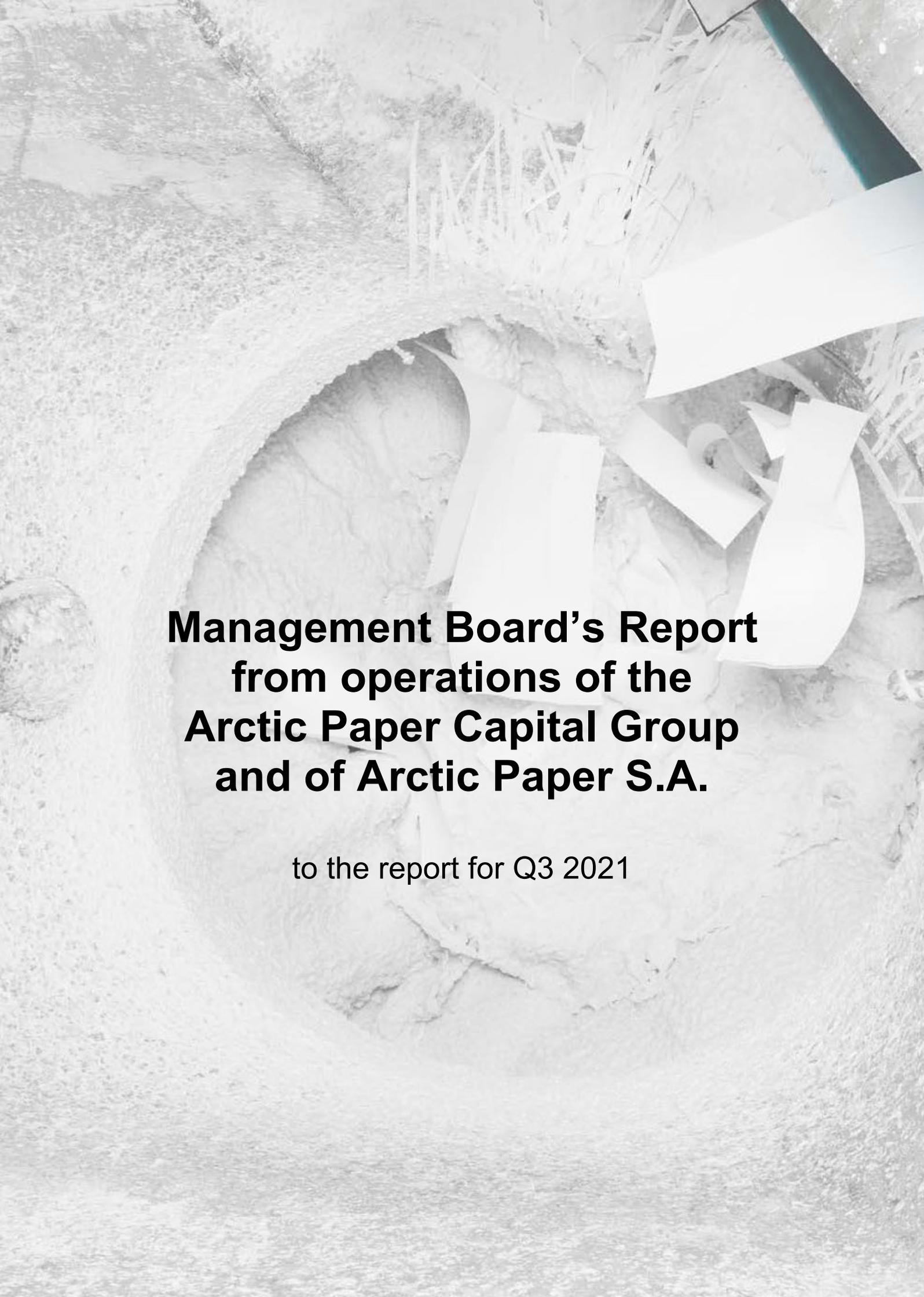
\*\* – Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.

## Selected standalone financial data

	Period from 01.01.2021 to 30.09.2021 PLN '000	Period from 01.01.2020 to 30.09.2020 PLN '000	Period from 01.01.2021 to 30.09.2021 EUR '000	Period from 01.01.2020 to 30.09.2020 EUR '000
Sales revenues	54 627	32 094	11 961	7 254
Operating profit (loss)	34 955	12 737	7 654	2 879
Gross profit (loss)	26 142	4 396	5 724	994
<b>Net profit (loss) from continuing operations</b>	<b>26 142</b>	<b>4 396</b>	<b>5 724</b>	<b>994</b>
Net profit (loss) for the financial year	26 142	4 396	5 724	994
Net cash flows from operating activities	(58 177)	41 810	(12 739)	9 450
Net cash flows from investing activities	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>39 178</b>	<b>(48 638)</b>	<b>8 578</b>	<b>(10 994)</b>
Change in cash and cash equivalents	(18 999)	(6 828)	(4 160)	(1 543)
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	0,38	(0,11)	0,08	(0,03)
Diluted EPS (in PLN/EUR)	0,38	(0,11)	0,08	(0,03)
<b>Mean PLN/EUR exchange rate*</b>			<b>4,5670</b>	<b>4,4241</b>
	As at 30 September 2021 PLN '000	As at 31 December 2020 PLN '000	As at 30 September 2021 EUR '000	As at 31 December 2020 EUR '000
Assets	865 005	882 117	186 709	191 150
Long-term liabilities	119 155	31 049	25 719	6 728
Short-term liabilities	167 398	280 472	36 133	60 777
Equity	578 453	570 595	124 858	123 644
<b>Share capital</b>	<b>69 288</b>	<b>69 288</b>	<b>14 956</b>	<b>15 014</b>
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	8.35	8.24	1.80	1.78
Diluted book value per share (in PLN/EUR)	8.35	8.24	1.80	1.78
Declared or paid dividend (in PLN/EUR)	20 786 335	-	4 486 679	-
Declared or paid dividend per share (in PLN/EUR)	0.30	-	0.06	-
PLN/EUR exchange rate at the end of the period**	-	-	4.6329	4.6148

\* – Profit and loss and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.

\*\* – Balance sheet items and book value per share have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.



**Management Board's Report  
from operations of the  
Arctic Paper Capital Group  
and of Arctic Paper S.A.**

to the report for Q3 2021

# Description of the business of the Arctic Paper Group

## General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As on the day hereof, the Arctic Paper Group employs app. 1,500 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, a company dealing in timber procurement for pulp production and in a company of forest owners. Our paper mills are located in Poland and Sweden and have total production capacity of more than 685,000 metric tonnes of paper per year. The Pulp Mills are located in Sweden and have total production capacity of 400,000 tonnes of pulp per year. The Group has thirteen offices which handle distribution and marketing of products offered by the Group providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for three quarters of 2021 amounted to PLN 2,459 million.

Arctic Paper S.A. is a holding company set up in April 2008. The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

## Group Profile

The principal business of the Arctic Paper Group is production and sales of paper and pulp.

The Group's additional business, partly subordinate to paper and pulp production, covers:

- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper and pulp distribution.

## Our production facilities

As on 30 September 2021, as well as on the day hereof, the Group owned the following Paper Mills:

- the Paper Mill in Kostrzyn nad Odrą (Poland) has the production capacity of about 315,000 tonnes per year and mainly produces uncoated wood-free paper for general printing use such as printing books, brochures and forms, and for producing envelopes and other paper products;
- the Paper Mill in Munkedal (Sweden) has the production capacity of about 160,000 tonnes per year and mainly produces fine uncoated wood-free paper used primarily for printing books and high-quality brochures;
- the Paper Mill in Grycksbo (Sweden) has the production capacity of about 210,000 tonnes per year and produces coated wood-free paper used for printing maps, books, magazines, posters and printing of advertising materials.

As on 30 September 2021, as well as on the day hereof, the Group owned the following Pulp Mills:

- The pulp mill in Rottneros (Sweden) has production capacity of about 160,000 tonnes annually and produces mainly two types of mechanical pulp: groundwood and chemo thermo mechanical pulp (CTMP);
- the pulp mill in Vallvik (Sweden) has the annual production capacity of about 240,000 tonnes and produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp. The unbleached sulphate pulp produced by the pulp mill is characterised with a high level of purity. The high quality of the pulp which had been developed for years, made Vallvik a leader in supplies of such pulp. The pulp is used among others to produce transformers and in cable industry.

### **Our products**

The product assortment of the Arctic Paper Group covers:

- uncoated wood-free paper;
- coated wood-free paper;
- uncoated wood-containing paper;
- sulphate pulp;
- mechanical fibre pulp.

A detailed description of the Group's assortment is included in the consolidated annual report for 2020.

### **Capital Group structure**

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Entity, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of the Warsaw Stock Exchange and since 20 December 2012 in the NASDAQ stock exchange in Stockholm. The Group operates through its Paper mills and Pulp mills with its subsidiary producing packaging, a company of forest owners as well as Sales Offices and Procurement Offices.

Details on the organisation of the Capital Group of Arctic Paper S.A. along with identification of the consolidated entities are specified in note 2 in the abbreviated consolidated financial statements, further below in this quarterly report.

### **Changes in the capital structure of the Arctic Paper Group**

On 1 January 2020, the Company, via Rottneros AB acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon.

In Q3 2021, no other changes in the capital structure of the Arctic Paper Group occurred.

### **Shareholding structure**

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2021) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at Annual General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2021 was 68.13% and has not changed until the date hereof.

as at 09.11.2021

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
<b>Thomas Onstad</b>	<b>47 205 107</b>	<b>68.13%</b>	<b>47 205 107</b>	<b>68.13%</b>
- indirectly via	40 981 449	59.15%	40 981 449	59.15%
<i>Nemus Holding AB</i>	40 381 449	58.28%	40 381 449	58.28%
<i>other entity</i>	600 000	0.87%	600 000	0.87%
- directly	6 223 658	8.98%	6 223 658	8.98%
<b>Other</b>	<b>22 082 676</b>	<b>31.87%</b>	<b>22 082 676</b>	<b>31.87%</b>
Total	69 287 783	100.00%	69 287 783	100.00%
Treasury shares	-	0.00%	-	0.00%
<b>Total</b>	<b>69 287 783</b>	<b>100.00%</b>	<b>69 287 783</b>	<b>100.00%</b>

The data in the above tables is shown as at the date of publication of this report, the status has not changed from the date of publication of the 2021 semi-annual report and as at 30 September 2021.

## Summary of the consolidated financial results

### Selected items of the consolidated statement of profit and loss

<i>PLN '000</i>	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020	Change % Q3 2021/ Q2 2021	Change % Q3 2021/ Q3 2020	Change % YTD 2021/ YTD 2020
Continuing operations								
<b>Sales revenues</b>	<b>889 656</b>	<b>786 561</b>	<b>702 836</b>	<b>2 459 029</b>	<b>2 132 784</b>	<b>13.1</b>	<b>26.6</b>	<b>15.3</b>
<i>of which:</i>								
<i>Sales of paper</i>	644 963	526 781	491 860	1 719 083	1 483 413	22.4	31.1	15.9
<i>Sales of pulp</i>	244 694	259 780	210 976	739 946	649 371	(5.8)	16.0	13.9
<i>Profit on sales</i>	182 488	170 754	149 468	505 582	444 003	6.9	22.1	13.9
<i>% of sales revenues</i>	20.51	21.71	21.27	20.56	20.82	(1.2) p.p.	(0.8) p.p.	(0.3) p.p.
Selling and distribution costs	(98 547)	(90 516)	(84 587)	(280 780)	(251 155)	8.9	16.5	11.8
Administrative expenses	(23 164)	(28 773)	(16 531)	(71 832)	(55 339)	(19.5)	40.1	29.8
Other operating income	20 709	13 041	17 229	46 276	51 433	58.8	20.2	(10.0)
Other operating expenses	(8 712)	(9 982)	(6 445)	(28 765)	(25 913)	(12.7)	35.2	11.0
<b>EBIT</b>	<b>72 773</b>	<b>54 525</b>	<b>59 132</b>	<b>170 481</b>	<b>163 028</b>	<b>33.5</b>	<b>23.1</b>	<b>4.6</b>
<i>% of sales revenues</i>	8.18	6.93	8.41	6.93	7.64	1.2 p.p.	(0.2) p.p.	(0.7) p.p.
<b>EBITDA</b>	<b>102 099</b>	<b>84 175</b>	<b>86 412</b>	<b>258 507</b>	<b>246 263</b>	<b>21.3</b>	<b>18.2</b>	<b>5.0</b>
<i>% of sales revenues</i>	11.48	10.70	12.29	10.51	11.55	0.8 p.p.	(0.8) p.p.	(1.0) p.p.
Financial income	333	(847)	(81)	2 070	632	(139.3)	(511.6)	227.6
Financial expenses	(7 032)	(7 476)	(8 678)	(21 379)	(24 853)	(5.9)	(19.0)	(14.0)
<b>Gross profit (loss)</b>	<b>66 074</b>	<b>46 201</b>	<b>50 373</b>	<b>151 172</b>	<b>138 807</b>	<b>43.0</b>	<b>31.2</b>	<b>8.9</b>
Income tax	(12 713)	(10 601)	(5 017)	(29 942)	(20 389)	19.9	153.4	46.9
<b>Net profit (loss)</b>	<b>53 361</b>	<b>35 600</b>	<b>45 357</b>	<b>121 230</b>	<b>118 418</b>	<b>49.9</b>	<b>17.6</b>	<b>2.4</b>
<i>% of sales revenues</i>	6.00	4.53	6.45	4.93	5.55	1.5 p.p.	(0.5) p.p.	(0.6) p.p.
Net profit / loss attributable to the shareholders of the Parent Entity	36 843	18 372	44 457	84 309	109 861	100.5	(17.1)	(23.3)

### Comments of the President of the Management Board Michał Jarczyński on the results of Q3 2021

The third quarter was a strong quarter: Arctic Paper's revenues increased to PLN 889.7 million (702.8 million) with EBITDA of PLN 102.1 million (86.4 million). While the balance between paper and pulp has changed in favor of pulp, the consolidated result once again proves the advantage of combining the two segments. Our financial position remains strong with a net debt / EBITDA ratio of 0.66 (0.48).

We meet strong demand in the pulp and paper markets and our order books are full for the next two months. Paper segment sales increased to PLN 645.0 million (491.9 million) while EBITDA decreased to PLN 46.3 million (69.7 million) due to higher production costs. We have raised our prices to compensate for the effects of higher prices on raw materials, energy and transport. We are also facing logistics challenges related to the limited availability of means of transport. Production capacity utilization reached a record high of 99% (83) with production and sales of 169,000 tons (143,000 tons) which is above the pre-pandemic level.

For Rottneros – the pulp segment – the revenues for the third quarter increased by 12 percent to SEK 570 million (508 million) with an EBITDA result of SEK 130 million (33 million). The production volume for the period was 92 200 tons (110 200 tons) due to a planned maintenance stop that did not take place during the comparable period 2020. Pulp prices have stabilized on a high level, and we see a strong demand.

After the period, we presented our new Group strategy for 2030. The 4P strategy points in the direction of a more resilient, diversified and fast-growing business with better margins and higher profitability. By building on synergies and competencies from the two existing segments - paper and pulp, which will be further developed - we add packaging and power. With the new strategy, the goal is to increase EBITDA by 70 percent and the EBITDA margin to 15 percent by 2030. Total investments are planned to exceed PLN 1.5 billion for the period 2022-2030, and the Group will reach carbon neutrality at latest 2035.

Arctic growth will be built on four pillars: paper, pulp, packaging, and power. A first step in this direction was taken at the end of October when Arctic Paper and Rottneros signed a letter of intent to develop a molded tray factory in Arctic Paper's premises in Kostrzyn. The joint venture is planned to be fully operational by the end of 2023 and is expected to generate an annual income of EUR 9-11 million. The investment is expected to be EUR 12-15 million and the planned production of 60-80 million sustainable fiber trays that can withstand heat is excellent for the rapidly growing market for ready-to-eat food.

The new strategy shows us the direction for the future. Given that and our strong consolidated results, I feel confident that we are heading in the right direction.

### **Revenues**

In Q3 2021, the consolidated sales revenues amounted to PLN 889,656 thousand (sales of paper: PLN 644,963 thousand, pulp sales: PLN 244,694 thousand, as compared to PLN 702,836 thousand (sales of paper: PLN 491,860 thousand, while sales of pulp generated PLN 210,976 thousand in the equivalent period of last year. That means an increase by PLN 186,820 thousand (increase of paper sales: PLN 153,103 thousand, increase of pulp sales: PLN 33,718 thousand, and by +26.6% respectively (paper sales: +31.1%, pulp sales: +16.0%).

In the first nine months of 2021, the sales revenues amounted to PLN 2,459,029 thousand (sales of paper: PLN 1,719,083 thousand, pulp sales: PLN 739,946 thousand, as compared to PLN 2,132,784 thousand (sales of paper: PLN 1,483,413 thousand, pulp sales: PLN 649,371 thousand, generated in the equivalent period of last year. That means an increase of revenues by PLN 326,245 thousand (increase of paper sales by PLN 235,670 thousand, increase of pulp sales by PLN 90,575 thousand, and by +15.3% respectively (paper sales: +15.9%, pulp sales: +13.9%).

Paper sales volume in Q3 2021 amounted to 169 thousand tonnes compared to 143 thousand tonnes in the same period of last year. The change represents an increase of 26 thousand tonnes and by +18.2% respectively. Pulp sales volume in Q3 2021 amounted to 89 thousand tonnes compared to 103 thousand tonnes in the equivalent period of last year. The change represents a decrease of 14 thousand tonnes and by -14.4% respectively.

Paper sales volume in the first three quarters of 2021 amounted to 479 thousand tonnes compared to 429 thousand tonnes in the equivalent period of last year. The change represents an increase of 50 thousand tonnes and by +11.7% respectively. Pulp sales volumes in the first three quarters of 2021 and 2020 amounted to 299,000 tonnes.

### **Profit on sales, costs of sales, selling and distribution costs, and administrative expenses**

In Q3 2021, profit on sales amounted to PLN 182,488 thousand It was 22.1% higher than in the equivalent period of last year and 6.9% higher than in the previous quarter of 2021. Sales profit margin in the current quarter stood at 20.51% compared to 21.27% (-0.8 p.p.) in the equivalent period of last year and 21.71% (-1.2 p.p.) in the previous quarter. The main reason for the increase in the specific profit on sales in Q3 2021, compared to the same period of last year and the previous quarter, was the increase in revenues from the sale of paper and pulp (the increase in the sales prices of paper and pulp converted to PLN and the increase in the volume of paper sales). The main reason for the decrease in sales profit margin in Q3 2021 compared to the equivalent period of last year and the previous quarter was higher production costs including pulp costs for paper production than the increase in sales revenue mainly for paper.

For three quarters of 2021, profit on sales amounted to PLN 505,582 thousand and was by 13.9% higher than in the equivalent period of last year. Sales profit margin in the period stood at 20.56% compared to 20.82% (-0.3 p.p.) in the equivalent period of last year. The reasons for the changes are the same as for the changes in Q3 2021 versus the equivalent period of last year and the previous quarter 2021.

In Q3 2021, the selling and distribution costs amounted to PLN 98,547 thousand, This represents an increase of 16.5% compared to the costs incurred in Q3 2020 and an increase of 8.9% compared to the previous quarter.

In three quarters of 2021, the selling and distribution costs amounted to PLN 280,780 thousand, which was an increase by 11.8% compared to the costs incurred in the equivalent period of 2020. The selling and distribution costs include primarily costs of transport of finished products to counterparties.

In Q3 2021, the administrative expenses amounted to PLN 23,164 thousand as compared to PLN 16,531 thousand in the equivalent period of 2020 (increase by 40.1%) and compared to PLN 28,773 thousand in the preceding quarter (decrease by 19.5%). The administrative expenses are composed primarily of the costs of advisory and administrative services in the Group.

In three quarters of 2021, the administrative expenses amounted to PLN 71,832 thousand as compared to PLN 55,339 thousand in the equivalent period of 2020, which was an increase by 29.8%. The main reason of the increase were higher costs related to consulting services rendered to the Group by third parties.

#### **Other operating income and expenses**

Other operating income amounted to PLN 20,709 thousand in Q3 2021, as compared to PLN 17,229 thousand in Q3 2020 and PLN 13,041 thousand in the previous quarter of 2021. Other operating income consisted mainly of revenues from heat and electricity sales as well as sales revenues from other materials and CO2 emission rights. The higher value of other operating income in the current period was mainly due to the receipt of compensation for a total of PLN 8,299 thousand.

Other operating income amounted to PLN 46,276 thousand for three quarters of 2021, which was a decrease as compared to the equivalent period of last year by PLN 5,157 thousand. The lower other operating income was due to lower sales of CO2 emission rights and other materials.

In Q3 2021, the other operating expenses amounted to PLN 8,712 thousand as compared to PLN 6,445 thousand in Q3 2020 and PLN 9,982 thousand in the previous quarter.

Other operating expenses amounted to PLN 28,765 thousand for three quarters of 2021, which was an increase as compared to the equivalent period of last year by PLN 2,852 thousand.

The other operating expenses comprised mainly the costs of electricity and heat sales as well as the costs of other materials sold.

#### **Financial income and financial expenses**

Financial income in Q3 2021 amounted to PLN 333 thousand as compared to PLN -81 thousand in Q3 2020 and PLN -847 thousand in the previous quarter of 2021.

In the first nine months 2021, the financial income amounted to PLN 2,070 thousand, while in the equivalent period in 2020 it was PLN 632 thousand. The higher financial income for the three quarters of 2021 was due to FX gains.

In Q3 2021, financial expenses amounted to PLN 7,032 thousand as compared to PLN 8,678 thousand incurred in Q3 2020 and PLN 7,476 thousand in the previous quarter.

Financial expenses for three quarters of 2021 amounted to PLN 21,379 thousand as compared to PLN 24,853 thousand incurred for three quarters of 2020. The higher financial expenses for the three quarters of 2020 were primarily due to FX losses.

#### **Income tax**

In Q3 2021, income tax amounted to PLN -12,713 thousand while in the equivalent period in 2020 it was PLN -5,017 thousand and PLN -10,601 thousand in the previous quarter.

The current portion of income tax in the analysed quarter of 2021 amounted to PLN -12,802 thousand, while the deferred portion to PLN +90 thousand. In Q3 of last year, the amount was PLN -4,437 thousand and PLN -580 thousand and PLN -9,299 thousand and PLN -1,302 thousand in the previous quarter respectively.

For three quarters of 2021, income tax amounted to PLN -29,942 thousand while in the equivalent period in 2020 it was PLN -20,389 thousand.

The current portion of income tax in the analysed three quarters of 2021 amounted to PLN -26,612 thousand, while the deferred portion to PLN -3,330 thousand. In the equivalent quarters of last year, the amount was PLN -13,692 thousand and PLN -6,697 thousand respectively.

### Profitability analysis

In Q3 2021, the result on continuing operations amounted to PLN 72,773 thousand as compared to PLN 59,132 thousand in the equivalent period of last year and PLN 54,525 thousand in the previous quarter. These changes represent a decrease in the operating profit margin from +8.4% in Q3 2020 to +8.2% in Q3 of this year and an increase in the operating profit margin from +6.9% in the previous quarter.

For three quarters of 2021, the result on continuing operations amounted to PLN 170,481 thousand as compared to PLN 163,028 thousand in the equivalent period of last year. The changes resulted in a decrease of operational profit margin from +7.6% for three quarters of 2020 to +6.9% for three quarters of this year.

EBITDA in Q3 2021 was PLN 102,099 thousand, while in the equivalent period in 2020 it was PLN 86,412 thousand and PLN 84,175 thousand in the previous quarter. In the reporting period, the EBITDA margin stood at 11.5%, compared to 12.3% in the corresponding period of 2020 and 10.7% in the previous quarter.

EBITDA for three quarters of 2021 was PLN 258,507 thousand, while in the equivalent period in 2020 it was PLN 246,263 thousand. In the reporting period, the EBITDA margin was 10.5% compared to 11.6% in the equivalent period of 2020.

In the current quarter of 2021, net profit amounted to PLN 53,361 thousand as compared to the net profit of PLN 45,357 thousand in Q3 2020 and PLN 35,600 thousand in the previous quarter.

In three quarters of 2021, net profit amounted to PLN 121,230 thousand as compared to the net profit of PLN 118,418 thousand in three quarters of 2020.

<i>PLN '000</i>	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020	Change % Q3 2021/ Q2 2021	Change % Q3 2021/ Q3 2020	Change % YTD 2021/ YTD 2020
Profit (loss) on sales	182 488	170 754	149 468	505 582	444 003	6.9	22.1	13.9
<i>% of sales revenues</i>	20.51	21.71	21.27	20.56	20.82	(1.2) p.p.	(0.8) p.p.	(0.3) p.p.
<b>EBITDA</b>	<b>102 099</b>	<b>84 175</b>	<b>86 412</b>	<b>258 507</b>	<b>246 263</b>	<b>21.3</b>	<b>18.2</b>	<b>5.0</b>
<i>% of sales revenues</i>	11.48	10.70	12.29	10.51	11.55	0.8 p.p.	(0.8) p.p.	(1.0) p.p.
<b>EBIT</b>	<b>72 773</b>	<b>54 525</b>	<b>59 132</b>	<b>170 481</b>	<b>163 028</b>	<b>33.5</b>	<b>23.1</b>	<b>4.6</b>
<i>% of sales revenues</i>	8.18	6.93	8.41	6.93	7.64	1.2 p.p.	(0.2) p.p.	(0.7) p.p.
<b>Net profit (loss)</b>	<b>53 361</b>	<b>35 600</b>	<b>45 357</b>	<b>121 230</b>	<b>118 418</b>	<b>49.9</b>	<b>17.6</b>	<b>2.4</b>
<i>% of sales revenues</i>	6.00	4.53	6.45	4.93	5.55	1.5 p.p.	(0.5) p.p.	(0.6) p.p.
Return on equity / ROE (%)	4.6	3.3	4.6	10.5	12.1	1.3 p.p.	(0.0) p.p.	(1.6) p.p.
Return on assets / ROA (%)	2.3	1.6	2.1	5.3	5.6	0.7 p.p.	0.2 p.p.	(0.3) p.p.

The return on equity was 4.6% in Q3 2021, (10.5% for the three quarters of 2021), while it reached 4.6% in Q3 2020 and 3.3% in the previous quarter (12.1% for the three quarters of 2020).

The return on assets was 2.3% in Q3 2021 (5.3% for the three quarters of 2021), while it reached 2.1% in Q3 2020 and 1.6% in the previous quarter (5.6% for the three quarters of 2020).

## Selected items of the consolidated statement of financial position

<i>PLN '000</i>	2021-09-30	2020-12-31	2020-09-30	Change 30.09.2021 -31.12.2020	Change 30.09.2021 -30.09.2020
Fixed assets	1 246 233	1 194 503	1 132 134	51 729	114 099
Inventories	391 816	365 491	367 297	26 325	24 520
Receivables	458 128	302 751	342 605	155 377	115 524
<i>trade receivables</i>	449 071	297 543	334 248	151 528	114 823
Other current assets	54 515	18 337	11 953	36 178	42 561
Cash and cash equivalents	145 891	255 563	269 835	(109 673)	(123 945)
<b>Total assets</b>	<b>2 296 582</b>	<b>2 136 646</b>	<b>2 123 824</b>	<b>159 937</b>	<b>172 759</b>
Equity	1 153 170	1 033 033	977 580	120 137	175 590
Short-term liabilities	686 294	639 016	641 348	47 277	44 946
<i>of which:</i>					
<i>trade and other payables</i>	485 310	367 751	417 930	117 560	67 381
<i>interest-bearing debt</i>	89 528	148 426	115 781	(58 897)	(26 253)
<i>other non-financial liabilities</i>	111 455	122 840	107 637	(11 385)	3 818
Long-term liabilities	457 119	464 596	504 896	(7 477)	(47 777)
<i>of which:</i>					
<i>interest-bearing debt</i>	242 959	241 144	289 549	1 815	(46 590)
<i>other non-financial liabilities</i>	214 159	223 452	215 347	(9 293)	(1 187)
<b>Total equity and liabilities</b>	<b>2 296 582</b>	<b>2 136 646</b>	<b>2 123 824</b>	<b>159 937</b>	<b>172 759</b>

Due to the change in presentation described in note 6.3 of the quarterly consolidated financial statements, there has been a change in the presentation of the liabilities of the consolidated statement of financial position as at 31 December 2020 and 30 September 2020.

As at 30 September 2021, total assets amounted to PLN 2,296,582 thousand as compared to PLN 2,136,646 thousand at the end of 2020 which was an increase by PLN 159,937 thousand.

### Fixed assets

At the end of June 2021, fixed assets accounted for 54.3% of total assets vs. 55.9% at the end of 2020. The value of fixed assets grew in the current period by PLN 51,729 thousand, mainly due to an increase in property, plant and equipment and intangible assets, as a result of capital expenditure, as well as an increase in other financial assets (increase in the valuation of hedging instruments, mainly forward contracts for the purchase of energy).

### Current assets

Current assets understood as a sum of inventories, receivables, other current assets and cash and cash equivalents.

As at the end of September 2021, current assets amounted to PLN 1,050,350 thousand as compared to PLN 942,142 thousand at the end of December 2020. As part of the current assets, inventories increased by PLN 26,325 thousand and receivables increased by PLN 155,377 thousand, (mainly due to increased sales of paper and pulp), other current assets increased by PLN 36,178 thousand (mainly due to an increase in the valuation of hedging instruments, mainly forward contracts for the purchase of energy), and cash and cash equivalents decreased by PLN 109,673 thousand (mainly as a result of the redemption of SEK bonds partly financed by a loan). Current assets represented 45.7% of total assets as at the end of September 2021 (44.1% as at the end of 2020) and included inventories – 17.1% (17.1% as at the end of 2020), receivables – 19.8% (14.1% as at the end of 2020), other current assets – 2.4% (0.9% as at the end of 2020) and cash and cash equivalents – 6.4% (12.0% as at the end of 2020).

## Equity

As at the end of Q3 2021, the equity amounted to PLN 1,153,170 thousand as compared to PLN 1,033,033 thousand at the end of 2020. Equity represented 50.2% of total liabilities as at the end of September 2021 as compared to 48.3% of total liabilities as at the end of December 2020. The increase in equity was the result of net profit for the first nine months of 2021 and an increase in the net valuation of hedging instruments offset in part by dividend payments to APSA shareholders and non-controlling interests.

## Short-term liabilities

As at the end of September 2021, short-term liabilities amounted to PLN 686,294 thousand (29.9% of balance sheet total) as compared to PLN 639,016 thousand (29.9% of balance sheet total) as at the end of 2020. During the nine months of 2021, there was an increase in current liabilities of PLN 47,277 thousand due to the increase in trade and other payables offset in part by a decrease in short-term loans and bonds.

## Long-term liabilities

As at the end of September 2021, long-term liabilities amounted to PLN 457,119 thousand (19.9% of balance sheet total) as compared to PLN 464,596 thousand (21.8% of balance sheet total) as at the end of 2020. In the period under report, a decrease of long-term liabilities occurred by PLN 7,477 thousand.

## Debt analysis

	Q3 2021	Q2 2021	Q3 2020	Change % Q3 2021/ Q2 2021	Change % Q3 2021/ Q3 2020
Debt to equity ratio (%)	99.2	109.8	117.3	(10.6) p.p.	(18.1) p.p.
Equity to fixed assets ratio (%)	92.5	90.0	86.3	2.5 p.p.	6.2 p.p.
Interest-bearing debt-to-equity ratio (%)	28.8	37.2	41.5	(8.3) p.p.	(12.6) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	0.7x	0.6x	0.5x	0.1	0.2
EBITDA to interest expense ratio for the last 12 months (x)	14.5x	14.9x	13.2x	(0.4)	1.2

As at the end of September 2021, the debt to equity ratio was 99.2% and was lower by 10.6 p.p. as compared to the end of June of 2021 and lower by 18.1 p.p. as compared to the end of September 2020. These changes are the result of higher growth rates in equity than in liabilities.

The equity to non-current assets ratio was 92.5% as at the end of Q3 2021 and was higher by 2.5 p.p. than at the end of June of 2021 and higher by 6.2 p.p. than at the end of September 2020. These changes are the result of higher growth rates in equity than in non-current assets.

The interest bearing debt to equity ratio was 28.8% as at the end of Q3 2021 and was lower by 8.3 p.p. as compared to the end of June 2021 and lower by 12.6 p.p. as compared to the level of the ratio calculated at the end of September 2020. The changes were due to a simultaneous decrease of interest-bearing liabilities and a increase of equity as at the end of September 2021.

Net borrowings to EBITDA calculated for the last 12 months ended on 30 September 2021 amounted to 0.7x compared to 0.6x in the equivalent period ended on 30 June 2021 and 0.5x for the 12-month period ended on 30 September 2020. These changes are mainly due to a decrease in net debt as a result of the repayment of loans and bonds.

The ratio of interest expense to EBITDA was 14.5x for the 12 months ended 30 September 2021, 14.9x for the 12 months ended 30 June 2021 and 13.2x for the 12 months ended 30 September 2020. These changes are mainly due to a decrease in interest expense as a result of the repayment of loans and bonds as well as an increase in EBITDA.

## Liquidity analysis

	Q3 2021	Q2 2021	Q3 2020	Change % Q3 2021/ Q2 2021	Change % Q3 2021/ Q3 2020
<b>Current ratio</b>	<b>1.5x</b>	<b>1.7x</b>	<b>1.5x</b>	<b>(0.2)</b>	<b>(0.0)</b>
<b>Quick ratio</b>	<b>0.9x</b>	<b>1.1x</b>	<b>1.0x</b>	<b>(0.2)</b>	<b>(0.0)</b>
<b>Acid test ratio</b>	<b>0.2x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>(0.2)</b>	<b>(0.2)</b>
DSI (days)	49.9	56.3	59.7	(6.4)	(9.9)
DSO (days)	45.4	44.1	42.8	1.4	2.6
DPO (days)	61.8	67.4	68.0	(5.7)	(6.2)
Operational cycle (days)	95.3	100.4	102.5	(5.1)	(7.2)
<b>Cash conversion cycle (days)</b>	<b>33.5</b>	<b>32.9</b>	<b>34.6</b>	<b>0.6</b>	<b>(1.0)</b>

DPO and cash conversion cycle have been recalculated for the quarter ended 30 September 2020 due to the change in presentation described in note 6.3 of the quarterly consolidated financial statements.

The current ratio at the end of September 2021 was 1.5x and was lower than at the end of June 2021 (1.7x) and comparable to the level as at the end of September 2020 (1.5x).

The quick ratio was 0.9x at the end of September 2021, lower than the levels of this ratio at the end of June 2021 (1.1x) and lower to the level at the end of September 2020 (1.0x).

The cash solvency ratio was 0.2x at the end of September 2021, lower than the ratio at the end of June 2021 and the end of September 2020 (0.4x) mainly due to the decrease in cash and cash equivalents as a result of the repayment of bonds and loans.

The cash conversion cycle for Q3 2021 (33.5 days) was extended versus Q2 2021 (by 0.6 days) and was also shortened versus Q3 2020 (by 1.0 days).

## Selected items of the consolidated statement of cash flow

PLN '000	Q3 2021	Q2 2021	Q3 2020	YTD 2021	YTD 2020	Change % Q3 2021/ Q2 2021	Change % Q3 2021/ Q3 2020	Change % YTD 2021/ YTD 2020
Cash flows from operating activities	50 630	30 612	117 451	105 318	187 557	65.4	(56.9)	(43.8)
<i>of which:</i>								
<i>Gross profit (loss)</i>	66 074	46 201	50 373	151 172	138 807	43.0	31.2	8.9
<i>Depreciation/amortisation and impairment allowances</i>	29 327	29 650	27 279	88 026	83 235	(1.1)	7.5	5.8
<i>Changes to working capital</i>	(41 719)	(46 236)	40 103	(123 467)	(80 586)	(9.8)	(204.0)	53.2
<i>Other adjustments</i>	(3 052)	997	(305)	(10 413)	46 101	(406.1)	899.4	(122.6)
Cash flows from investing activities	(40 168)	(27 383)	(30 489)	(103 066)	(107 621)	46.7	31.7	(4.2)
Cash flows from financing activities	(111 650)	27 392	(39 415)	(108 605)	(86 016)	(507.6)	183.3	26.3
<b>Total cash flows</b>	<b>(101 188)</b>	<b>30 620</b>	<b>47 547</b>	<b>(106 353)</b>	<b>(6 080)</b>	<b>(430.5)</b>	<b>(312.8)</b>	<b>1 649.1</b>

### Cash flows from operating activities

In Q3 2021, net cash flow from operating activities reached PLN +50,630 thousand as compared to PLN +117,451 thousand in the equivalent period in 2020 and PLN +30,612 thousand in the previous quarter. The positive cash flow in Q3 2021 was primarily due to EBITDA achieved in the period offset in part by an increase in working capital.

During the three quarters of 2021, cash flows from operating activities reached +105,318 thousand as compared to PLN +187,557 thousand in the equivalent period of 2020. The positive cash flows in the period between January and September this year resulted primarily from the generated EBITDA.

### Cash flows from investing activities

In Q3 2021, net cash flow from investing activities reached -40,168 thousand as compared to PLN -30,489 thousand in the equivalent period in 2020 and PLN -27,383 thousand in the previous quarter. Expenditure on the purchase of property, plant and equipment resulted in negative cash flows from investing activities.

In the three quarters of 2021, the cash flows amounted to PLN -103,066 thousand as compared to PLN -107,621 thousand for three quarters of 2020. The negative cash flows from investing activities in the current period resulted primarily from expenditures on tangible fixed assets.

### Cash flows from financing activities

In Q3 2021, cash flows from financing activities amounted to PLN -111,650 thousand as compared to PLN -39,415 thousand in Q3 2020 and PLN +27,392 thousand in the previous quarter. The negative cash flow from financing activities in Q3 of this year was impacted by a bond redemption in SEK partly financed by a loan and also by dividend payments to APSA shareholders and non-controlling shareholders.

Cash flows from financing activities for three quarters of 2021 amounted to PLN -108,605 thousand as compared to PLN -86,016 thousand in the equivalent period of 2020. Negative cash flows from financing activities in 2021 are primarily related to repayment of loans and redemption of bonds and payment of dividends to APSA shareholders and non-controlling interests.

## Summary of standalone financial results

### Selected items of the standalone statement of profit and loss

<i>PLN'000</i>	3Q 2021	2Q 2021	3Q 2020	YTD 2021	YTD 2020	Change % Q3 2021/ Q2 2021	Change % Q3 2021/ Q3 2020	Change % YTD2021/ YTD2020
<b>Sales revenues</b>	<b>49 937</b>	<b>7 148</b>	<b>21 082</b>	<b>54 627</b>	<b>32 094</b>	<b>599</b>	<b>137</b>	<b>70</b>
<i>of which:</i>								
<i>Sales of services</i>	10 279	5 712	4 933	14 142	13 927	80	108	2
<i>Interest income on loans</i>	1 300	676	1 166	2 127	2 880	92	11	(26)
<i>Dividend income</i>	38 358	760	14 983	38 358	15 287	4 947	156	151
Profit on sales	47 558	6 415	20 135	51 481	28 496	641	136	81
<i>% of sales revenues</i>	95,24	89,75	95,51	94,24	88,79	5,5 p.p.	(0,3) p.p.	5,5 p.p.
Administrative expenses	(11 551)	(5 664)	(4 896)	(16 018)	(15 221)	104	136	5
Other operating income	191	1	318	478	629	31 043	(40)	(24)
Other operating expenses	(626)	(610)	(478)	(986)	(1 168)	3	31	(16)
<b>EBIT</b>	<b>35 572</b>	<b>142</b>	<b>15 080</b>	<b>34 955</b>	<b>12 737</b>	<b>24 996</b>	<b>136</b>	<b>174</b>
<i>% of sales revenues</i>	71,23	1,98	71,53	63,99	39,68	69,3 p.p.	(0,3) p.p.	24,3 p.p.
<b>EBITDA</b>	<b>35 649</b>	<b>255</b>	<b>15 252</b>	<b>35 272</b>	<b>13 308</b>	<b>13 894</b>	<b>134</b>	<b>165</b>
<i>% of sales revenues</i>	71,39	3,56	72,34	64,57	41,46	67,8 p.p.	(1,0) p.p.	23,1 p.p.
Financial income	2 351	2 056	799	3 429	3 221	14	194	6
Financial expenses	(4 701)	(2 229)	(3 759)	(12 242)	(11 562)	111	25	6
<b>Gross profit (loss)</b>	<b>33 222</b>	<b>(31)</b>	<b>12 120</b>	<b>26 142</b>	<b>4 396</b>	<b>(105 705)</b>	<b>174</b>	<b>495</b>
Income tax	-	-	-	-	-	-	-	-
<b>Net profit / (loss)</b>	<b>33 222</b>	<b>(31)</b>	<b>12 120</b>	<b>26 142</b>	<b>4 396</b>	<b>(105 705)</b>	<b>174</b>	<b>495</b>
<i>% of sales revenues</i>	66,53	(0,44)	57,49	47,86	13,70	67,0 p.p.	9,0 p.p.	34,2 p.p.

### Revenues, profit on sales, costs of sales

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations of the Arctic Paper Group are conducted through Paper Mills and Pulp Mills, Distribution Companies and Sales Offices.

Sales revenues for Q3 2021 amounted to PLN 49,937 thousand and they came from dividends (PLN 38,358 thousand), from the provision of services to Group companies (PLN 10,279 thousand), and interest income on loans (PLN 1,300 thousand). In the equivalent period of last year, the standalone sales revenues amounted to PLN 21,082 thousand and were revenue from dividends (PLN 14,983 thousand), revenue from services rendered to Group companies (PLN 4,933 thousand), and interest income on loans (PLN 1,166 thousand).

In the three quarters of 2021, the standalone sales revenues amounted to PLN 54,627 thousand, which included sales of services provided to Group companies (PLN 14,142 thousand) and interest income on loans granted (PLN 2,127 thousand) and dividend income (PLN 38,358 thousand).

In the three quarters of 2020, the standalone sales revenues amounted to PLN 32,094 thousand, which included sales of services provided to Group companies (PLN 13,927 thousand) and interest income on loans granted (PLN 2,880 thousand) and dividend income (PLN 15,287 thousand).

The increase in sales revenue during the three quarters of 2021 compared to the equivalent period of 2020 is mainly due to higher dividends received and revenue from the sale of services.

Profit on sales amounted to PLN 47,558 thousand in Q3 2021 (PLN 20,135 thousand in Q3 2020) and PLN 51,481 thousand for the three quarters of 2021 (28,496 thousand for the three quarters of in 2020).

#### **Administrative expenses**

In three quarters of 2021, the administrative expenses amounted to PLN 11,551 thousand and they were by PLN 6,655 thousand higher than in the equivalent period of last year. In the three quarters of 2021, administrative expenses amounted to PLN 16,018 thousand as compared to PLN 15,221 thousand in the equivalent period of 2020.

The administrative expenses include costs of the administration of the Company operation, costs of services provided for the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. Among them, a significant group of costs relates only to statutory activities and includes, among others: costs of tax, legal and accounting services, as well as the costs of the Supervisory Board and the Management Board.

#### **Other operating income and expenses**

Other operating income amounted to PLN 191 thousand in Q3 2021, which was a decrease as compared to the equivalent period of last year (by PLN 127 thousand). Other operating expenses totalled PLN 626 thousand in Q3 2021 (PLN 478 thousand in the equivalent quarter of 2020).

For the three quarters of 2021, the other operating income and other operating expenses amounted to PLN 478 thousand and PLN 986 thousand and for the equivalent period in 2020 – PLN 629 thousand and PLN 1,168 thousand.

#### **Financial income and financial expenses**

In Q3 2021, the financial income amounted to PLN 2,351 thousand and was by PLN 1,552 thousand higher than generated in Q3 2020.

In Q3 2020, financial expenses amounted to PLN 4,701 thousand. In the equivalent period of 2020, the financial expenses amounted to PLN 3,759 thousand.

For three quarters of 2021, the financial income and expenses amounted to PLN 3,429 thousand and PLN 12,242 thousand and for the equivalent period in 2020 – PLN 3,221 thousand and PLN 11,562 thousand. The higher financial expenses in 2021 were primarily due to higher FX losses.

## Selected items of the standalone statement of financial position

<i>PLN'000</i>	2021-09-30	2020-12-31	2020-09-30	Change 30.09.2021 -31.12.2020	Change 30.09.2021 -30.09.2020
Fixed assets	681 801	701 798	700 230	(19 997)	(18 429)
Receivables	33 340	28 973	27 047	4 367	6 293
Other current assets	128 715	111 198	93 836	17 517	34 879
Cash and cash equivalents	21 149	40 148	60 791	(18 999)	(39 642)
<b>Total assets</b>	<b>865 005</b>	<b>882 117</b>	<b>881 904</b>	<b>(17 112)</b>	<b>(16 899)</b>
Equity	578 453	570 595	572 747	7 858	5 705
Short-term liabilities	167 398	280 473	275 449	(113 074)	(108 051)
<i>interest-bearing debt</i>	138 178	252 112	249 525	(113 934)	(111 347)
Long-term liabilities	119 155	31 049	33 708	88 106	85 447
<i>interest-bearing debt</i>	116 201	28 093	31 195	88 108	85 006
<b>Total equity and liabilities</b>	<b>865 005</b>	<b>882 117</b>	<b>881 904</b>	<b>(17 112)</b>	<b>(16 899)</b>

As at 30 September 2021, total assets amounted to PLN 865,005 thousand as compared to PLN 882,117 thousand at the end of 2020.

The decrease in assets was mainly due to lower fixed assets and cash in the period under review.

### Fixed assets

As at the end of September 2021 non-current assets represented nearly 78.8% of total assets which means that the share decreased (by 0.8 p.p.) compared to the end of 2020. The main item of non-current assets includes interests in subsidiaries. At the end of Q3 2021, the value was PLN 676,137 thousand and there was no change versus the end 2020.

### Current assets

As at the end of September 2021, current assets amounted to PLN 183,204 thousand as compared to PLN 180,319 thousand at the end of 2020. The level of current assets increased at the end of September 2021, primarily in other current assets. As at the end of Q3 2021, current assets represented 21.2% of total assets compared to 20.4% as at the end of last year.

As part of the current assets, receivables increased by PLN 4,367 thousand, other current assets increased by PLN 17,517 thousand while cash and cash equivalents decreased by PLN 18,999 thousand.

### Equity

As at the end of Q3 2021, the equity amounted to PLN 578,453 thousand as compared to PLN 570,594 thousand at the end of 2020. As at the end of September 2021, equity accounted for 66.9% of balance sheet total vs. 64.7% of balance sheet total as at the end of 2020. The increase of equity is primarily due to the net profit for three quarters of 2021.

### Short-term liabilities

As at the end of September 2021, short-term liabilities amounted to PLN 167,398 thousand (19.4% of balance sheet total) as compared to PLN 280,473 thousand as at the end of 2020 (31.8% of balance sheet total). The decrease in current liabilities is due to the decrease in cash-pool interest payable.

### Long-term liabilities

As at the end of September 2021, long-term liabilities amounted to PLN 119,155 thousand (13.8% of balance sheet total) as compared to PLN 31,049 thousand as at the end of 2020 (3.5% of balance sheet total).

The increase in non-current liabilities is due to new loans taken out by the Company.

### Selected items of the standalone statement of cash flow

<i>PLN'000</i>	3Q 2021	2Q2020	3Q2020	YTD 2021	YTD 2020	Change % 3Q2021/ 2Q2021	Change % 3Q2021/ 3Q2020	Change % YTD 2021/ YTD 2020
Cash flows from operating activities	(27 014)	549	72 509	(58 177)	114 318	48 307	(798,4)	(150,9)
<i>of which:</i>								
<i>Gross profit (loss)</i>	34 122	66	12 120	26 142	4 396	51 654	181,5	494,7
<i>Depreciation/amortisation and impairment charges</i>	77	112	172	317	571	(31)	(55,2)	(44,5)
<i>Changes to working capital</i>	(2 389)	(8 398)	27 509	(4 328)	23 682	(72)	(108,7)	(118,3)
<i>Net interest and dividends</i>	572	6 716	(2 740)	4 857	3 976	(91)	(120,9)	22,2
<i>Increase / decrease of loans granted to subsidiaries</i>	3 020	(2 780)	14 470	43 062	31 921	(209)	(79,1)	34,9
<i>Change to liabilities due to cash-pooling</i>	(59 851)	2 263	17 611	(131 599)	40 628	(2 745)	(439,8)	(423,9)
<i>Other adjustments</i>	(2 565)	2 570	3 367	3 371	9 145	(200)	(176,2)	(63,1)
Cash flows from investing activities	-	-	-	-	-	-	-	-
Cash flows from financing activities	87 816	(16 471)	(36 829)	39 178	(85 467)	(633)	12 293,4	(145,8)
<b>Total cash flows</b>	<b>60 801</b>	<b>(15 923)</b>	<b>35 681</b>	<b>(18 999)</b>	<b>28 852</b>	<b>(482)</b>	<b>11 495,0</b>	<b>(165,9)</b>

The statement of cash flow presents a decrease in cash and cash equivalents in the three quarters of 2021 by PLN 18,999 thousand, which includes:

- negative cash flows from operating activities of PLN 58.177 thousand, thousand).
- cash flows from investing activities of PLN 0,
- positive cash flows from financial activities of PLN 39,178 thousand.

#### Cash flows from operating activities

In the three quarters of 2021, net cash flows from operating activities amounted to PLN -58.177 thousand as compared to PLN 114,318 thousand in the equivalent period of 2020. The negative cash flow from operating activities in the three quarters of this year was mainly due to changes in trade receivables and cash-pooling liabilities.

#### Cash flows from investing activities

There were no flows related to financing activities in either the three quarters of 2021 or 2020.

#### Cash flows from financing activities

In 2021 cash flows from financing activities amounted to PLN 39.178 thousand as compared to PLN -85,467 thousand in 2020. The flow from financing activities in 2021 was related to the Company's new loans.

## Relevant information and factors affecting the financial results and the assessment of the financial standing

### Key factors affecting the performance results

The Group's operating activity has been and will continue to be historically influenced by the following key factors:

- macroeconomic and other economic factors,
- demand growth for products based on natural fibres,
- reduced demand for certain paper types,
- fluctuations of paper prices,
- pulp price fluctuations for Paper Mills, timber for Pulp Mills and energy prices,
- FX rates fluctuation.

### Macroeconomic and other economic factors

We believe that a number of macro-economic and other economic factors have a material impact on the demand for high-quality paper, and they may also influence the demand for the Group's products and the Group's operating results. Those factors include:

- GDP growth,
- net income – as a metric of income and affluence of the population,
- production capacity – the surplus of supply in the high quality paper segment over demand and decreasing sales margins on paper,
- paper consumption,
- technology development.

### Demand growth for products based on natural fibres

The trend observed in developed societies concerning a reduction of man's adverse impact on the environment, in particular reduction of use of disposable, plastic packaging that may not be recycled, offers new opportunities for the development of the pulp & paper sector. In many companies, work has been under way to develop new methods of packaging and production of packaging with natural materials, including pulp, so that it can be recycled. Arctic Paper is also involved in such research. In the near future, the product segment is expected to increase its percentage share in the volumes and revenues of the Arctic Paper Group.

### Reduced demand for certain paper types

Development of new technologies, in particular in the areas of information and communication, results in decreasing demand for certain paper types – in particular, this affects newsprint and to a lesser extent – graphic papers. However, despite the increasing popularity of e-books, the volume of book paper produced and sold by Arctic Paper has been stable in the recent years, less sensitive to changing market conditions. Nevertheless, in its strategy Arctic Paper has set a direction of activity so that within several years, the segment of non-graphic papers (that is technical or packaging paper) accounts for 1/5 of its consolidated revenues.

### Paper prices

Paper prices undergo cyclic changes and fluctuations, they depend on global changes in demand and overall macroeconomic and other economic factors such as indicated above. Prices of paper are also influenced by a number of factors related to the supply, primarily changes in production capacities at the worldwide and European level.

### Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses include raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Pulp Mills and chemical agents used for paper and pulp

production. Our energy costs historically include mostly the costs of electricity, gas and rights to CO2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

Taking into account the share of those costs in total operating expenses of the Group and the limited possibility of controlling these costs by the Group Companies, their fluctuations may have a significant impact on the Group's profitability.

Most of the pulp produced at the Pulp Mills is sold to external customers. A part of pulp supplies to our Paper Mills is made from our own Pulp Mills.

### **Currency rate fluctuations**

The Group's operating results are significantly influenced by currency rate fluctuations. In particular, the Group's revenues and costs are expressed in different foreign currencies and are not matched, therefore, the appreciation of the currencies in which we incur costs towards the currencies in which we generate revenues, will have an adverse effect on the Group's results. Our products are primarily sold to euro zone countries, Scandinavia, Poland and the UK, thus our revenues are largely denominated in EUR, GBP, SEK and PLN while revenues from the pulp mills are primarily denominated in USD. The Group's operating expenses are primarily expressed in USD (pulp costs for Paper Mills), EUR (costs related to pulp for Paper Mills, energy, transportation, chemicals), PLN (the majority of other costs incurred by the Paper Mill in Kostrzyn nad Odrą) and SEK (the majority of other costs incurred by the Munkedal and Grycksbo Paper Mills as well as the Rottneros and Vallvik Pulp Mills).

Exchange rates also have an important impact on results reported in our financial statements because of changes in exchange rates of the currencies in which we generate revenues and incur costs, and the currency in which we report our financial results (PLN).

### **Unusual events and factors**

In Q3 2021 there were no atypical events or factors other than related to COVID-19, that are detailed in item 5.1 of the attached interim abbreviated consolidated financial statements.

### **Impact of changes in Arctic Paper Group's structure on the financial result**

In Q3 2021, there were no material changes in the Arctic Paper Group's structure that would have material impact on the financial results generated.

### **Other material information**

#### **Complete early redemption of the Bonds issued by Arctic Paper S.A.**

On 8 February 2021, the Company's Management Board adopted a resolution on the early redemption of all Series A Bonds (marked with ISIN code: PLARTPR00038), the issue of which the Company reported in current report No. 24/2016 of 30 September 2016.

The early redemption of the Bonds, was carried out on 1 March 2021. On the Early Redemption Date, the Company redeemed 100,000 (in words: one hundred thousand) Bonds with a total nominal value of PLN 58,500,000 (in words: fifty-eight million five hundred zlotys). The consideration per Bond amounted to PLN 585, plus accrued interest and a premium, calculated in accordance with the terms and conditions of the Bond issue. The redeemed Bonds were cancelled.

#### **Conclusion by Arctic Paper S.A. of a material agreement related to the refinancing process and loan disbursement**

On 2 April 2021 the Company signed a term and revolving loans agreement ("Loan Agreement") which was concluded between the Company as the borrower and guarantor, subsidiaries of the Company: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors ("Guarantors") and a consortium of banks as follows: Santander Bank Polska S.A. (the "Collateral Agent"), BNP Paribas Bank Polska S.A. and Bank Polska Kasa Opieki S.A. (: "Lenders"),

pursuant to which the Lenders granted to the Company a term loan divided into two tranches in the amounts of PLN 75,000,000 and EUR 16,100,000, respectively, and a revolving loan in the total amount of EUR 32,200,000 (collectively, the "Loans").

In order to secure the claims of the Lenders under the Loan Agreement and the related financing documents, the Company and the Guarantors established, inter alia, the following securities: registered pledge and financial pledge on the shares of Arctic Paper Kostrzyn S.A., pledges on the shares of companies under Swedish law, i.e. Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, statements on submission to execution by the Company and Arctic Paper Kostrzyn S.A, registered and financial pledges on bank accounts of the Company and Arctic Paper Kostrzyn S.A., pledges on bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, mortgages established on real properties of Arctic Paper Kostrzyn S.A, mortgages established on properties of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, registered pledges on assets of Arctic Paper Kostrzyn S.A. and security of rights under property insurance policies of the Company, Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB.

The agreements listed above constitute the acquisition of alternative financing and a change to the funding structure of the Company's capital group.

In accordance with the Loan Agreement, the Lenders provided the Company with the following Loans:

- (i) a Term Loan repayable in two tranches: the first tranche in the amount of PLN 75,000,000 (seventy five million) and the second tranche in the amount of EUR 16,100,000 (sixteen million and one hundred thousand euro) (the "Term Loan"); and
- (ii) a revolving loan of EUR 32,200,000 (thirty-two million, two hundred thousand euro) (the "Revolving Loan").

Subject to the relevant terms of the Loan Agreement, the Term Loan was made available to refinance the existing financial indebtedness of the Company and its certain subsidiaries.

Subject to the relevant terms and conditions of the Loan Agreement, amounts raised under the Revolving Loan may be used for general corporate purposes and to fund the working capital of the Company and its certain subsidiaries (including intra-group lending in any form).

In accordance with the provisions of the Loan Agreement interest rate is variable, based on the WIBOR base rate in the case of financing in PLN and the EURIBOR base rate in the case of financing in EUR and a variable margin, the level of which will depend on the level of the net debt to EBITDA ratio.

In compliance with the Loan Agreement, some Loans will be repaid by:

- (i) in the case of a Term Loan, on the day falling five years after the date of conclusion of the Loan Agreement; and
- (ii) in the case of a Revolving Loan, on the date falling three years after the conclusion of the Loan Agreement with the option to extend the terms of the Revolving Loan for an additional two years in accordance with the terms of the Loan Agreement.

The Term Loans are repayable in equal semi-annual instalments commencing in November 2021 and the Revolving Loan is repayable on the final repayment date.

On 28 May 2021, the loan amounts were made available to the Company by the Lenders in accordance with the Loan Agreement. In connection with the disbursement of the Loans there has been:

- i. the full repayment of the Company's existing indebtedness under the Term and Revolving Loan Agreement of 9 September 2016 (as amended) entered into between the Company, as lender, the Company's subsidiaries: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors and a consortium of banks as follows: BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development and Santander Bank Polska S.A. as mandated lead arrangers and lenders, Santander Bank Polska S.A. as agent and BNP Paribas Bank Polska S.A. as collateral agent (the "Previous Loan Agreement"), the execution of which was announced by the Company in current report No. 20/2016 of 9 September 2016; and
- ii. closing and full settlement of the closing amount in respect of interest rate hedging transactions (irs) entered into in connection with the Previous Loan Agreement (the "Hedging Agreements").

At the same time, with the repayment of the Company's indebtedness under the Previous Loan Agreement, the Hedging Agreements and the early redemption of all of the Series A Bonds, as announced by the Company in current report No. 8/2021 of 1 March 2021, all collateral provided by the Company and the Company's subsidiaries expired: Arctic Paper Kostrzyn S.A.,

Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB in connection with an intercreditor agreement, under the English name – intercreditor agreement – concluded between the Company, Mr Thomas Onstad, Santander Bank Polska (formerly: Bank Zachodni WBK S.A.), Haitong Bank Spółka Akcyjna, BNP Paribas Bank Polska S.A. (formerly: Bank BGŻ BNP Paribas S.A.) and other parties (the "Intercreditor Agreement"). The Company reported on the conclusion of the Intercreditor Agreement and the establishment of collateral in connection with this agreement in current report No. 20/2016 of 9 September 2016.

#### **Proceedings before the General Court of the European Union concerning the grant of emission rights to Arctic Paper Grycksbo AB**

On 19 May 2021, Arctic Paper Grycksbo AB filed an application with the General Court of the European Union (the "General Court") in Case T-269/21, seeking the annulment of European Commission Decision No. 2021/355 (the "Decision"), adopted on 25 February 2021, which is the formal means by which the European Commission (the "Commission") approves the lists of installations and undertakings of individual European Union Member States under the EU Emissions Trading Scheme (EU ETS).

Pursuant to Article 1(1) of the Decision and Annex I, the application for inclusion of Arctic Paper Grycksbo AB in the Swedish list of installations admitted to the EU ETS that is the basis for receiving free allocation of emission allowances was rejected. The Commission's reason for rejecting the application was that, in its view, Arctic Paper Grycksbo AB was using only biomass in its installation. The application for annulment concerns both the administrative errors made by the Commission in determining the level of biomass use by Arctic Paper Grycksbo AB and the legal interpretation of certain provisions of the EU ETS Directive.

The value of the free emission allowances that Arctic Paper Grycksbo AB could receive, calculated on the basis of the current market value, is approximately EUR 3 million per year for the period 2021-2027.

The General Court of the European Union has given the European Commission until 30 July 2021 to submit its position in the proceedings. The Court will then decide on the admission of third parties and whether an answer and rejoinder will be given by Arctic Paper Grycksbo AB and the European Commission respectively. The written part of the procedure will be followed by an oral procedure. The resolution of the proceedings is not expected until H2 2022 at the earliest. The judgment of the General Court may be appealed before the Court of Justice of the European Union.

#### **Redemption of bonds issued by Rottneros AB**

On 8 July 2021, the subsidiary Rottneros AB decided on an early redemption of all bonds issued under the bond issue programme of up to SEK 600 million ( i.e. up to PLN 267.5 million), which the Company reported in current report No. 16/2017 of 28 August 2017. The early redemption of the Bonds, was carried out on 19 July 2021. The redemption of the bonds was financed by a term loan granted to Rottneros AB by Danske Bank. The redeemed bonds are redeemable. In connection with the redemption, the bonds will be delisted from Nasdaq Stockholm.

#### **Adoption of Arctic Paper Capital Group Strategy for 2022-2030**

On 4 October 2021, the Company's Supervisory Board approved the "Arctic Paper Group Strategy for 2022 – 2030" presented by the Issuer's Management Board. With the Group's new strategy to 2030, Arctic Paper will accelerate its transformation into a more comprehensive company, leveraging the synergies and competencies of its existing businesses. The Company's strategic directions are reflected in its 4 pillars: packaging, energy, graphic paper and cellulose.

With its strong position as a premium paper producer and owner of the recognisable Graphic Paper and Pulp brands, as part of its Four Pillars(4P) strategy, the Group will invest in two new business areas where sustainability and renewable resources – packaging and energy – play a key role.

The Group's main strategic objectives for the 2030 horizon are:

- revenue growth of 25 percent,
- an increase in EBITDA of approx. 70 percent,
- an increase in EBITDA margin to 15 percent.

The total investment between 2022 and 2030 in all four pillars is planned at over PLN 1.5 billion, of which around 40 per cent of this amount will be allocated to new business areas. The Group assumes that it will achieve carbon neutrality by 2035 at the latest.

### **Letter of intent regarding the joint investment of Arctic Paper and Rottneros**

On October 21, 2021, Arctic Paper SA and Rottneros AB signed a letter of intent to establish a joint venture to build a moulded cellulose fiber packaging factory. The start-up of the new factory in Kostrzyn nad Odrą in Poland is planned for the end of 2023. The investment is expected to amount to EUR 12-15 million (approx. PLN 55-70 million), including the Issuer's share of 50%. The method of financing the investment is still under arrangements.

The production capacity of the new factory is estimated at 60-80 million trays per year. According to the Issuer's estimates, the investment will generate an annual revenue of 9-11 MEUR (approx. PLN 40-50).

The new investment will benefit from the experience of Rottneros Packaging AB in the production of cellulose packaging. The planned products are both non-laminated and laminated trays for packing in the so-called a modified atmosphere with an oxygen barrier that provides up to three weeks of shelf life for packaged articles.

The investment is an important element of the implementation of the new Arctic Paper 4P strategy, which includes broadening the Arctic Paper offer with new, rapidly developing segments (packaging production, production and energy trading).

# Factors influencing the development of the Arctic Paper Group

## Information on market trends

### Supplies of fine paper

In Q3 2021 the Arctic Paper Group recorded an increased level of orders versus Q2 2021 by 13.8% and an increase of orders versus the equivalent period of 2020 by 16.5%.

Source of data: Arctic Paper analysis

### Paper prices

At the end of Q3 2021, prices for uncoated wood-free papers (UWF) in Europe increased by 3.3% compared to prices at the end of September 2020, while for coated wood-free papers (CWF) they recorded an increase of 2.7%.

At the end of September 2021, the average prices declared by producers for selected types of paper and markets: Germany, France, Spain, Italy, UK for both uncoated wood-free (UWF) and coated wood-free (CWF) papers were higher than at the end of Q2 2021 by 2.6% and 3% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased from the end of June 2021 until the end of September 2021 by 5.7% on the average while in the segment of coated wood-free paper (CWF) the prices increased by 4.5%. At the end of Q3 2021, Arctic Paper's invoiced prices for uncoated wood-free (UWF) paper increased by 11.5% compared to prices at the end of September 2020, while for coated wood-free (CWF) paper they recorded an increase of 12%.

Source: For market data – RISI, price changes for selected markets in Germany, France, Spain, Italy and the UK in local currencies for graphic papers similar to the product portfolio of the Arctic Paper Group. The prices are quoted without considering specific rebates for individual clients and they include neither any additions nor price reductions in relation to the publicly available price lists. The estimated prices for each month reflect orders placed in the month while the deliveries may take place in the future. Because of that, RISI price estimates for a particular month do not reflect the actual prices at which deliveries are performed but only express ordering prices. For Arctic Paper products, the average invoiced sales prices for all served markets in EUR.

### Pulp prices

At the end of Q3 2021, the pulp prices reached the level of: NBSK – USD 1.340/tonne and BHKP – USD 1.140/tonne.

The average NBSK price in Q3 2021.2021 was higher by 58.6% compared to the equivalent period of last year while for BHKP the average price was higher by 67.4%. Compared to Q2 2021, the average NBSK pulp price in Q3 2021 increased by 11.6% and BHKP increased by 12.7%.

Pulp costs are characterised by high volatility. The prices of the raw materials had major impact on the Group's profitability in the period.

The average pulp cost used for production of paper calculated for the Arctic Paper Group in PLN increased in Q3 2021 versus Q2 2021 by 19.9% while in relation to Q3 2020 it increased by 43.3%.

The share of pulp costs in overall selling costs after 9 months of the current year was 55% versus about 51% in the equivalent quarter in 2020.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 72%, NBSK 21% and other 7%.

Source of data: [www.foex.fi](http://www.foex.fi) Arctic Paper analysis

### Currency exchange rates

At the end of Q3 2021, the EUR/PLN rate amounted to 4.6329 and was by 2.3% higher than at the end of Q3 2020. The mean EUR/PLN exchange rate in Q3 2021 amounted to 4.5670 and was by 2.8% higher than in the equivalent period of 2020.

The EUR/SEK exchange rate amounted to 10.1979 at the end of Q3 2021 (decrease by 3.2% versus the end of Q3 2020). For that currency pair, the mean exchange rate in Q3 2021 was by 1.6% lower than in the equivalent period of 2020. The somewhat appreciating SEK versus EUR has been adversely impacting the revenues invoiced in EUR in the factories in Sweden (AP Munkedals and AP Grycksbo).

The USD/PLN exchange rate as at the end of September 2021 amounted to 3.9925. In Q3 2021 the mean USD/PLN exchange rate was 3.8740 versus 3.8022 in the equivalent period of last year which was an increase by 1.9%. The change has adversely affected the costs incurred in USD by AP Kostrzyn, in particular the costs of pulp.

The USD/SEK exchange rate as at the end of Q3 2021 amounted to 8.7882. From July to September 2021 the mean exchange rate amounted to 8.6488 compared to 8.8701 in the equivalent period of last year which was a decrease of the rate by 2.5%. The change in comparison to Q3 2020 favourably affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

At the end of September this year, the EUR/USD exchange rate amounted to 1.1604 compared to 1.1710 (-0.9%) at the end of September 2020. In Q3 2021, EUR slightly weakened against USD versus Q2 2021 (-2.2%). A slight appreciation of the EUR against USD also occurred in relation to the equivalent period of last year (+0.9%).

The depreciation of PLN versus EUR versus last year has favourably affected the Group's financial profit, mainly due to increased sales revenues generated in EUR and translated into PLN. The strengthening of the USD against the PLN had a negative impact on the Group's financial results through higher purchase costs for the main raw material at the Kostrzyn Mill. The appreciating SEK unfavourably affected the revenues generated in EUR at APM and APG facilities.

### Factors influencing the financial results in the perspective of the next quarter

The material factors that have an impact on the financial results over the next quarter, include:

- Changes to demand for high quality paper in Europe during the COVID-19 pandemic and the anticipated related economic slow down.

Over the recent years there has been a major decrease of demand for fine paper in Europe (level of executed orders). Further negative developments in the market may adversely affect order levels to our Paper Mills. Cancelled international events, restrictions to free movement of people, intensified remote work – may additionally reduce demand for high quality graphic paper and thus adversely affect the financial results of the Group.

- Price changes of fine paper. In particular, the possibility to raise the prices of Arctic Paper products in local currencies in view of the declining supply/demand in Europe and in the context exchange rates fluctuations, will have a material influence on the financial results. Paper prices are going to be of particular importance for the Paper Mill of Grycksbo which – in connection with the market changes – experiences the greatest adverse impact of drop of sales volumes, prices as well as of exchange rate fluctuations.
- Price fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be negatively influenced by increasing pulp prices, particularly BHKP. On the other hand, decreasing NBSK pulp prices may negatively affect the financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results generated by the Group. In the future, such market changes may translate into changes of sales profitability in Paper Mills of AP Munkedals and AP Grycksbo as well as in Pulp Mills of Rottneros and Vallvik.
- Changes in currency rates, in particular, the appreciation of PLN and SEK in relation to EUR and GBP, the appreciation of PLN in relation to SEK, and the depreciation of PLN and SEK in relation to USD, may have an adverse effect on the financial results. However, the Group's Pulp Mills may benefit from the appreciation of USD in relation to SEK.

## **Risk factors**

In Q3 2021, there were no material changes to the risk factors. Those were presented in detail in the semi-annual report for 2020.

## Supplementary information

### The Management Board position on the possibility to achieve the projected financial results published earlier

The Management Board of Arctic Paper S.A. has not published the projected financial results for 2021.

### Changes in holdings of the Issuer's shares or rights to shares by persons managing and supervising Arctic Paper S.A.

Managing and supervising persons	Number of shares or rights to shares as at 09.11.2021	Number of shares or rights to shares as at 30.09.2021	Number of shares or rights to shares as at 17.08.2021	Change
<b>Management Board</b>				
Michał Jarczyński	-	-	-	-
Göran Eklund	-	-	-	-
<b>Supervisory Board</b>				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

\*Figures in the table do not include shares held indirectly

### Information on sureties and guarantees

As at 30 September 2021, the Capital Group reported:

- pledge on properties of Arctic Paper Grycksbo AB resulting from an FPG agreement in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 856 thousand at Arctic Paper Grycksbo AB and for SEK 764 thousand at Arctic Paper Munkedals AB,
- pledge on properties of Arctic Paper Munkedals AB resulting from an FPG contract in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 402 thousand;
- pledge on properties held by Arctic Paper Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 78,000 thousand (related to the investment in the hydro power plant);
- pledges on shares in subsidiary companies in the Rottneros Group for SEK 284,730 thousand; under loan agreements concluded with Danske Bank;

In connection with the term and revolving loan agreements signed on 2 April 2021, on 11 May 2021 the Company signed agreements and declarations pursuant to which collateral for the above receivables and other claims was established in favour of Bank Santander Bank Polska S.A. acting as Security Agent, i.e.

1. under Polish law – Collateral Documents establishing the following Collateral:
  - › financial and registered pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in companies in the Company Group (with the exception of Rottneros AB, Arctic Paper Mochenwangen GmbH and Arctic Paper Investment GmbH), except the shares in the Company;
  - › mortgages on all properties located in Poland and owned by the Guarantors;

- › registered pledges on all material rights and movable assets owned by the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
  - › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
  - › declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
  - › financial pledges and registered pledges on the bank accounts of the Company and the Guarantors, registered in Poland;
  - › powers of attorney to Polish bank accounts of the Company and the Guarantors, registered in Poland;
2. under Swedish law – Collateral Documents establishing the following Collateral:
- › pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in Group companies, with the exception of the shares in the Company
  - › mortgages on all properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
  - › corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
  - › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
  - › pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

### Material off-balance sheet items

The information regarding off-balance sheet items is disclosed in the interim abbreviated consolidated financial statements.

### Information on court and arbitration proceedings and proceedings pending before public administrative authorities

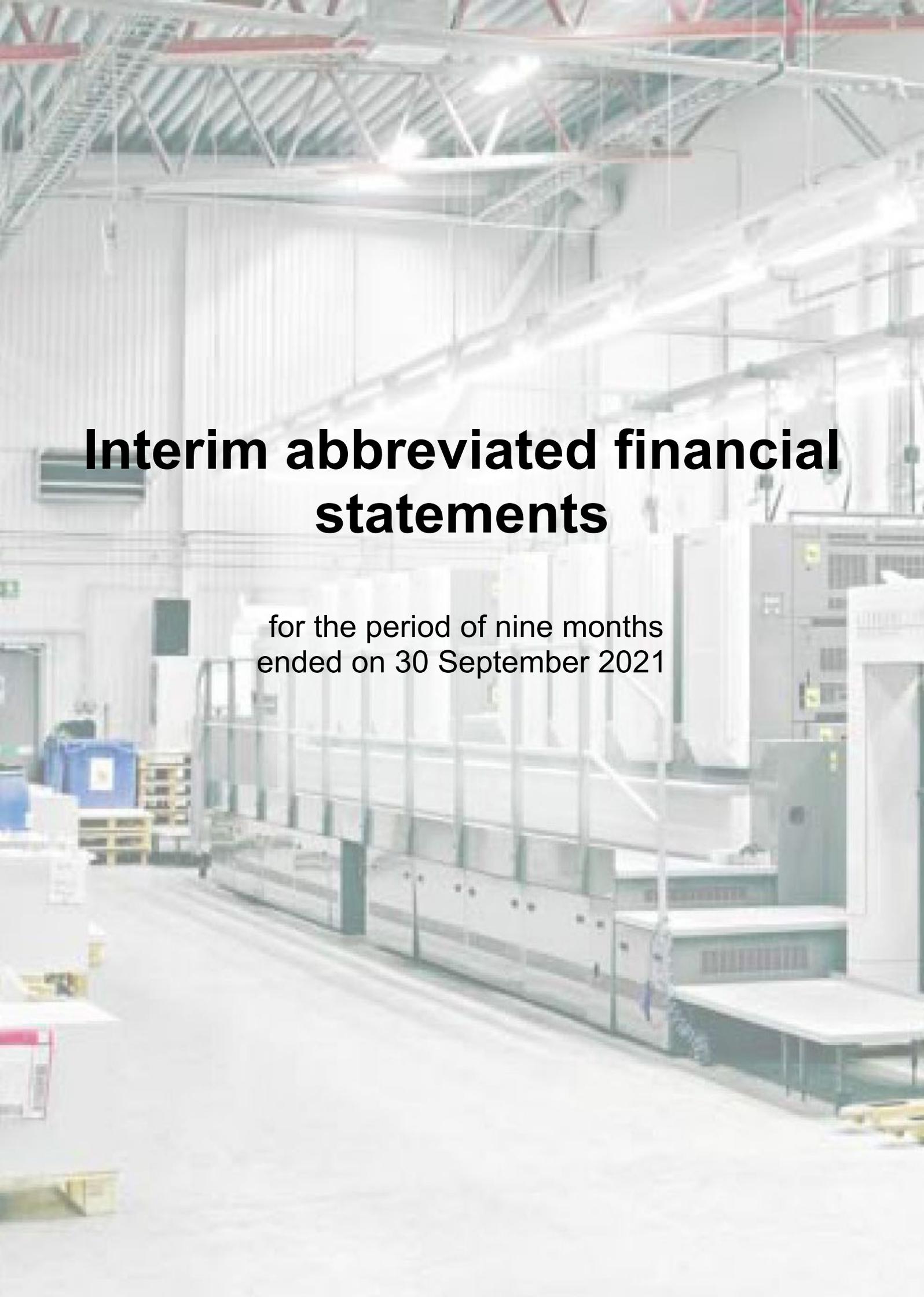
During the period under report, Arctic Paper S.A. and its subsidiaries were not a party to any proceedings pending before a court, arbitration or public administrative authority, the individual or joint value of which would equal or exceed 10% of the Company's equity.

### Information on transactions with related parties executed on non-market terms and conditions

During the period under report, Arctic Paper S.A. and its subsidiaries did not execute any material transactions with related entities on non-market terms and conditions.

### Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	09 November 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	09 November 2021	signed with a qualified electronic signature

The background image shows a vast industrial facility with a high ceiling supported by a complex network of steel beams. A long, multi-stage production line of machinery stretches across the middle ground. The floor is a light-colored, polished concrete. In the background, there are various industrial elements like blue storage bins, wooden pallets, and overhead lighting fixtures. The overall atmosphere is one of a modern, large-scale manufacturing environment.

# **Interim abbreviated financial statements**

for the period of nine months  
ended on 30 September 2021

## Interim abbreviated consolidated financial statements

### Interim abbreviated consolidated statement of profit and loss

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (unaudited)	9-month period ended on 30 September 2020 (unaudited)
Continuing operations				
Revenues from sales of products	889 656	2 459 029	702 836	2 132 784
Sales revenues	889 656	2 459 029	702 836	2 132 784
Costs of sales	(707 169)	(1 953 447)	(553 368)	(1 688 781)
Profit (loss) on sales	182 488	505 582	149 468	444 003
Selling and distribution costs	(98 547)	(280 780)	(84 587)	(251 155)
Administrative expenses	(23 164)	(71 832)	(16 531)	(55 339)
Other operating income	20 709	46 276	17 229	51 433
Other operating expenses	(8 712)	(28 765)	(6 445)	(25 913)
Operating profit (loss)	72 773	170 481	59 132	163 028
Financial income	333	2 070	(81)	632
Financial expenses	(7 032)	(21 379)	(8 678)	(24 853)
Gross profit (loss)	66 074	151 172	50 373	138 807
Income tax	(12 713)	(29 942)	(5 017)	(20 389)
Net profit (loss)	53 361	121 230	45 357	118 418
Attributable to:				
The shareholders of the Parent Entity	36 843	84 309	44 457	109 861
Non-controlling shareholders	16 518	36 921	899	8 557
	53 361	121 230	45 357	118 418
Earnings per share:				
– basic earnings from the profit (loss) attributable to the shareholders of the Parent Entity	0.53	1.22	0.64	1.59
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	0.53	1.22	0.64	1.59

## Interim abbreviated consolidated statement of comprehensive income

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (unaudited)	9-month period ended on 30 September 2020 (unaudited)
Profit for the reporting period	53 361	121 230	45 357	118 418
Other comprehensive income				
<i>Items to be reclassified to profit (loss) in future reporting periods:</i>				
FX differences on translation of foreign operations	13 301	(5 835)	6 775	33 035
Measurement of financial instruments	42 362	52 152	8 405	(45 396)
Deferred income tax on the measurement of financial instruments	(9 001)	(10 064)	(1 183)	9 843
<i>Items that were reclassified to profit/(loss) during the reporting period:</i>				
Measurement of financial instruments	(1 932)	(4 669)	(3 243)	(11 298)
Deferred income tax on the measurement of financial instruments	604	901	457	2 450
<i>Items not to be reclassified to profit/loss in future reporting periods:</i>				
Actuarial profit (loss) for defined benefit plans	-	3 004	-	-
Deferred tax on actuarial gains/(losses)	-	(619)	-	-
Other net comprehensive income	45 334	34 871	11 211	(11 367)
Total comprehensive income for the period	98 695	156 101	56 567	107 052
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	66 561	113 087	52 568	98 493
Non-controlling shareholders	32 134	43 015	3 999	8 559

## Interim abbreviated consolidated statement of financial position

	As at 30 September 2021 (unaudited)	As at 30 June 2021 (after review)	As at 31 December 2020 (transformed)*	As at 30 September 2020 (transformed)*
<b>ASSETS</b>				
Fixed assets				
Tangible fixed assets	1 108 060	1 086 308	1 085 121	1 028 726
Investment properties	3 086	3 086	3 086	3 086
Intangible assets	46 318	39 699	43 251	39 880
Goodwill	9 540	9 379	9 656	9 022
Interests in joint ventures	1 658	1 630	1 678	1 489
Other financial assets	57 383	27 082	26 279	23 387
Other non-financial assets	316	300	315	310
Deferred income tax assets	19 872	20 969	25 117	26 234
	1 246 233	1 188 452	1 194 503	1 132 134
Current assets				
Inventories	391 816	385 130	365 491	367 297
Trade and other receivables	449 071	385 229	297 543	334 248
Corporate income tax receivables	9 057	7 627	5 209	8 357
Other non-financial assets	25 526	10 047	6 149	7 228
Other financial assets	28 988	22 891	12 188	4 726
Cash and cash equivalents	145 891	244 764	255 563	269 835
	1 050 350	1 055 688	942 142	991 690
<b>TOTAL ASSETS</b>	<b>2 296 582</b>	<b>2 244 140</b>	<b>2 136 646</b>	<b>2 123 824</b>

	As at 30 September 2021 (unaudited)	As at 30 June 2021 (after review)	As at 31 December 2020 (transformed)*	As at 30 September 2020 (transformed)*
<b>EQUITY AND LIABILITIES</b>				
Equity				
Equity (attributable to the shareholders of the Parent Entity)				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	407 976	407 976	407 976	407 976
Other reserves	172 448	150 570	160 376	142 313
FX differences on translation	12 749	4 907	15 827	(10 474)
Retained earnings / Accumulated losses	179 818	142 975	96 510	96 300
	842 278	775 717	749 977	705 402
Non-controlling interests	310 892	293 937	283 056	272 178
<b>Total equity</b>	<b>1 153 170</b>	<b>1 069 654</b>	<b>1 033 033</b>	<b>977 580</b>
Long-term liabilities				
Interest-bearing loans and bonds	217 510	326 633	211 094	235 368
Provisions	1 363	1 340	1 379	1 289
Employee liabilities	121 193	122 051	135 994	129 042
Other financial liabilities	25 449	28 388	30 050	54 182
Deferred income tax liability	79 392	71 570	71 448	69 630
Grants and deferred income	12 212	13 015	14 631	15 386
	457 119	562 997	464 596	504 896
Short-term liabilities				
Interest-bearing loans and bonds	78 732	33 315	136 278	103 213
Provisions	572	81	116	3 070
Other financial liabilities	10 796	9 070	12 148	12 569
Trade and other payables	485 310	461 456	367 751	417 930
Employee liabilities	84 600	95 618	106 069	91 085
Income tax liability	13 042	5 033	11 037	11 015
Grants and deferred income	13 240	6 916	5 618	2 466
	686 294	611 490	639 016	641 348
<b>TOTAL LIABILITIES</b>	<b>1 143 412</b>	<b>1 174 487</b>	<b>1 103 612</b>	<b>1 146 244</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 296 582</b>	<b>2 244 140</b>	<b>2 136 646</b>	<b>2 123 824</b>

\* information on the transformed data is provided in note 6.3

## Interim abbreviated consolidated statement of cash flow

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (transformed)*	9-month period ended on 30 September 2020 (transformed)*
<b>Cash flows from operating activities</b>				
Gross profit (loss)	66 074	151 172	50 373	138 807
Adjustments for:				
Depreciation/amortisation	29 327	88 026	27 279	83 235
FX gains (loss)	(2 341)	1 653	(206)	3 325
Interest, net	6 343	15 627	5 098	15 878
Profit / loss from investing activities	(1)	379	1 007	365
(Increase) / decrease in receivables and other non-financial assets	(69 492)	(179 443)	(19 352)	(24 419)
(Increase) / decrease in inventories	(1 675)	(29 632)	5 039	2 832
Increase (decrease) of liabilities except loans, borrowings, bonds and other financial liabilities	43 247	110 837	61 980	(16 118)
Change in provisions	447	416	(1 296)	(1 296)
Income tax paid	(6 260)	(27 285)	(4 704)	(9 623)
Change in employee liabilities	(13 799)	(25 230)	(6 879)	(1 159)
Change in grants and deferred income	5 387	5 327	(810)	(2 496)
Co-generation certificates and emission rights	(6 555)	(5 747)	(120)	(1 851)
Other	(71)	(783)	43	78
<b>Net cash flows from operating activities</b>	<b>50 630</b>	<b>105 318</b>	<b>117 451</b>	<b>187 557</b>
<b>Cash flows from investing activities</b>				
Disposal of tangible fixed assets and intangible assets	-	11	42	1 334
Purchase of tangible fixed assets and intangible assets	(40 168)	(103 973)	(30 531)	(102 867)
Acquisition of a subsidiary, net of cash acquired	-	-	-	(6,089)
Other capital outflows / inflows	(0)	896	-	-
<b>Net cash flows from investing activities</b>	<b>(40 168)</b>	<b>(103 066)</b>	<b>(30 489)</b>	<b>(107 621)</b>
<b>Cash flows from financing activities</b>				
Change to overdraft facilities	44 770	44 770	9	(6)
Repayment of leasing liabilities	(4 008)	(10 936)	(2 410)	(7 738)
Inflows/repayment of other financial liabilities	(449)	(0)	(419)	(421)
Inflows under loans and bonds	69 954	215 575	1 673	13 956
Repayment of loans, borrowings and debt securities	(179 206)	(306 567)	(33 553)	(76 513)
Dividend disbursed to shareholders of AP SA	(20 786)	(20 786)	-	-
Dividend disbursed to non-controlling shareholders	(15 179)	(15 179)	-	-
Interest paid	(6 746)	(15 481)	(4 715)	(15 294)
Other	-	-	-	-
<b>Net cash flows from financing activities</b>	<b>(111 650)</b>	<b>(108 605)</b>	<b>(39 415)</b>	<b>(86 016)</b>
Increase/(decrease) in cash and cash equivalents	(101 188)	(106 353)	47 547	(6 080)
Net FX differences	2 315	(3 320)	2 021	10 031
<b>Cash and cash equivalents at the beginning of the period</b>	<b>244 764</b>	<b>255 563</b>	<b>220 268</b>	<b>265 885</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>145 891</b>	<b>145 891</b>	<b>269 835</b>	<b>269 835</b>

\* information on the transformed data is provided in note 6.3

## Interim abbreviated consolidated statement of changes in equity

### Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2021	69 288	407 976	15 827	160 376	96 510	749 977	283 056	1 033 033
Net profit (loss) for the period	-	-	-	-	84 309	84 309	36 921	121 230
Other comprehensive income (net) for the period	-	-	(3 079)	29 471	2 386	28 778	6 093	34 870
Total comprehensive income for the period	-	-	(3 079)	29 471	86 695	113 087	43 014	156 101
Profit distribution /Dividend for shareholders of AP SA	-	-	-	(17 399)	(3 387)	(20 786)	-	(20 786)
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(15 179)	(15 179)
As at 30 September 2021 (unaudited)	69 288	407 976	12 749	172 448	179 818	842 278	310 892	1 153 170

### Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2020	69 288	407 976	(28 863)	139 035	19 473	606 909	263 619	870 528
Net profit (loss) for the period	-	-	-	-	109 861	109 861	8 557	118 418
Other comprehensive income (net) for the period	-	-	18 389	(29 757)	-	(11 368)	1	(11 367)
Total comprehensive income for the period	-	-	18 389	(29 757)	109 861	98 493	8 559	107 052
Profit distribution	-	-	-	33 035	(33 035)	-	-	-
As at 30 September 2020 (unaudited)	69 288	407 976	(10 474)	142 313	96 300	705 402	272 178	977 580

## Interim abbreviated standalone financial statements

### Interim abbreviated standalone statement of profit and loss

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (unaudited)	9-month period ended on 30 September 2020 (unaudited)
Continuing operations				
Sales of services	10 279	14 142	4 933	13 927
Interest income on loans	1 300	2 127	1 166	2 880
Dividend income	38 358	38 358	14 983	15 287
Sales revenues	49 937	54 627	21 082	32 094
Interest expense to related entities and costs of sales of logistics services	(2 379)	(3 146)	(947)	(3 598)
Profit (loss) on sales	47 558	51 481	20 135	28 496
Other operating income	191	478	318	629
Administrative expenses	(11 551)	(16 018)	(4 896)	(15 221)
Impairment allowances to assets	(544)	(904)	(455)	(1 090)
Other operating expenses	(81)	(82)	(23)	(78)
Operating profit (loss)	35 572	34 955	15 080	12 737
Financial income	2 351	3 429	799	3 221
Financial expenses	(4 701)	(12 242)	(3 759)	(11 562)
Gross profit (loss)	33 222	26 142	12 120	4 396
Income tax	-	-	-	-
Net profit (loss) for the financial year	33 222	26 142	12 120	4 396
Earnings per share:				
– basic earnings from the profit (loss) for the period	0,48	0,38	0,17	0,06
– basic earnings from the profit (loss) from continuing operations for the period	0,48	0,38	0,17	0,06

## Interim abbreviated standalone statement of comprehensive income

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (unaudited)	9-month period ended on 30 September 2020 (unaudited)
Net profit (loss) for the reporting period	33 222	26 142	12 120	4 396
Items to be reclassified to profit (loss) in future reporting periods:				
FX differences on translation of foreign operations	5 307	160	(101)	(566)
Items that have been reclassified to the result in the current reporting period:				
Measurement of financial instruments	2 216	2 342	916	839
Other comprehensive income (net)	7 523	2 502	816	273
Total comprehensive income	40 745	28 644	12 936	4 669

## Interim abbreviated standalone statement of financial position

	As at 30 September 2021 (unaudited)	As at 30 June 2021 (after review)	As at 31 December 2020 (transformed)	As at 30 September 2020 (transformed)
<b>ASSETS</b>				
Fixed assets				
Tangible fixed assets	798	859	1 239	1 389
Intangible assets	1 322	1 323	1 440	1 515
Shares in subsidiaries	676 137	676 137	676 137	673 937
Other financial assets	3 544	4 731	22 982	23 389
	681 801	683 050	701 798	700 230
Current assets				
Trade and other receivables	33 336	27 707	28 973	26 676
Income tax receivables	4	-	335	372
Other financial assets	123 767	110 136	107 070	91 425
Other non-financial assets	4 948	3 882	3 793	2 412
Cash and cash equivalents	21 149	22 493	40 148	60 791
	183 204	164 218	180 319	181 675
<b>TOTAL ASSETS</b>	<b>865 005</b>	<b>847 268</b>	<b>882 117</b>	<b>881 904</b>
<b>EQUITY AND LIABILITIES</b>				
Equity				
Share capital	69 288	69 288	69 288	69 288
Reserve capital	427 502	427 502	427 502	427 502
Other reserves	121 684	121 916	136 150	103 953
FX differences on translation	610	808	450	1 219
Retained earnings / Accumulated losses	(40 632)	(73 885)	(63 386)	(29 215)
Total equity	578 453	545 629	570 004	572 747
Long-term liabilities				
Interest-bearing loans, borrowings and bonds	116 201	113 084	28 093	31 195
Employee liabilities	2 803	2 755	2 837	2 268
Deferred income tax liability	-	-	119	-
Other long-term liabilities	151	175	-	245
	119 155	116 014	31 049	33 708
Short-term liabilities				
Interest-bearing loans, borrowings and bonds	138 178	139 650	252 112	249 525
Trade payables	22 826	23 798	21 941	17 783
Other financial liabilities	353	130	2 717	2 488
Other short-term liabilities	5 653	21 660	2 064	5 402
Employee liabilities	388	387	1 638	251
	167 398	185 625	280 472	275 449
<b>TOTAL LIABILITIES</b>	<b>286 553</b>	<b>301 639</b>	<b>311 521</b>	<b>309 157</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>865 005</b>	<b>847 268</b>	<b>881 526</b>	<b>881 904</b>

## Interim abbreviated standalone statement of cash flow

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (unaudited)	9-month period ended on 30 September 2020 (unaudited)
<b>Cash flows from operating activities</b>				
Gross profit (loss)	34 122	26 142	12 120	4 396
Adjustments for:				
Depreciation/amortisation	77	317	172	571
FX gains (loss)	(2 765)	(408)	2 877	9 089
Net interest	572	4 857	(2 740)	3 976
Profit / loss from investing activities	(19)	242	86	234
Increase / decrease in receivables and other non-financial assets	(6 420)	(5 187)	22 271	45 671
Increase / decrease in liabilities except for loans, borrowings and debt securities	(1 484)	859	4 969	(16 595)
Change in accruals and prepayments	5 515	-	269	(5 394)
Change in provisions	48	(34)	25	118
Change to liabilities due to cash-pooling	(59 851)	(131 599)	17 611	40 628
Increase / decrease of loans granted to subsidiaries	3 020	43 062	14 470	31 921
Other	171	3 571	378	(296)
Net cash flows from operating activities	(27 014)	(58 177)	72 509	114 318
<b>Cash flows from investing activities</b>				
Disposal of tangible fixed assets and intangible assets	-	-	-	-
Purchase of tangible fixed assets and intangible assets	-	-	-	-
Net cash flows from investing activities	-	-	-	-
<b>Cash flows from financing activities</b>				
Repayment of leasing liabilities	151	32	(83)	(381)
Payment of dividend	(20 786)	(20 786)	-	-
Borrowings received	47 507	193 111	-	-
Repayment of loan liabilities	(1 211)	(130 715)	(33 555)	(76 513)
Interest paid	9	(2 464)	(3 191)	(8 573)
Net cash flows from financing activities	87 816	39 178	(36 829)	(85 467)
Change in cash and cash equivalents	(1 344)	(18 999)	35 681	28 852
Cash and cash equivalents at the beginning of the period	22 493	40 148	25 110	31 939
Cash and cash equivalents at the end of the period	21 149	21 149	60 791	60 791

## Interim abbreviated standalone statement of changes in equity

Attributable to the shareholders of the Parent Entity						
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total equity
As at 01 January 2021	69 288	427 502	450	136 741	(63 386)	570 594
Net profit for the period	-	-	-	-	26 142	26 142
Other comprehensive income (net) for the period	-	-	160	2 342	-	2 502
Total comprehensive income for the period	-	-	160	2 342	26 142	28 644
Financial profit distribution	-	-	-	-	-	-
Dividend distribution	-	-	-	(17 399)	(3 387)	(20 786)
As at 30 September 2021 (unaudited)	69 288	427 502	610	121 684	(40 632)	578 452

Attributable to the shareholders of the Parent Entity						
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total equity
As at 01 January 2020	69 288	427 502	1 785	103 115	(33 611)	568 078
Net profit for the period	-	-	-	-	4 396	4 396
Other comprehensive income (net) for the period	-	-	(566)	839	-	273
Total comprehensive income for the period	-	-	(566)	839	4 396	4 669
Financial profit distribution	-	-	-	-	-	-
As at 30 September 2020 (unaudited)	69 288	427 502	1 219	103 953	(29 215)	572 747

## Additional explanatory notes

### 1. General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. As of the day hereof, the Arctic Paper Group employs app. 1,500 people in its Paper Mills and Pulp Mills, companies dealing in paper distribution, the procurement office and in a company of forest owners. Our Paper Mills are located in Poland and Sweden and have total production capacity of more than 685,000 tonnes of paper per year. The Pulp Mills are located in Sweden and have total production capacity of over 400,000 tonnes of pulp per year. The Group has thirteen offices which handle distribution and marketing of products offered by the Group providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for nine months of 2021 amounted to PLN 2,459 million.

Arctic Paper S.A. is a holding company set up in April 2008. As a result of capital restructuring carried out in 2008, the Paper Mills Arctic Paper Kostrzyn (Poland) and Arctic Paper Munkedals (Sweden), Distribution Companies and Sales Offices have become the properties of Arctic Paper S.A. Previously, they were owned by Arctic Paper AB (now Trebruk AB), which was then the Parent Entity of Arctic Paper S.A. In addition, under the expansion, the Group acquired the Paper Mill of Arctic Paper Mochenwangen (Germany) in November 2008 and the Paper Mill Grycksbo (Sweden) in March 2010. In 2012, the Group acquired shares in Rottneros AB, a company listed on NASDAQ in Stockholm, Sweden, holding interests in two Pulp Mills (Sweden).

The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

The interim abbreviated consolidated financial statements of the Group for 9 months of 2021 cover:

- interim abbreviated consolidated profit and loss account, statement of comprehensive income and a statement of cash flow for the periods of three and nine months ended on 30 September 2021 and contain comparable data for the equivalent periods ended on 30 September 2020.
- interim abbreviated statement of changes in equity for the period of nine months ended on 30 September 2021 and comparative data for the equivalent period ended on 30 September 2020;
- interim abbreviated consolidated statement of financial condition as at 30 September 2021 and comparative data as at 30 June 2021, 31 December 2020 and 30 September 2020.

#### 1.1. Group Profile

The principal business of the Arctic Paper Group is the production of paper and pulp.

The Group's additional business, subordinate to paper and pulp production, covers:

- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper and pulp distribution.

## 1.2. Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 30 September 2021) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at Annual General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 30 September 2021 was 68.13% and has not changed until the date hereof.

The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., which is controlled by Mr Thomas Onstad.

The duration of the Company is indefinite.

## 2. Composition of the Group

The Group is composed of Arctic Paper S.A. and the following subsidiaries:

Unit	Registered office	Group Profile	Group's interest in the equity of the subsidiary entities as at			
			09 November 2021	30 September 2021	17 August 2021	31 December 2020
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, previously paper production	99.74%	99.74%	99.74%	99.74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%

Unit	Registered office	Group Profile	Group's interest in the equity of the subsidiary entities as at			
			09 November 2021	30 September 2021	17 August 2021	31 December 2020
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%	100%
Arctic Power Sp.z o.o. (previously Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Energy production	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94.90%	94.90%	94.90%	94.90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51.27%	51.27%	51.27%	51.27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51.27%	51.27%	51.27%	51.27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-operating company	51.27%	51.27%	51.27%	51.27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51.27%	51.27%	51.27%	51.27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51.27%	51.27%	51.27%	51.27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51.27%	51.27%	51.27%	51.27%
SIA Rottneros Baltic	Latvia, Kuldiga	Procurement bureau	51.27%	51.27%	51.27%	51.27%

\* – companies established for the purpose of the acquisition of Arctic Paper Mochenwangen GmbH

\*\* – the company established for the purpose of the acquisition of Grycksbo Paper Holding AB

On 1 January 2020 the Group – via Rottneros AB – acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon.

As at 30 September 2020, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

On 1 October 2012, Arctic Paper Munkedals AB purchased 50% shares in Kalltorp Kraft Handelsbolaget with its registered office in Trolhattan, Sweden. Kalltorp Kraft is involved in the production of energy in its hydro power plant. The purpose of

the purchase was to implement the strategy of increasing its own energy potential. The involvement in Kalltorp has been accounted for as a joint venture and is measured using the equity method.

## 3. Management and supervisory bodies

### 3.1. Management Board of the Parent Entity

As at 30 September 2021, the Parent Entity's Management Board was composed of:

- Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
- Göran Eklund – Member of the Management Board appointed on 30 August 2017.

Until the date hereof, there were no changes to the composition of the Management Board of the Parent Entity.

### 3.2. Supervisory Board of the Parent Entity

As at 30 September 2021, the Parent Entity's Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
- Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 22 September 2016 (appointed as a Member of the Supervisory Board on 14 September 2014);
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
- Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021;

On 20 May 2021, Ms Dorota Raben resigned as a Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 26 May 2021, Mr Mariusz Grendowicz resigned as a Member of the Supervisory Board of the Company with effect from 22 June 2021.

On 22 June 2021, the Ordinary General Meeting of the Company adopted a resolution to appoint Ms Zofia Dzik and Ms Anna Jakubowski to the Supervisory Board.

- Until the date hereof, there were no changes to the composition of the Supervisory Board of the Parent Entity.

### 3.3. Audit Committee of the Parent Entity

As at 30 September 2021, the Parent Entity's Audit Committee was composed of:

- Anna Jakubowski – Chairperson of the Audit Committee appointed on 22 June 2021 (appointed as Member of the Audit Committee on 5 August 2021);
- Zofia Dzik – Member of the Audit Committee appointed on 22 June 2021 (appointed as Member of the Audit Committee on 5 August 2021);
- Roger Mattsson – Audit Committee Member appointed on 14 September 2014 (appointed as Audit Committee Member on 23 June 2016);

Until the date hereof, there were no changes in the composition of the Audit Committee of the Parent Entity.

## 4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 09 November 2021.

## 5. Basis of preparation of the interim abbreviated consolidated financial statements

These interim abbreviated consolidated financial statements were prepared in accordance with the requirements of International Accounting Standard No. 34 and the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757).

These interim abbreviated consolidated financial statements have been presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except as stated otherwise.

These interim abbreviated consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future.

The interim abbreviated consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31 December 2020.

### 5.1. Covid-19

In the three quarters of 2021 the Arctic Paper Group did not suffer as a result of the COVID19 virus pandemic.

Our priority was to ensure that our employees stay healthy and that they can work in safe conditions. We implemented organisational measures to mitigate the risk of infection and spread of the coronavirus among the employees of our factories and pulp mills. As a result of restrictions in contacts with our customers, communication was transferred to the electronic sphere.

At this time, it is difficult to forecast what the impact of the pandemic and the associated economic and social impacts will be on the Arctic Paper Group's results and operations in the coming months of 2021, particularly in the context of the identification of new mutations of the virus.

With reference to the above and the standpoint detailed in item 6.2 of the consolidated financial statements for 2020, in the opinion of the Group management the assumption that the Group will hold sufficient resources to continue its business operations for minimum 12 months of the balance sheet date is justified.

In the opinion of the Group's management, the above circumstances and the uninterrupted operation of the production units throughout 2020 and the first nine months of 2021 justify the assumption that the Group is well prepared for the risk of a pandemic also in the following months and will have sufficient resources to continue its business activities for at least 12 months after the balance sheet date. The Group's management has concluded that the impact of the possible scenarios considered in making this judgement does not give rise to a material uncertainty about events and circumstances that would cast significant doubt about the Group's ability to continue as a going concern for at least 12 months after the balance sheet date.

## 6. Significant accounting principles (policies)

The accounting principles (policies) applied to prepare the interim abbreviated consolidated financial statements are compliant with those applied to the annual consolidated financial statements of the Group for the year ended on 31 December 2020, with the following exceptions:

- Amendments to IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021) – Amendments extend the period of temporary exemption from the application of *IFRS 9* Financial Instruments by two years to annual periods beginning on 1 January 2023 in order to align with the first application of *IFRS 17* Insurance Contracts, which replaces *IFRS 4* Insurance Contracts.

- Amendments to IFRS 16 Leases Covid-19 Rent Relief (effective for annual periods beginning on or after 1 July 2020, early application possible) – The amendments allow lessees not to assess whether Covid-19 rent relief is a modification of leases. Therefore, under the appropriate conditions, lessees who apply a practical solution will recognize the rent reliefs received until 30 June 2021 in profit or loss for the period in which the relief was granted. In the absence of a practical solution, the relief would be recognised in profit and loss over the term of the lease contract.
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosure of IFRS 4 Insurance Contracts and IFRS 16 Leases: Reform of the interest rate benchmark – Stage 2 (effective for annual periods beginning on or after 1 January 2021) -The purpose of the amendments is to make it easier for entities to provide users of financial statements and to assist entities that prepare IFRS-compliant financial statements with useful information when the contractual cash flows or hedging relationships change due to a change in the reference rate ratio. The amendments provide for a practical solution for certain changes in contractual cash flows and an exemption for certain hedge accounting requirements.

The aforesaid amendments did not have any significant impact on the Group's financial statements.

## 6.1. New standards and interpretations that have been published and are not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee (IFRIC) but are not yet effective:

- Sale or Transfer of Assets Between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates – the European Commission decided to postpone the endorsement of these amendments indefinitely) – The amendments clarify that in the case of a transaction with an associate or a joint venture, the extent to which the associated gain or loss should be recognised depends on whether the assets transferred or sold were a business:
  - the entire profit or loss is recognised if the transferred assets meet the definition of a venture (irrespective of the fact if the venture is a subsidiary entity or not);
  - the profit or loss is recognised in part when the transaction covers assets that do not constitute a venture even if such assets were held in a subsidiary entity.
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, prospective application, early application permitted – the standard has not yet been endorsed by the EU) – IFRS 17, which replaces the transitional standard IFRS 4 Insurance Contracts which was introduced in 2004. IFRS 4 provided companies with a possibility to continue disclosing insurance contracts pursuant to the accounting principles applicable in national standards, which, as a result, meant application of different solutions. IFRS 17 solves the issue of comparability created by IFRS 4 through a requirement of coherent disclosure of all insurance contracts, which will be beneficial for both investors and insurers. Liabilities arising from contracts will be recognised at present values, instead of historic cost.
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to International Financial Reporting Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022, early application permitted – Amendments not yet endorsed by the EU) – The amendment package contains three amendments of narrow scope to the standards:
  - updates the reference in IFRS 3 Business Combinations to the Framework for the Preparation and Presentation of Financial Statements without changing the accounting requirements for the recognition of business combinations,
  - prohibits an entity from reducing the cost of an item of property, plant and equipment by the amount received from the sale of assets produced while the entity is preparing the item of property, plant and equipment for its intended use. Such income and related expenses will be recognised in profit or loss for the period,
  - explains what costs an entity uses in assessing whether a particular contract will result in a loss.

The package also includes Amendments to International Financial Reporting Standards 2018-2020 which clarify the vocabulary used and correct minor inconsistencies, omissions or contradictions between the standards' requirements in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples in IFRS 16 Leases;

- Amendments to IAS 1 Presentation of Financial Statements Presentation of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments clarify that the presentation of liabilities as current or non-current should be based only on the entity's right at the reporting date to defer settlement of the liability. Such right to defer the payment of a liability for minimum 12 months from the reporting date does not have to be unconditional but it has to be material. The above presentation is not affected by intentions or expectations of the Entity's management as to the exercising of the right or the date when this is to happen. The amendments further provide clarification as to the events that are treated as discharge of liabilities.
- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – Amendments to IAS 1 require entities to disclose significant accounting policies instead of significant accounting policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments introduce a definition of an estimate and include other amendments to IAS 8 clarifying how to distinguish a change in accounting policy from a change in estimate. The above distinction is very important because changes in accounting policies are generally applied retrospectively while changes in estimates are recognised in the period in which the changes occur.

The Group does not expect the above changes to have a significant impact on its financial statements.

The Group has not decided to adopt earlier any other standard, interpretation or amendment that was issued but is not yet effective.

## 6.2. Foreign currency translation

Transactions denominated in currencies other than the functional currency of the entity are translated into the presentation currency at the FX rate prevailing on the transaction date.

On the balance sheet date, monetary assets and liabilities expressed in currencies other than the functional currency of the entity are translated into the functional currency using the mean FX rate prevailing for the presentation currency as at the end of the reporting period. FX differences from translation are recognised under financial income or financial expenses or are capitalised as cost of assets, as defined in the accounting policies. Non-monetary foreign currency assets and liabilities recognised at historical cost are translated at the historical FX rates prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value are translated into PLN using the rate of exchange prevailing on the date of revaluation to fair value.

The functional currencies of the foreign subsidiaries are EUR, SEK, DKK, NOK, GBP and CHF. As on the balance sheet date, the assets and liabilities of those subsidiaries are translated into the presentation currency of the Group (PLN) at the rate of exchange prevailing on the balance sheet date and their profit and loss accounts are translated using the average weighted exchange rates for the relevant reporting period. The FX differences on translation are recognised in other total comprehensive income and cumulated in a separate equity item. On disposal of a foreign operation, the cumulative amount of the deferred exchange differences recognised in equity and relating to that particular foreign operation shall be recognised in the profit and loss account.

Exchange differences on loans treated in compliance with IAS 21 as investments in subsidiaries are recognised in the interim abbreviated consolidated financial statements in other total comprehensive income.

The following exchange rates were used for book valuation purposes:

	30 September 2021	31 December 2020
USD	3.9925	3.7584
EUR	4.6329	4.6148
SEK	0.4543	0.4598
DKK	0.6230	0.6202
NOK	0.4531	0.4400
GBP	5.3653	5.1327
CHF	4.2725	4.2641

Mean FX rates for the reporting periods are as follows:

	01.01 – 30.09.2021	01.01 – 30.09.2020
USD	3.8049	3.9372
EUR	4.5491	4.4241
SEK	0.4480	0.4191
DKK	0.6117	0.5932
NOK	0.4448	0.4131
GBP	5.2696	4.9998
CHF	4.1723	4.1438

### 6.3. Changes in comparative data

As of 30 June 2021, the Group has separated new items in the statement of financial position: employee liabilities and grants and deferred income, in the non-current and current portions of liabilities, respectively. Employee liabilities primarily comprise provisions for retirement benefits, liabilities for wages and salaries and social security and accruals for unused leave and bonuses. Grants and deferred income include grants for tangible and intangible fixed assets and other deferred income.

The table below shows the impact of the change in presentation on selected items in the statement of financial position as at 31 December 2020 and 30 September 2020

	Approved data	Impact of the adjustment	Transformed data
Impact on the consolidated report on financing activities as at 31 December 2020			
Long-term liabilities (selected items)			
Provisions	137 373	(135 994)	1 379
Employee liabilities	-	135 994	135 994
Grants and deferred income	-	14 631	14 631
Accruals and deferred income	14 631	(14 631)	-
Short-term liabilities (selected items)			
Provisions	756	(640)	116
Trade and other payables	379 445	(11 694)	367 751
Employee liabilities	-	106 069	106 069
Grants and deferred income	-	5 618	5 618
Accruals and deferred income	99 353	(99 353)	-
Total impact on equity and liabilities	631 558	-	631 558

	Approved data	Impact of the adjustment	Transformed data
Impact on the consolidated statement of financial activities at 30 September 2020			
Long-term liabilities (selected items)			
Provisions	130 331	(129 042)	1 289
Employee liabilities	-	129 042	129 042
Grants and deferred income	-	15 386	15 386
Accruals and deferred income	15 386	(15 386)	-
Short-term liabilities (selected items)			
Provisions	3 907	(837)	3 070
Trade and other payables	424 158	(6 228)	417 930
Employee liabilities	-	91 085	91 085
Grants and deferred income	-	2 466	2 466
Accruals and deferred income	86 486	(86 486)	-
Total impact on equity and liabilities	660 268	-	660 268

In addition, in order to standardise the presentation under non-current other financial and non-financial assets, the amount of PLN 2,283 thousand was transferred from other non-financial assets to other financial assets as at 31 December 2020 (30 September 2020: PLN 1,826 thousand).

## 7. Seasonality

The Group's activities are not of seasonal nature. Therefore, the results presented by the Group do not change significantly during the year.

## 8. Information on business segments

Operational segments cover continuing activities. The Group's principal activity is the production of paper and pulp. The paper production business is presented as the "Uncoated" and "Coated" segments. Pulp production activities are presented as the "Pulp" segment.

The Group identifies four business segments:

- **Uncoated paper** – paper for printing or other graphic purposes, including wood-free and wood-containing paper. Uncoated wood-free paper may be produced from various types of pulp, with different filler content, and can undergo various finishing processes, such as surface sizing and calendering. Two main categories of this type of paper are graphic paper (used for example for printing books and catalogues) and office papers (for instance, photocopy paper); however, the Group currently does not produce office paper. Uncoated wood paper from mechanical pulp intended for printing or other graphic purposes. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The segment also included data for the AP Mochenwangen Group.
- **Coated paper** – coated wood-free paper for printing or other graphic purposes, one-side or two-side coated with mixtures containing mineral pigments, such as china clay, calcium carbonate, etc. The coating process can involve different methods, both on-line and off-line, and can be supplemented by super-calendering to ensure a smooth surface. Coating improves the printing quality of photographs and illustrations.
- **Pulp** – fully bleached sulphate pulp and unbleached sulphate pulp used primarily to produce printing and writing paper, cardboard, toilet paper and white packaging paper as well as chemo thermo mechanical pulp (CTMP) and groundwood which are used mainly for production of printing and writing papers.

The exclusions include the exclusions of turnover and settlements between segments and the results of operations of Arctic Paper S.A. and Arctic Paper Finance AB.

The split of operating segments into the uncoated and coated paper segments is due to the following factors:

- Demand for products and their supply as well as the prices of products sold in the market are affected by key operational factors for each segment, such as e.g. the production capacity level in the specific paper segment,

- The key operating parameters such as inflow of orders or the level of production costs are determined by the factors that are similar for each paper segment,
- The products manufactured at the Paper Mills operated by the Group may (with certain restrictions) be allocated to production in other entities within the same paper segment, which to a certain extent distorts the financial results generated by each Paper Mill,
- The results of the Arctic Paper Group are under the pressure of global market trends with respect to the prices of paper and core raw materials, in particular of pulp, and to a lesser extent are subject to the specific conditions of production entities,

Every month, on the basis of internal reports received from companies (apart from companies of the Rottneros Group), the results in each operating segment are analysed by the management of the Group. The financial results of companies in the Rottneros Groups are analysed on the basis of quarterly financial results published on the websites of Rottneros AB.

The operating results are measured primarily on the basis of EBITDA calculated by adding depreciation/amortisation and impairment allowances to tangible fixed assets and intangible assets to operating profit (loss), in each case in compliance with EU IFRS. In accordance with EU IFRS, EBITDA is not a metric of operating profit (loss), operational results or liquidity. EBITDA is a metric that the Management Board uses to manage the operations.

Transactions between segments are concluded at arms' length like between unrelated entities.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 9 months ended on 30 September 2021 and as at 30 September 2021.

**9-month period ended on 30 September 2021 and on 30 September 2021**

	Continuing operations					Total continuing operations
	Uncoated	Coated	Pulp	Total	Exclusions	
<b>Revenues</b>						
Sales to external customers	1 226 470	492 613	739 946	2 459 029	-	2 459 029
Sales between segments	-	15 475	23 920	39 395	(39 395)	-
<b>Total segment revenues</b>	<b>1 226 470</b>	<b>508 087</b>	<b>763 867</b>	<b>2 498 424</b>	<b>(39 395)</b>	<b>2 459 029</b>
<b>Result of the segment</b>						
EBITDA	123 813	9 778	129 456	263 047	(4 541)	258 507
Depreciation/amortisation	(52 713)	(4 141)	(30 855)	(87 709)	(317)	(88 026)
Operating profit (loss)	71 100	5 637	98 601	175 338	(4 858)	170 481
Interest income	50	69	-	119	194	313
Interest expense	(532)	(2 712)	(9 408)	(12 653)	(3 349)	(16 001)
FX gains and other financial income	1 493	440	6 720	8 653	(6 897)	1 757
FX losses and other financial expenses	(4 871)	(3 798)	-	(8 669)	3 291	(5 378)
Gross profit	67 241	(364)	95 913	162 790	(11 618)	151 172
Assets of the segment	1 094 139	296 433	981 795	2 372 368	(97 316)	2 275 052
Liabilities of the segment	574 394	370 547	293 478	1 238 418	(174 399)	1 064 020
Capital expenditures	(72 283)	(6 369)	(25 301)	(103 953)	(20)	(103 973)
Interests in joint ventures	1 658	-	-	1 658	-	1 658

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 2,070 thousand, of which PLN 313 thousand is interest income) and financial expenses (PLN 21,379 thousand of which PLN 16,001 thousand is interest expense), depreciation/amortisation (PLN 88,026 thousand), and income tax liability (PLN -29,942). thousand).
- Segment assets do not include deferred taxes (PLN 19,872 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,658 thousand). Segment liabilities do not include deferred taxes (PLN 79,392 thousand), since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 September 2021 and as at 30 September 2021.

**3-month period ended on 30 September 2021 and on 30 September 2021**

	Continuing operations					Total continuing operations
	Uncoated	Coated	Pulp	Total	Exclusions	
<b>Revenues</b>						
Sales to external customers	447 479	197 483	244 694	889 656	-	889 656
Sales between segments	-	4 080	10 613	14 693	(14 693)	-
<b>Total segment revenues</b>	<b>447 479</b>	<b>201 563</b>	<b>255 306</b>	<b>904 349</b>	<b>(14 693)</b>	<b>889 656</b>
<b>Result of the segment</b>						
EBITDA	39 056	9 572	55 993	104 621	(2 522)	102 099
Depreciation/amortisation	(17 856)	(1 263)	(10 133)	(29 253)	(74)	(29 327)
Operating profit (loss)	21 199	8 309	45 860	75 368	(2 596)	72 773
Interest income	55	30	-	85	1	86
Interest expense	(353)	(874)	(4 928)	(6 155)	(293)	(6 448)
FX gains and other financial income	519	144	2 240	2 903	(2 656)	247
FX losses and other financial expenses	(445)	(1 728)	-	(2 173)	1 589	(584)
Gross profit	20 975	5 881	43 172	70 028	(3 954)	66 074
Assets of the segment	1 094 139	296 433	981 795	2 372 368	(97 316)	2 275 052
Liabilities of the segment	574 394	370 547	293 478	1 238 418	(174 399)	1 064 020
Capital expenditures	(28 704)	(2 237)	(9 216)	(40 157)	(11)	(40 168)
Interests in joint ventures	1 658	-	-	1 658	-	1 658

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 333 thousand, of which PLN 86 thousand is interest income) and financial expenses (PLN 7,032 thousand of which PLN 6,448 thousand is interest expense), depreciation/amortisation (PLN 29,327 thousand), and income tax liability (PLN -12,713 thousand).
- Segment assets do not include deferred taxes (PLN 19,872 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,658 thousand). Segment liabilities do not include deferred taxes (PLN 79,392 thousand), since this item is managed at the Group level.

The table below presents transformed data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 9 months ended on 30 September 2020 and as at 31 December 2020.

**9-month period ended on 30 September 2020 and on 31 December 2020**

	Continuing operations					Total continuing operations
	Uncoated	Coated	Pulp	Total	Exclusions	
<b>Revenues</b>						
Sales to external customers	1 080 174	403 239	649 371	2 132 784	-	2 132 784
Sales between segments	-	17 716	22 379	40 095	(40 095)	-
<b>Total segment revenues</b>	<b>1 080 174</b>	<b>420 955</b>	<b>671 749</b>	<b>2 172 878</b>	<b>(40 095)</b>	<b>2 132 784</b>
<b>Result of the segment</b>						
EBITDA	157 258	30 224	61 601	249 084	(2 821)	246 263
Depreciation/amortisation	(49 023)	(3 413)	(30 130)	(82 566)	(669)	(83 235)
Operating profit (loss)	108 236	26 811	31 471	166 518	(3 490)	163 028
Interest income	290	110	-	400	232	632
Interest expense	(2 797)	(2 927)	(6 286)	(12 010)	(4 203)	(16 213)
FX gains and other financial income	4 398	72	(1 676)	2 794	(2 794)	(0)
FX losses and other financial expenses	(3 854)	(5 453)	-	(9 307)	668	(8 640)
Gross profit (loss)	106 272	18 614	23 509	148 395	(9 587)	138 807
Assets of the segment	1 019 390	313 735	1 013 394	2 346 519	(236 669)	2 109 850
Liabilities of the segment	446 214	409 052	386 692	1 241 957	(209 793)	1 032 164
Capital expenditures	(56 757)	(10 479)	(35 631)	(102 867)	-	(102 867)
Interests in joint ventures	1 678	-	-	1 678	-	1 678

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 632 thousand, of which PLN 632 thousand is interest income) and financial expenses (PLN 24,853 thousand of which PLN 16,213 thousand is interest expense), depreciation/amortisation (PLN 83,235 thousand), and income tax liability (PLN -20,389 thousand).
- Segment assets do not include deferred taxes (PLN 25,117 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,678 thousand). Segment liabilities do not include deferred taxes (PLN 71,448 thousand), since this item is managed at the Group level.

The table below presents transformed data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 September 2020 and as at 31 December 2020.

**3-month period ended on 30 September 2020 and on 31 December 2020**

	Continuing operations					Total continuing operations
	Uncoated	Coated	Pulp	Total	Exclusions	
<b>Revenues</b>						
Sales to external customers	361 770	130 090	210 976	702 836	-	702 836
Sales between segments	-	5 687	7 446	13 132	(13 132)	-
Total segment revenues	361 770	135 776	218 422	715 968	(13 132)	702 836
<b>Result of the segment</b>						
EBITDA	59 556	10 368	16 476	86 400	12	86 412
Depreciation/amortisation	(16 522)	(1 009)	(9 596)	(27 127)	(152)	(27 279)
Operating profit (loss)	43 034	9 359	6 879	59 272	(140)	59 132
Interest income	68	29	-	96	(167)	(71)
Interest expense	(738)	(1 031)	(2 146)	(3 915)	(950)	(4 865)
FX gains and other financial income	1 888	24	(2 504)	(592)	582	(10)
FX losses and other financial expenses	(1 418)	(1 172)	-	(2 590)	(1 223)	(3 813)
Gross profit (loss)	42 833	7 209	2 229	52 271	(1 898)	50 373
Assets of the segment	1 019 390	313 735	1 013 394	2 346 519	(236 669)	2 109 850
Liabilities of the segment	446 214	409 052	386 692	1 241 957	(209 793)	1 032 164
Capital expenditures	(19 373)	(1 288)	(9 870)	(30 531)	-	(30 531)
Interests in joint ventures	1 678	-	-	1 678	-	1 678

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN -81 thousand, of which PLN -71 thousand is interest income) and financial expenses (PLN 8,678 thousand of which PLN 4,865 thousand is interest expense), depreciation/amortisation (PLN 27,279 thousand), and income tax liability (PLN -5,017 thousand).
- Segment assets do not include deferred taxes (PLN 25,117 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,678 thousand). Segment liabilities do not include deferred taxes (PLN 71,448 thousand), since this item is managed at the Group level.

## 9. Dividends proposed to be paid and paid

### 9.1. Dividends proposed for payment and paid by Arctic Paper S.A.

Dividend is paid based on the net profit disclosed in the standalone annual financial statements of Arctic Paper S.A. after covering losses carried forward from last years.

In accordance with provisions of the Code of Commercial Companies, the Parent Entity is obliged to establish reserve capital to cover potential losses. At least 8% of the profit for the financial year disclosed in the standalone financial statements of the Parent Entity should be transferred to the category of capital until the capital has reached the amount of at least one third of the share capital of the Parent Entity. The use of reserve capital and reserve funds is determined by the General Meeting; however, a part of reserve capital equal to one third of the share capital can be used solely to cover the losses disclosed in the standalone financial statements of the Parent Entity and cannot be distributed to other purposes.

As on the date hereof, the Company had no preferred shares.

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the annual report for 2020.

In connection with the term and revolving loan agreements signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving loan agreement) and there being no event of default (as that term is defined in the term and revolving loan agreement).

In 2020 the Company did not pay out dividend.

On 26 February 2021, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for the year 2020, made a decision to recommend to the Annual General Meeting of the Company to pay a dividend from the Company's net profit for the financial year 2020 and from the net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 20,786,334.90, i.e. PLN 0.30 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 25 March 2021.

The recommendation of the Management Board together with the opinion of the Supervisory Board was submitted to the General Meeting of Shareholders for resolution. The final decision on the distribution of the Company's 2020 profit and the payment of the dividend was taken by the Annual General Meeting held on 22 June 2021. Pursuant to the resolution of the AGM, on 14 July 2021, the Company paid a dividend as recommended by the Management Board and the Supervisory Board.

### 9.2. Dividends proposed and paid by Rottneros AB

In Q3 2021, Rottneros AB paid 68 million dividends (SEK 0.45 per share). 48.73% of this amount (PLN 15,179 thousand) accrued to non-controlling shareholders and the remaining amount was received by APSA.

## 10. Earnings/(loss) per share

Earnings/(loss) per share are established by dividing the net profit/(loss) for the reporting period attributable to the Company's ordinary shareholders by the weighted average number of ordinary shares outstanding in the reporting period.

Information regarding profit/(loss) and the number of shares which constituted the basis to calculate earnings/(loss) per share and diluted earnings/(loss) per share on continuing operations and overall operations is presented below:

	3-month period ended on 30 September 2021 (unaudited)	9-month period ended on 30 September 2021 (unaudited)	3-month period ended on 30 September 2020 (unaudited)	9-month period ended on 30 September 2020 (unaudited)
Net profit (loss) period from continuing operations attributable to the shareholders of the Parent Entity	36 843	84 309	44 457	109 861
Net profit / (loss) attributable to the shareholders of the Parent Entity	36 843	84 309	44 457	109 861
Total number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Profit (loss) per share (in PLN)				
– basic earnings from the profit (loss) for the period attributable to the shareholders of the Parent Entity	0.53	1.22	0.64	1.59
Diluted profit (loss) per share (in PLN)				
– from the profit (loss) for the period attributable to the shareholders of the Parent Entity	0.53	1.22	0.64	1.59

## 11. Acquisition of a subsidiary company

On 1 January 2020 the Group – via Rottneros AB – acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon. The Group recognised goodwill (asset) of PLN 8,524 thousand. The net expense (net of receivables as at the acquisition date and the amount of the acquired cash) was PLN 6.089 million.

## 12. Interest-bearing loans, borrowings and bonds

In the period covered with these financial statements, the Group partly repaid its term loan under the loan agreement of 9 September 2016 with a bank consortium of PLN 126,913 thousand. It also made a partial repayment of a loan of PLN 896 thousand from Nordea Bank.

In April 2021, the Group signed a new term loan and revolving loan agreement under which it entered into a term loan in the amount of PLN 148,373 thousand and a revolving loan of PLN 144,770 thousand (see description below).

In addition, in July 2021 the RROS Group redeemed the entire SEK bonds for PLN 178,758 thousand (SEK 400 million) and took out a loan to repay these bonds of PLN 67,202 thousand (SEK 150 million). The redeemed bonds were cancelled and delisted from the Nasdaq Stockholm exchange. The loan from Den Danske carries an interest rate of 3M STIBOR plus margin and has a term of 2 years with the possibility of extension.

The other changes to loans and borrowings as at 30 September 2021, compared to 31 December 2020 result mainly from balance sheet evaluation.

On 2 April 2021 the Company signed a term and revolving loan agreement ("Loan Agreement") which was concluded between the Company as the borrower and guarantor, subsidiaries of the Company: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors ("Guarantors") and a consortium of banks as follows: Santander Bank Polska S.A. (the "Collateral Agent"), BNP Paribas Bank Polska S.A. and Bank Polska Kasa Opieki S.A. (collectively: "Lenders"), pursuant to which the Lenders granted to the Company a term loan divided into two tranches in the amounts of PLN 75,000,000 and EUR 16,100,000, respectively, and a revolving loan in the total amount of EUR 32,200,000 (collectively, the "Loans").

In order to secure the claims of the Lenders under the Loan Agreement and the related financing documents, the Company and the Guarantors established, inter alia, the following securities: registered pledge and financial pledge on the shares of Arctic Paper Kostrzyn S.A., pledges on the shares of companies under Swedish law, i.e. Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, statements on submission to execution by the Company and Arctic Paper Kostrzyn S.A., registered and financial pledges on bank accounts of the Company and Arctic Paper Kostrzyn S.A., pledges on bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, mortgages established on real properties of Arctic Paper Kostrzyn S.A., mortgages established on properties of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, registered pledges on assets of Arctic Paper Kostrzyn S.A. and security of rights under property insurance policies of the Company, Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB.

The agreements listed above constitute the acquisition of alternative financing and a change to the funding structure of the Company's capital group.

In accordance with the Loan Agreement, the Lenders provided the Company with the following Loans:

- (i) a Term Loan repayable in two tranches: the first tranche in the amount of PLN 75,000,000 (seventy five million) and the second tranche in the amount of EUR 16,100,000 (sixteen million and one hundred thousand euro) (the "Term Loan"); and
- (ii) a revolving loan of EUR 32,200,000 (thirty-two million, two hundred thousand euro) (the "Revolving Loan").

Subject to the relevant terms of the Loan Agreement, the Term Loan was made available to refinance the existing financial indebtedness of the Company and its certain subsidiaries.

Subject to the relevant terms and conditions of the Loan Agreement, amounts raised under the Revolving Loan may be used for general corporate purposes and to fund the working capital of the Company and its certain subsidiaries (including intra-group lending in any form).

In accordance with the provisions of the Loan Agreement interest rate is variable, based on the WIBOR base rate in the case of financing in PLN and the EURIBOR base rate in the case of financing in EUR and a variable margin, the level of which will depend on the level of the net debt to EBITDA ratio.

In compliance with the Loan Agreement, some Loans will be repaid by:

- (i) in the case of a Term Loan, on the day falling five years after the date of conclusion of the Loan Agreement; and
- (ii) in the case of a Revolving Loan, on the date falling three years after the conclusion of the Loan Agreement with the option to extend the terms of the Revolving Loan for an additional two years in accordance with the terms of the Loan Agreement.

The Term Loans are repayable in equal semi-annual instalments commencing in November 2021 and the Revolving Loan is repayable on the final repayment date.

On 28 May 2021, the loan amounts were made available to the Company by the Lenders in accordance with the Loan Agreement. In connection with the disbursement of the Loans there has been:

- i. the full repayment of the Company's existing indebtedness under the Term and Revolving Loan Agreement of 9 September 2016 (as amended) entered into between the Company, as lender, the Company's subsidiaries: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors and a consortium of banks as follows: BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development and Santander Bank Polska S.A. as mandated lead arrangers and lenders, Santander Bank Polska S.A. as agent and BNP Paribas Bank Polska S.A. as collateral agent (the "Previous Loan Agreement"), the execution of which was announced by the Company in current report No. 20/2016 of 9 September 2016; and

- ii. closing and full settlement of the closing amount in respect of interest rate hedging transactions (irs) entered into in connection with the Previous Loan Agreement (the "Hedging Agreements").

At the same time, with the repayment of the Company's indebtedness under the Previous Loan Agreement, the Hedging Agreements and the early redemption of all of the Series A Bonds, as announced by the Company in current report No. 8/2021 of 1 March 2021, all collateral provided by the Company and the Company's subsidiaries expired: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB in connection with an intercreditor agreement, under the English name – intercreditor agreement – concluded between the Company, Mr Thomas Onstad, Santander Bank Polska (formerly: Bank Zachodni WBK S.A.), Haitong Bank Spółka Akcyjna, BNP Paribas Bank Polska S.A. (formerly: Bank BGŻ BNP Paribas S.A.) and other parties (the "Intercreditor Agreement"). The Company reported on the conclusion of the Intercreditor Agreement and the establishment of collateral in connection with this agreement in current report No. 20/2016 of 9 September 2016.

## 13. Share capital

There were no changes in share capital as at 30 September 2021 compared to 31 December 2020.

## 14. Financial instruments

The Group uses the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables including lease agreements and interest SWAP contracts, forward contracts for the purchase of electricity, forward contracts for the sale of pulp and forward FX contracts.

As at 30 September 2021, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables including lease agreements and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

### 14.1. Hedge accounting

In order to reduce the volatility of the projected cash flows related to FX risk, the Group companies use FX risk hedging based on the use of derivatives related to the FX market. Those in particular include forward term contracts. Additionally, in order to mitigate the volatility of future energy prices, the Paper Mills and Pulp Mills in Sweden apply forward contracts for the purchase of electricity. The companies in the Rottneros Group, in order to reduce the volatility of future receipts from pulp sales, enter into forward contracts for the sale of pulp. Arctic Paper S.A., in order to mitigate the volatility of future interest costs on loans, has concluded interest rate SWAP contracts.

As at 30 September 2021, the Group has dedicated the following financial instruments to hedge accounting: interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

In connection with the signing of the term and revolving loan agreement on 2 April 2021, Arctic Paper SA entered into new interest SWAP contracts, described in more detail in the table below.

Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate

Currency	Date	Loan amount PLN as of 30.09.2021
EUR	2021-04-02 – 2026-04-02	28 868 759
EUR	2021-04-02 – 2026-04-02	21 687 306
EUR	2021-04-02 – 2026-04-02	21 687 306
		<b>72 243 372</b>
PLN	2021-04-02 – 2026-04-02	29 688 517
PLN	2021-04-02 – 2026-04-02	22 301 776
PLN	2021-04-02 – 2026-04-02	22 301 776
		<b>74 292 069</b>
The total value of loans is secured with an interest rate swap		<b>146 535 441</b>

## 15. Contingent liabilities and contingent assets

As at 30 September 2021, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 856 thousand (PLN 389 thousand) at Arctic Paper Grycksbo AB and for SEK 764 thousand (PLN 347 thousand) at Arctic Paper Munkedals AB;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 402 thousand (PLN 183 thousand);
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand; (PLN 61 thousand);

## 16. Legal claims

Arctic Paper S.A. and its subsidiaries are not a party to any legal cases filed in court against them.

## 17. Material events after the end of the reporting period

### 17.1. Adoption of Arctic Paper Capital Group Strategy for 2022-2030

On 4 October 2021, the Company's Supervisory Board approved the "Arctic Paper Group Strategy for 2022 – 2030" presented by the Issuer's Management Board. With the Group's new strategy to 2030, Arctic Paper will accelerate its transformation into a more comprehensive company, leveraging the synergies and competencies of its existing businesses. The Company's strategic directions are reflected in its 4 pillars: packaging, energy, graphic paper and cellulose.

With its strong position as a premium paper producer and owner of the recognisable Graphic Paper and Pulp brands, as part of its Four Pillars(4P) strategy, the Group will invest in two new business areas where sustainability and renewable resources – packaging and energy – play a key role.

The Group's main strategic objectives for the 2030 horizon are:

- revenue growth of 25 percent,
- an increase in EBITDA of approx. 70 percent,
- an increase in EBITDA margin to 15 percent.

The total investment between 2022 and 2030 in all four pillars is planned at over PLN 1.5 billion, of which around 40 per cent of this amount will be allocated to new business areas. The Group assumes that it will achieve carbon neutrality by 2035 at the latest.

## 17.2. Letter of intent regarding the joint investment of Arctic Paper and Rottneros

On October 21, 2021, Arctic Paper SA and Rottneros AB signed a letter of intent to establish a joint venture to build a moulded cellulose fiber packaging factory. The start-up of the new factory in Kostrzyn nad Odrą in Poland is planned for the end of 2023. The investment is expected to amount to EUR 12-15 million (approx. PLN 55-70 million), including the Issuer's share of 50%. The method of financing the investment is still under arrangements.

The production capacity of the new factory is estimated at 60-80 million trays per year. According to the Issuer's estimates, the investment will generate an annual revenue of 9-11 MEUR (approx. PLN 40-50).

The new investment will benefit from the experience of Rottneros Packaging AB in the production of cellulose packaging. The planned products are both non-laminated and laminated trays for packing in the so-called a modified atmosphere with an oxygen barrier that provides up to three weeks of shelf life for packaged articles.

The investment is an important element of the implementation of the new Arctic Paper 4P strategy, which includes broadening the Arctic Paper offer with new, rapidly developing segments (packaging production, production and energy trading).

After 30 September 2021, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	09 November 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	09 November 2021	signed with a qualified electronic signature

Head Office

**Arctic Paper S.A.**

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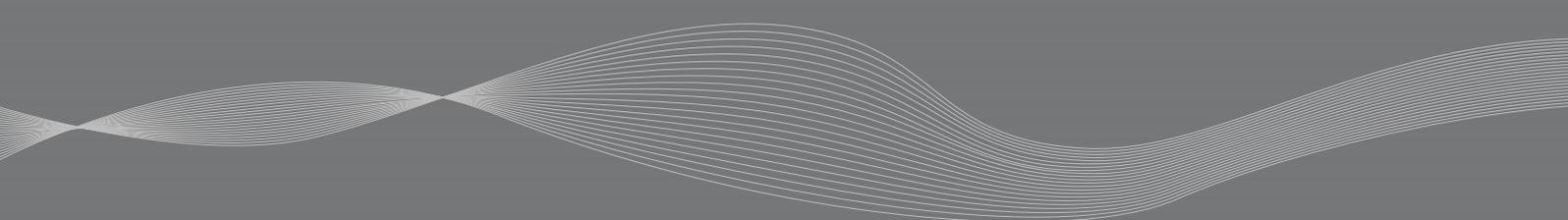
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