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Confirmation of your representation: By accepting electronic delivery of this document, you are deemed to have represented to ABG Sundal Collier AB (“**ABG**”) and Nordea Bank Abp, filial i Sverige (“**Nordea**” and, together with ABG, the “**Joint Global Coordinators**”), the other Managers and the Company and the Principal Owner (as each such term is defined in the attached document) that: (i) you are acting on behalf of, or you are either (a) acquiring such securities in an “offshore transaction” (as defined in Regulation S under the U.S. Securities Act), or (b) in the United States and a QIB within the meaning of Rule 144A under the U.S. Securities Act that is acquiring securities for your own account or for the account of another QIB; (ii) if you are in the UK, you are a relevant person; (iii) if you are in any other Relevant State, you are a Qualified Investor; (iv) the securities acquired by you in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, any person in circumstances which may constitute or give rise to an offer of any securities to the public other than their offer or resale in any Relevant State to Qualified Investors (as defined in the Prospectus Regulation); and (v) if you are outside the US, UK and EEA (and the electronic mail addresses that you gave us and to which this document has been delivered are not located in such jurisdictions) you are a person into whose possession this document may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

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Invitation to acquire shares in Nordic Paper Holding AB (publ)



JOINT GLOBAL COORDINATORS



JOINT BOOKRUNNERS



IMPORTANT INFORMATION TO INVESTORS

This offering circular (the "**Offering Circular**") has been prepared in connection with the offering to the public in Sweden and listing on Nasdaq Stockholm (the "**Offering**") of shares in Nordic Paper Holding AB (publ) (a Swedish public limited liability company). In the Offering Circular, the "**Nordic Paper**", the "**Company**" or the "**Group**" refers to Nordic Paper Holding AB (publ), the group in which Nordic Paper Holding AB (publ) is the parent company or a subsidiary of the group, as the context may require. The "**Principal Owner**" or "**Shanying**" refers to Shanying International Holding Co., Ltd. "**Sutriv Holding**" refers to SUTRIV Holding AB, the "**Joint Global Coordinators**" refers to ABG Sundal Collier AB ("**ABG**") and Nordea Bank Abp, filial i Sverige ("**Nordea**"). The "**Joint Bookrunners**" or the "**Managers**" refer to ABG, Nordea, CLSA (UK) ("**CITIC CLSA**") and DNB Markets, a part of DNB Bank ASA, Sweden Branch ("**DNB**"). See section 6 for the definitions of these and other terms in the Offering Circular.

The Offering is not directed to the general public in any country other than Sweden. Nor is the Offering directed to such persons whose participation requires additional offering circulars, registrations or measures other than those prescribed by Swedish law. No measures have been or will be taken in any other jurisdiction than Sweden, that would allow any offer of the shares to the public, or allow holding and distribution of the Offering Circular or any other documents pertaining to the Company or shares in such jurisdiction. Applications to acquire shares that violate such rules may be deemed invalid. Persons into whose possession the Offering Circular comes are required by the Company and the Managers to inform themselves about and to observe such restrictions. Neither the Company nor either of the Managers accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions.

This Offering Circular should not be construed as a recommendation by the Company, the Principal Owner or the Managers or any of their respective affiliates or representatives that any recipient of this Offering Circular should purchase the shares. The contents of this Offering Circular are not to be construed as legal, business or tax advice. Each prospective investor should consult their own legal, financial, tax or other adviser for legal, financial, tax or other advice in relation to any purchase or proposed purchase of the shares offered hereby. Prior to making any decision as to whether to invest in the shares, each prospective investor should read this entire Offering Circular and not just rely on key information or information summarised within it. None of the Company, the Principal Owner or the Managers, nor any of their respective affiliates or representatives, is making any representation to any offeree or purchaser of the shares regarding the legality of an investment by such offeree or purchaser under the laws applicable to such offeree or purchaser.

A Swedish language version of the Offering Circular (the "**Swedish Offering Circular**") has been approved and registered by the Swedish Financial Supervisory Authority (Sw. *Finansinspektionen*) in accordance with regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"). In the event of discrepancies between the Offering Circular and the Swedish Offering Circular, the Swedish Offering Circular shall prevail.

Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof or that the information contained herein is correct as of any time subsequent to its date. In the event of any changes to the information in this Offering Circular that may affect the valuation of the shares offered hereby during the period from the date of announcement to the first day of trading, such changes will be announced in accordance with the provisions of Article 23 of the Prospectus Regulation.

Notice to prospective investors in the United States

The shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The shares in the Offering have not been and will not be registered under the U.S. Securities Act of 1933, as amended, (the "**Securities Act**") or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements. In the United States, the shares will be sold only to persons reasonably believed to be qualified institutional buyers ("**QIBs**") as defined in and in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the requirements of the Securities Act. Any offer or sale of the shares in the United States in reliance on Rule 144A will solely be made by one or more broker-dealers who are registered as such under the U.S. Securities Exchange Act of 1934, as amended (the "**U.S. Exchange Act**"). Nordea will not participate in the offer or sale of any shares within or directed into the United States and will not be involved in any activities relating to the shares within or directed into the United States. All offers and sales of shares outside the United States will be made in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that the sellers of the shares in the Offering may be relying on the exemption from the provisions of the Securities Act provided by Rule 144A. For a description of certain restrictions on resale or transfer, see "**Plan of Distribution—Selling Restrictions**."

In the United States, the Offering Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in the Offering Circular has been provided by the Company and other sources identified herein. Distribution of the Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorized, and any disclosure of its contents, without the Company's prior written consent, is prohibited. Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The Offering Circular is personal to each offeree and does not constitute any offer to any other person or to the general public to acquire shares in the Offering.

Notice to investors in the United Kingdom

This Offering Circular is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "**Financial Promotion Order**"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 ("**FSMA**")) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to and will be engaged in only with relevant persons. In connection with the Offering, the Managers are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

Notice to prospective investors in the European economic area and the United Kingdom

This Offering Circular has been prepared on the basis that any offer of shares in any member state of the EEA or in the United Kingdom (each a "**Relevant State**") (with the exception of Sweden) will be made pursuant to an exemption under Prospectus Regulation from the requirement to publish a prospectus for offers of shares.

The shares are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA or in the United Kingdom. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MIFID II**"), or (ii) a customer within the meaning of Directive 2016/97/EU (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MIFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIPs Regulation**") for offering or selling any in scope instrument or otherwise making such instruments available to retail investors in the EEA or in the United Kingdom has been prepared. Offering or selling shares or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIPs Regulation.

Stabilization

In connection with the Offering, ABG as stabilization manager ("**Stabilization Manager**"), or its agents, on behalf of the Managers, may carry out transactions that stabilize, maintain or otherwise affect the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. The Stabilization Manager is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, the Stabilization Manager shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) of the Market Abuse Regulation 596/2014 ("**MAR**"). Within one week of the end of the stabilization period, the Stabilization Manager will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

Important information regarding the possibility of selling allotted shares

Notifications about allotment to the public in Sweden will be made through contract notes, expected to be distributed on or about 22 October 2020. After payments for the allotted shares have been processed by Nordea and Nordnet, the duly paid shares will be transferred to the securities account, service account, securities depository account or investment savings account specified by the investor. The time required to distribute contract notes, transfer payments and transfer acquired shares to the investors of shares in the Company means that these investors will not have shares available in the specified securities account, service account, securities depository account or investment savings account until 26 October 2020 at the earliest, or a few days thereafter. Trading in Nordic Paper's shares on Nasdaq Stockholm is expected to commence on or around 22 October 2020. Accordingly, if shares are not available in an investor's securities account, service account, securities depository account or investment savings account until 26 October 2020 at the earliest, the investor may not be able to sell these shares on Nasdaq Stockholm as from the time trading in the shares commences, but first when the shares are available in the securities account, service account, securities depository account or investment savings account.

Enforcement of liabilities

The ability of shareholders in certain countries other than Sweden, in particular in the United States, to bring an action against the Company may be limited under law. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated on 26 November 2012 in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The majority of the directors or officers and other executives of the Company named herein are neither citizens nor residents of the United States, and all or a substantial portion of the assets of these individuals are located outside the United States. The Company's

assets are located outside of the United States. As a result, it may be difficult for investors to effect service of process within the United States and certain other countries upon such persons or the Company, or to enforce against them judgments of U.S. courts or of courts of certain other countries predicated upon the civil liability provisions of U.S. federal or state securities laws or otherwise.

The United States and Sweden do not currently have a treaty providing for reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial disputes. As a result, a judgment rendered by a court in the United States will not be recognised and enforced by the Swedish courts. However, if a person has obtained a final and conclusive judgment for the payment of money rendered by a court in the United States which is enforceable in the United States and files his or her claim with the competent Swedish court, the Swedish court will generally give binding effect to such foreign judgment insofar as it finds that the jurisdiction of the court in the United States had been based on grounds which are internationally acceptable and that proper legal procedures have been observed and except to the extent that the foreign judgment contravenes Swedish public policy.

Additional information

The Company has agreed that it will, during any period in which it is neither subject to the reporting requirements of Section 13 or Section 15(d) of the **Exchange Act**, nor exempt from such reporting requirements by complying with the information furnishing requirements of Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of Shares, or to any prospective purchaser designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. The Company is currently not subject to the periodic reporting and other information requirements of the U.S. Exchange Act.

Information to distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MIFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MIFID II; and (c) local implementing measures (together, the "**MIFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MIFID II Product Governance Requirements) may otherwise have with respect thereto, the shares have been subject to a product approval process, which has determined that the shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MIFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MIFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the shares may decline and investors could lose all or part of their investment; the shares offer no guaranteed income and no capital protection; and an investment in the shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering.

The Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MIFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the shares and determining appropriate distribution channels.

Presentation of financial information

Unless otherwise stated herein, no financial information in the Offering Circular has been audited or reviewed by the Company's auditor. Financial information relating to the Company in the Offering Circular and that is not a part of the information that has been audited or reviewed by the Company's auditor in accordance with what is stated herein, has been collected from the Company's internal accounting and reporting system. All financial amounts are in Swedish kronor ("**SEK**"), unless indicated otherwise. Figures reported in the Offering Circular have in some cases been rounded and therefore the tables do not necessarily always add up exactly.

Forward-looking statements

The Offering Circular contains certain forward-looking statements and opinions. Forward-looking statements are statements that do not relate to historical facts and events and such statements and opinions pertaining to the future that, by example, contain wording such as "believes", "estimates", "anticipates", "expects", "assumes", "forecasts", "intends", "could", "will", "should", "would", "according to estimates", "is of the opinion", "may", "plans", "potential", "predicts", "projects", "to the knowledge of" or similar expressions, which are intended to identify a statement as forward-looking. This applies, in particular, to statements and opinions in the Offering Circular concerning the future financial returns, plans and expectations with respect to the business and management of the Company, future growth and profitability and general economic and regulatory environment and other matters affecting the Company.

Forward-looking statements are based on current estimates and assumptions made according to the best of the Company's knowledge. Such forward-looking statements are subject to risks, uncertainties, and other factors that could cause the actual results, including the Company's cash flow, financial condition and results of operations, to differ materially from the results, or fail to meet expectations expressly or implicitly assumed or described in those statements or to turn out to be less favourable than the results expressly or implicitly assumed or described in those statements. Such risks include, among others:

- Nordic Paper operates in competitive markets and is subject to competition regarding, e.g., the pricing and quality of its products, whereby it could fail to compete successfully.
- Macroeconomic factors and trends in various markets, such as food and industrial, could lead to variations in demand and pricing of Nordic Paper's products.
- Cost of input goods and services used by Nordic Paper for production vary over time and could adversely affect Nordic Paper's operations.
- Long term relationships with agents and customers could be impacted if such agents and/or customers face difficulties or if such relationships deteriorate.
- Damages to production equipment and other disruptions in production could lead to cessation of one or several of Nordic Paper's production units.
- Nordic Paper is dependent on IT systems for its ongoing operations and disruptions or errors in critical systems could lead to disruptions in production and important business processes.
- An inefficient implementation of strategic plans, erroneous investment decisions, failure in establishing commitment for adopted strategies and risks relating to acquisitions and integration could adversely affect Nordic Paper's operations.
- Unethical conduct or a disregard for sustainability issues by Nordic Paper, its agents or its suppliers, could lead to depreciation of Nordic Paper's brand, reputational damage and difficulties retaining and attracting customers and employees
- Nordic Paper is exposed to currency risks due to transactions performed in currencies other than SEK and due to subsidiaries holding net assets in currencies other than SEK.
- Nordic Paper's operations are exposed to environmental risks and must comply with various environmental regulations.
- Nordic Paper's operations are exposed to risks related to sanctions, corruption and competition laws.
- Nordic Paper's operations are exposed to health and safety risks and must comply with various work-related health and safety regulations.

Accordingly, prospective investors should not place undue reliance on the forward-looking statements herein, and are strongly advised to read the Offering Circular, including the following sections: "**Summary**", "**Risk factors**", "**Business overview**" and "**Operating and financial review**", which include more detailed descriptions of factors that might have an impact on the Company's business and the market in which it operates. None of the Company, the Principal Owner or any of the Managers can give any assurance regarding the future accuracy of the opinions set forth herein or as to the actual occurrence of any predicted developments.

In light of the risks, uncertainties and assumptions associated with forward-looking statements, it is possible that the future events mentioned in the Offering Circular may not occur. Moreover, the forward-looking estimates and forecasts derived from third-party studies referred to in the Offering Circular may prove to be inaccurate. Actual results, performance or events may differ materially from those in such statements due to, without limitation: changes in general economic conditions, in particular economic conditions in the markets on which the Company operates, changes affecting currency exchange rates, changes in competition levels, changes in laws and regulations, and occurrence of accidents or environmental damages.

After the date of the Offering Circular, none of the Company, the Principal Owner or any of the Managers assume any obligation, except as required by law or Nasdaq's Nordic Main Market Rulebook for issuers, to update any forward-looking statements or to conform these forward-looking statements to actual events or developments.

Business and market data

The information concerning market growth and size as well as Nordic Paper's market position in relation to the competitors specified in this Offering Circular comprises an overall assessment by Nordic Paper, based on both internal and external sources. The sources on which Nordic Paper has based its assessment are indicated continuously in the information. Nordic Paper has obtained certain market and competitive position data in this Offering Circular from a report dated 7 April 2020 produced by Fisher International ("**Fisher International Market Study**"). The Fisher International Market Study was prepared at the request of the Company in return for payment and it is the Company's opinion that it is reliable. As part of its research for the Fisher International Market Study, the consultancy firm Fisher International received market and company information from Nordic Paper. In addition, Nordic Paper makes several statements and assumptions in this Offering Circular about the industry and its competitive position within the industry. These statements and assumptions are based on the Company's experience and its own market surveys. Nordic Paper cannot guarantee that any of the information submitted to the consultancy firm or other statements and assumptions made are correct, nor that they accurately reflect its market position in the industry. None of the Company's available information have been verified by independent sources, which may have had estimates or views of industry-related information that differ from those of the Company. Market and business information may include estimates concerning future market trends and other forward-looking statements. Forward-looking statements are not a guarantee of future results or trends, and the actual results could differ materially from those contained in the forward-looking statements.

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Summary of the Offering

Price range

SEK 40–52 per share

Application period for the general public

13 October – 20 October 2020

Announcement of the offering price

22 October 2020

First day of trading in Nordic Paper's shares

22 October 2020

Settlement date

26 October 2020

Other information

Ticker: NPAPER

ISIN-code: SE0014808838

LEI-code: 549300IA1EP1W7DZP567

Financial calendar

Interim report for the period January – September 2020, Q3

28 October 2020

Year-end report, Q4

28 January 2021

Certain definitions

ABG	ABG Sundal Collier AB.
CITIC CLSA	CLSA (UK).
DNB	DNB Markets, a part of DNB Bank ASA, Sweden Branch.
Euroclear Sweden	Euroclear Sweden AB.
Joint Global Coordinators	ABG and Nordea.
Joint Bookrunners or Managers	ABG, Nordea, CITIC CLSA and DNB.
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm Aktiebolag.
Nordea	Nordea Bank Abp, filial i Sverige.
Nordic Paper, the Company or the Group	Nordic Paper Holding AB (publ), the group in which Nordic Paper Holding AB (publ) is the parent company or a subsidiary of the group, as the context may require.
Principal Owner, Shanying International or Shanying	Shanying International Holding Co., Ltd.
SEK	Swedish krona.
Sutriv Holding	SUTRIV Holding AB.

Summary

Introduction and warnings

Introduction and warnings	<p>This summary should be read as an introduction to this Offering Circular. Any decision to invest in the securities should be based on an assessment of the Offering Circular in its entirety by the investor.</p> <p>Any decision to invest in securities entails risks and an investor may lose all or part of the invested capital. Where statements in respect of information contained in an Offering Circular are challenged in a court of law, the plaintiff investor may, in accordance with member states' national legislation, be forced to pay the costs of translating the Offering Circular before legal proceedings are initiated. Under civil law, only those individuals who have produced the summary, including translations thereof, may be enjoined, but only if the summary is misleading, incorrect or inconsistent with the other parts of the Offering Circular or if it does not, together with other parts of the Offering Circular, provide key information to help investors when considering whether to invest in the securities.</p>
Issuer information	<p>Nordic Paper Holding AB (publ), Reg. No. 556914-1913, Bäckhammars bruk, SE-681 83 Kristinehamn, Sweden. LEI-code: 549300IA1EP1W7DZP567 Ticker: NPAPER ISIN-code: SE0014808838</p>
Information on the selling shareholder	<p>Shanying International Holding Co., Ltd., No. 3, Qinjian road, Maanshan City, Anhui Province, Shanghai 243021, China, LEI-code 300300189RUIO9PF4B47, through the indirectly wholly-owned subsidiary SUTRIV Holding AB, Reg. No. 559118-8429, Box 70396, SE-107 24 Stockholm, Sweden, LEI-code 984500D7905R6J95D198. Shanying International is a Chinese-based listed company and one of the largest paper industry companies in China, mainly focused on container-board manufacturing.</p>
Competent Authority	<p>Finansinspektionen is the Swedish Financial Supervisory Authority (the "SFSA") and the competent authority responsible for approving the Swedish Offering Circular. Postal address: Box 7821, SE-103 97 Stockholm, Sweden. Telephone number: +46 (0)8 408 980 00. Website: www.fi.se. The Swedish Offering Circular was approved by the SFSA on 12 October 2020.</p>

Key information on the issuer

Who is the issuer of the securities?

Issuer information	<p>Issuer of the securities is Nordic Paper Holding AB (publ), Reg. No. 556914-1913. The Company's registered office is in Karlstad, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated on 26 November 2012 in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI-code is 549300IA1EP1W7DZP567.</p>
The issuer's principal activities	<p>Nordic Paper is a producer of specialty paper with a leading¹⁾ position within kraft paper and natural greaseproof paper. The Company operates through four production sites located in Säffle, Greåker, Bäckhammar and Åmotfors, which manufacture high quality pulp and paper with an annual total production capacity of 286 ktonnes paper, whereas the volume of paper sold in 2019 amounted to 264 ktonnes. The Company's mills are strategically located in the heart of Scandinavia, in close proximity to favourable wood sourcing and with access to virgin long-fibre which is suitable for the manufacturing of strong paper. Nordic Paper has approximately 700 customers located in approximately 70 countries and close to 95 per cent of the Company's manufactured paper is exported. Nordic Paper operates two business segments: Kraft Paper and Natural Greaseproof.</p> <p>1) Fisher International Market Study. For further information, please refer to sections "Market Overview – Competitive landscape" and "Business Overview – Key strengths and competitive advantages – Leading market positions within attractive key niche markets".</p>

Major shareholders and control over the issuer	As of the date of this Offering Circular, the Company's only shareholder is SUTRIV Holding AB, holding 66,908,800 shares, corresponding to 100 per cent of the shares and votes. The Company is indirectly controlled by Shanying International Holding Co., Ltd. through its indirect wholly-owned subsidiary SUTRIV Holding AB.
Key managing directors	The Company's board of directors consists of Per Bjurbom (chairman), Stefan Lundin, Ying Che, Helene Willberg, Karin Eliasson, Arne Wallin, Tommy Hedlund (employee representative), Per Gustafsson (employee representative), Nicklas Backelin (deputy employee representative) and Tom Röd (deputy employee representative). The Company's senior management consists of Anita Sjölander (CEO), Niclas Eriksson, Jens Otterstedt, Marie Stenquist, Lars Löfquist, Christian Persson, Peter Warren, Henrik Asp, Patric Johansson and Ingrid Östhols.
Auditor	Öhrlings Pricewaterhousecoopers AB has been the Company's auditor since 2017 and was, at the annual general meeting 2020, re-elected until the end of the annual general meeting 2021. Martin Johansson (born 1967) is the auditor in charge.

What is the key financial information regarding the issuer?

Key financial information in summary	Selected income statement items	Full-year			January–June	
		2019	2018	2017	2020	2019
	<i>SEK million</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	Net sales	3,231.0	3,035.3	2,777.1	1,593.5	1,702.1
	Operating profit	530.3	420.4	431.8	276.2	361.6
	Net profit for the period	414.3	318.6	315.3	215.3	280.9
	Selected balance sheet items	Full-year			January–June	
		2019	2018	2017	2020	2019
	<i>SEK million</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	Total assets	2,236.3	2,026.8	1,950.0	2,335.1	2,218.4
	Total equity	1,288.3	892.1	577.3	1,345.5	1,176.1
	Selected cash flow items	Full-year			January–June	
		2019	2018	2017	2020	2019
	<i>SEK million</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	Cash flow from operating activities	450.7	337.9	396.0	190.5	224.9
	Cash flow from investing activities	-100.4	-90.8	-81.8	-33.8	-31.9
	Cash flow from financing activities	-103.1	-338.3	-396.5	-81.2	-57.4
	Cash flow for the period	247.2	-91.2	-82.3	75.5	135.6

The key financial information below is presented in addition to the information that is required to be described in the summary of the Offering Circular, in accordance with Regulation (EU) 2017/1129.

Selected key performance measures

		Full-year			January–June	
		2019	2018	2017	2020	2019
	<i>SEK million (unless otherwise stated)</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>	<i>Unaudited</i>	<i>Unaudited</i>
	Sales volume, ktonnes*	264	256	257	136	138
	EBITDA	629.0	509.5	522.0	328.1	410.4
	EBITDA margin, %	19.5%	16.8%	18.8%	20.6%	24.1%
	Operating profit (EBIT)	530.3	420.4	431.8	276.2	361.6
	Operating profit margin, %	16.4%	13.8%	15.5%	17.3%	21.2%

*Refers to the volume of sold paper.

What are the key risks that are specific to the issuer?

Material risk factors specific to the issuer	<p>Main risks related to Nordic Paper consists of:</p> <ul style="list-style-type: none"> ● Nordic Paper could be affected by risks related to the novel coronavirus (Covid-19). ● Nordic Paper operates in competitive markets and is subject to competition regarding, e.g., the pricing and quality of its products, whereby it could fail to compete successfully. ● Macroeconomic factors and trends in various markets, such as food and industrial, could lead to variations in demand and pricing of Nordic Paper's products. ● Cost of input goods and services used by Nordic Paper for production vary over time and could adversely affect Nordic Paper's operations. ● Long term relationships with agents and customers could be impacted if such agents and/or customers face difficulties or if such relationships deteriorate. ● Damages to production equipment and other disruptions in production could lead to cessation of one or several of Nordic Paper's production units. ● Nordic Paper is dependent on IT systems for its ongoing operations and disruptions or errors in critical systems could lead to disruptions in production and important business processes. ● An inefficient implementation of strategic plans, erroneous investment decisions, failure in establishing commitment for adopted strategies and risks relating to acquisitions and integration could adversely affect Nordic Paper's operations. ● Nordic Paper is exposed to currency risks due to transactions performed in currencies other than SEK and due to subsidiaries holding net assets in currencies other than SEK. ● Nordic Paper's operations are exposed to environmental risks and must comply with various environmental regulations. ● Nordic Paper's operations are exposed to risks related to sanctions, corruption and competition. ● Insufficient liquidity and failure to obtain credit could lead to the Company not being able to fulfill its obligations.
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Key information on the securities

What are the main features of the securities?

Securities offered	Shares in Nordic Paper Holding AB (publ), Reg. No. 556914-1913. ISIN-code SE0014808838. The shares are denominated in SEK.
Total number of shares in the Company	As of the date of this Offering Circular, there are 66,908,800 issued shares in the Company, each with a quota value of approximately SEK 0.285715.
Rights associated with the securities	<p>Each share in the Company entitles the holder to one vote at general meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company. If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue. The shares carry the right to payment of dividend for the first time on the record date for distribution which falls immediately after the listing. All shares in the Company give equal rights to dividends and the Company's assets and possible surpluses in the event of liquidation.</p> <p>With exception of the undertakings not to transfer shares in the Company during a certain period of time from the first day of trading of the Company's shares on Nasdaq Stockholm from, among others, the Principal Owner, the shares in the Company are freely transferable in accordance with applicable law.</p> <p>The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act (2005:551).</p>
Dividend policy	<p>Approximately 50–70 per cent of net profit is to be paid as dividend.</p> <p>The proposed dividend shall take Nordic Paper's financial position, liquidity position, future investment needs and general macroeconomic and business conditions into account.</p>

Where will the securities be traded?

Admission to trading	On 16 September 2020 Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the listing requirements. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such an application and fulfills the distribution requirements for its shares. Trading in the Company's shares is expected to commence on or about 22 October 2020.
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What are the key risks that are specific to the securities?

Material risk factors specific to the securities	<p>Main risks related to the shares of Nordic Paper consists of:</p> <ul style="list-style-type: none"> ● An active, liquid and orderly trading market for Nordic Paper's shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment. ● Sales of shares by existing shareholders could cause the share price to decline. ● The Principal Owner will continue to have substantial influence over Nordic Paper after the Offering.
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Key information on the offer of securities to the public and the admission to trading on a regulated market

Under which conditions and timetable can I invest in this security?

Offering forms and conditions	<p>General: The Offering comprises up to 34,123,488 shares of which all are existing shares in the Company.</p> <p>The Offering is divided into two parts:</p> <ol style="list-style-type: none"> 1. The offer to the general public¹⁾ in Sweden 2. The offer to institutional investors²⁾ in Sweden and abroad <p>In addition, employees of Nordic Paper in Sweden and Norway will be offered the opportunity to acquire shares in the Offering.</p> <p>The outcome of the Offering is expected to be announced through a press release on or about 22 October 2020.</p> <p>The Principal Owner has reserved the right to increase the Offering by up to 10,036,320 existing shares, corresponding to a maximum of 15 per cent of the total number of shares in the Company. In addition, the Principal Owner intends to issue an overallotment option to Joint Bookrunners, implying that Joint Bookrunners at Joint Global Coordinators' request no later than 30 days from the first date of trading in the Company's share on Nasdaq Stockholm has the right to acquire additional 6,623,971 existing shares from the Principal Owner, at a price corresponding to the Offering Price, equal to no more than 15 per cent of the total number of shares in the Offering, including the additional shares which could be added following an increase of the Offering. The overallotment option may only be exercised in order to cover possible overallotments in the Offering.</p> <p>Offering Price: The Offering Price is expected to be set within the range of SEK 40–52 per share. The Price Range has been set by the Company's board of directors and the Principal Owner in consultation with the Joint Global Coordinators, based on the anticipated investment interest from institutional investors. The Offering Price to the general public will not exceed SEK 52 per share. Brokerage commission will not be charged. The final Offering Price will be determined by the Company's board of directors and the Principal Owner in consultation with the Joint Global Coordinators and is expected to be announced through a press release on or about 22 October 2020.</p> <p>Allotment: Decision on allotment of shares will be made by the Company's board of directors and the Principal owner in consultation with the Joint Global Coordinators, whereby the goal will be to achieve a strong institutional ownership base and a broad distribution of the shares among the general public, in order to facilitate a regular and liquid trading in the shares on Nasdaq Stockholm.</p> <p>Admission to trading: On 16 September 2020 Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the listing requirements. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such an application and fulfills the distribution requirements for its shares. Trading in the Company's shares is expected to commence on or about 22 October 2020.</p> <p>1) The general public includes private individuals and legal entities that applies for acquisition of a maximum of 20,000 shares. 2) Institutional investors include private individuals and legal entities that applies for acquisition of a maximum of 20,000 shares.</p>
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Timetable for the Offering	<i>Application period for the general public</i>	13 October – 20 October 2020
	<i>Application period for institutional investors</i>	13 October – 21 October 2020
	<i>Announcement of offering price</i>	22 October 2020
	<i>First day of trading in the Company's shares</i>	22 October 2020
	<i>Settlement date</i>	26 October 2020
Costs for the Offering	Nordic Paper's costs associated with the listing on Nasdaq Stockholm and the Offering are expected to amount to approximately SEK 27 million. Such costs primarily relate to fees and expenses for auditors, attorneys, printing of the Offering Circular, costs related to management presentations, etc.	

Who is the offeror and the person asking for admission to trading?

Offeror of the securities	<p>The offeror of securities is Shanying International Holding Co., Ltd., through the indirectly wholly-owned subsidiary, SUTRIV Holding AB.</p> <p>Shanying International Holding Co., Ltd., with its registered office in Shanghai, China, is a Chinese company limited by shares founded in China under Chinese law, incorporated and operating under Chinese law. The company's form of association is governed by the Company Law of the People's Republic of China. The Company's LEI-code is 300300189RUI09PF4B47.</p> <p>SUTRIV Holding AB, Reg. No. 559118-8429, with its registered office in Stockholm, Sweden, is a Swedish private limited liability company founded in Sweden under Swedish law, incorporated in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI-code is 984500D7905R6J95D198.</p>
Person asking for admission to trading	The person asking for admission to trading is Nordic Paper Holding AB (publ).

Why is this Offering Circular being produced?

Reasons for the Offering	<p>The board of directors and the senior management of Nordic Paper, supported by Sutriv Holding and the Principal Owner, consider the Offering and listing of Nordic Paper to be a logical and important step in Nordic Paper's development. A listing of Nordic Paper would further increase awareness of the Company and its operations as well as further enhance Nordic Paper's profile with investors, business partners, customers and other important stakeholders. In addition, Nordic Paper as a separately and independently listed company would be well positioned to pursue its own growth agenda.</p>
Interests and conflict of interests	<p>The Managers provide financial advisory and other services to the Company and the Principal Owner in connection with the Offering, for which they will receive a commission from the Principal Owner equal to a certain percentage of the gross proceeds of the existing shares sold in the Offering. In addition, the Principal Owner may choose to pay to the Managers a discretionary fee, the amount and allocation of which is to be determined after the completion of the Offering. The total compensation received by the Managers is dependent on the success of the Offering. The Company will not pay any commission to the Managers.</p> <p>From time to time, the Managers provide services in the ordinary course of business to the Principal Owner and parties affiliated to the Principal Owner in connection with other transactions.</p> <p>Advokatfirman Vinge KB and Shearman & Sterling (London) LLP have been legal counsel in connection with the Offering and the IPO, and may provide additional legal services to the Company.</p>

Risk factors

This section contains the risk factors and significant circumstances considered to be material to the Group's business and future development. The risk factors relate to the Group's business, industry and markets, and further include operational, strategic, financial, legal and regulatory risks as well as risk factors related to the securities. The assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact. In accordance with the Prospectus Regulation, the risk factors mentioned below are limited to risks which are specific to the Company and/or to the securities and which are material for taking an informed investment decision.

The description below is based on information available as of the date of this Offering Circular. The risk factors that are currently considered to be the most material are presented first in each category and the subsequent risk factors are presented in no particular order.

The Group's business, industry and markets

Nordic Paper could be affected by risks related to the novel coronavirus (Covid-19)

In 2019, the outbreak of a novel coronavirus ("**Covid-19**") was detected in the city of Wuhan, China. In the beginning of 2020, Covid-19 began to spread rapidly outside of China, and on 11 March 2020, the World Health Organization (WHO) announced that the outbreak had been classified as a pandemic. As a result of the pandemic, governments, public authorities and other organizations have imposed guidelines, advice, recommendations, bans and taken other measures to limit the spread of infection. Such measures include, among others, the imposition of guidelines and restrictions on transportation and travel, the closure of work facilities, schools and other institutions, the imposition of quarantines, restrictions on the number of persons at public gatherings and public events and even outright bans on public and private gatherings.

As of the date of this Offering Circular, Covid-19 has not had any effect on Nordic Paper's production capabilities and no material effect on Nordic Paper's financial condition. Nordic Paper experiences that the pandemic has a negative impact on demand in countries where lockdown is implemented or has been implemented, such as the United States, United Kingdom and Italy, and the Company has therefore implemented certain production restrictions in the Natural Greaseproof segment and it cannot be ruled out that such measures may also need to be taken in the future. In regard to greaseproof paper, there has also been some shift in the demand, i.e. from the professional food service sector to the consumer driven retail sector. When viewing the operations as a whole, the experienced decrease in demand is limited and has thus not had a material effect on Nordic Paper's financial condition. However, it cannot be ruled out that Covid-19, including any potential second wave of the pandemic, or any related measures taken to

combat its spread, may in the future, have an impact that proves to be materially adverse to Nordic Paper's financial condition and results of operations. To which extent and for how long Covid-19, in such case, might affect Nordic Paper will depend on a number of factors that the Company, as of the date of this Offering Circular, cannot identify or assess with precision or certainty, including the (i) pandemic's longevity, scope and negative effects on economic, political and market conditions, which in turn might have negative effects on factors stimulating demand for the Group's products; (ii) the measures taken by governments, public authorities and other organizations to counteract the negative effects of Covid-19, including restrictions or obstructions on meetings and closure of work facilities, as well as (iii) the risk of employees contracting the disease and proving incapable of working, each of which could affect Nordic Papers' operations, either temporarily or for a longer time period. The spread of Covid-19 may also continue to have an adverse effect on global economic activity and may lead to a recession or depression, which could, directly or indirectly, seriously affect the demand for the Group's products. For example, due to restaurants closing down or going insolvent, the demand for food-related products used by such industry could decrease, which could adversely affect the demand of greaseproof paper. Furthermore, Nordic Paper's earnings and future growth can be adversely affected by Covid-19, or any other pandemics or diseases, for example if ongoing or planned projects or investments are delayed or completely interrupted.

Covid-19 and the global and regional economic changes caused by the pandemic (and as a result of any future virus outbreaks) may also involve increased risk exposure in relation to other risk factors that are identified and specified in this risk section, which in turn may have an adverse effect on Nordic Paper's financial condition and future outlook.

Nordic Paper operates in competitive markets and is subject to competition regarding, e.g., the pricing and quality of its products, whereby it could fail to compete successfully

Nordic Paper's operations are conducted in a competitive industry. The competition is driven by, among other things, brand recognition and loyalty, as well as product innovation, quality and performance, price, service, proximity to customers and distribution capabilities. Both the pulp market and the paper market are affected by changes in production capacity, which occasionally creates differences between supply and demand and tends to give a volatile pricing. Such changes are driven by the production capacity of the players on the market, including Nordic Paper and its competitors, and is affected by the players' perception of future demand, their positioning and investments in production capacity. Historically, prices of pulp have been the most volatile, but prices of paper are also subject to volatility. Price and volume fluctuations in the pulp and paper markets will most likely continue to occur in the future and could have an adverse effect on Nordic Paper's results of operations.

Increased competition in Nordic Paper's operation markets is an ever-present risk. A potential growth of competition resulting from a possible increase in the production capacities of Nordic Paper's competitors, and thus, in the paper supply in the market, can have an adverse effect on the achievement of planned revenues and the ability to achieve financial and operating assumptions made. In addition, it is not certain that Nordic Paper will be successful in developing and introducing new or improved products as necessary for achieving and/or maintaining its position within the markets of kraft and greaseproof paper. Increased competition in these markets, whereby other alternatives with similar or differentiating characteristics and/or the terms on which these are offered emerge, could drive customers to purchase products from competitors instead, which in turn may have an adverse effect on Nordic Paper's revenue. Furthermore, there is a risk that Nordic Paper will not succeed in scaling up its production capacity according to plan, for example through the planned investment in Bäckhammar, and in the pace the market is expected to grow and thereof experience difficulties in maintaining its market share and competitiveness as well as reaching its financial goals.

Macroeconomic factors and trends in various markets, such as food and industrial, could lead to variations in demand and pricing of Nordic Paper's products

Nordic Paper's primary source of revenue is the sale of paper produced within its two segments, Kraft Paper and Natural Greaseproof. The price of Nordic Paper's products is set on the open market and depends on how production volume is matched to demand in the market. Nordic Paper's paper prices are usually determined on a short-term basis, whereby paper price fluctuations occur from time to time to

varying degrees and are not necessarily correlated to the cost base for Nordic Paper. As such, a negative price development for marketed products that cannot be off-set by lowered costs could lead to diminished earnings for the Company.

The demand for Nordic Paper's products depends on, among other things, general macroeconomic trends, including recession, inflation, deflation, general weakness in retail markets and changes in consumer purchasing power and preferences. Any uncertainties regarding future economic prospects that affect consumer spending habits, including pandemics, could have an adverse effect on consumer purchases of products made of paper or requiring paper from Nordic Paper and adversely affect Nordic Paper's business, financial condition and results of operations. The dependency on the economic climate means that the conditions in the general economy will affect Nordic Paper's operations. Due to the cyclical nature of the goods produced by Nordic Paper, especially those products marketed within Kraft Paper, a financial downturn in the general economy could lead to an overcapacity and subsequent pressure on pricing and adverse effect on profitability and margins without an equivalent effect on the fixed costs. There is therefore a risk that Nordic Paper's results of operations may be adversely affected during a financial downturn in the general economy.

Furthermore, Nordic Paper is also uniquely affected by trends in certain specific markets in which the Company markets its products. For example, the demand for kraft paper is especially affected by trends in industrials and construction and the demand for greaseproof paper is especially affected by trends related to food. There is a risk that negative trends in such markets, both stagnant or diminished activity in general or implementation of new standards and regulations for the products produced, could lead to a diminished demand for Nordic Paper's products.

Cost of input goods and services used by Nordic Paper for production vary over time and could adversely affect Nordic Paper's operations

Nordic Paper's production of pulp and paper requires several different input goods and services. The supply of required input goods, such as pulpwood, sawmill chips, silicone and other chemicals, as well as input services, such as distribution services, and energy, at the appropriate time and with the appropriate amount is essential for Nordic Paper's production of pulp and subsequent production of paper. Nordic Paper's variable costs, which mainly consists of input goods and services and constitutes recurring costs for Nordic Paper, amounted to approximately 53.3 per cent of Nordic Paper's cost base for the financial year 2019.

Market prices of input goods and services used in the production of Nordic Paper's products fluctuate over time due to, among other things, availability and supply and demand, which could be adversely affected by pandemics, as well as energy costs, transportation costs, exchange rate

fluctuations and regulatory decisions. For example, the price of pulpwood experienced an increase of approximately 70 per cent between the years 2005 and 2019.¹⁾ Since the peak in 2019, the price of pulpwood has started to fall, amounting to a decrease, compared to the peak in 2019, of approximately 8 per cent as of the end of the first quarter 2020.²⁾ Prices of pulpwood and sawmill chips are affected by demand in the pulp industry, which means that changes in production in the pulp industry in the Nordic countries can lead to a change in cost for pulpwood and sawmill chips over time. Other applications, such as sawn timber products and wood fuel, primarily in connection with the use of biofuels for electricity or heat production, may also affect prices indirectly. Forest fires, adverse weather conditions, for example long periods of humid or warm weather, and other occurrences in nature, such as hurricanes, could also lead to a disturbed supply of pulpwood, missed deliveries of input goods in general, and increased costs for Nordic Paper, both due to alternative supply channels being pursued but also in regard to disruptions in production. For example, as a result of the restrictions in place to prevent potential forest fires in the dry and warm weather during the summer months of 2018, logging operations in the forests were affected and Nordic Paper had to incur higher fiber cost in Bäckhammar, since more expensive sawlogs had to be used to replace lower-priced pulpwood.

To the extent an increase in the prices of the input goods and services cannot be compensated by increasing the prices of Nordic Paper's products, the results of operations of the Group could be adversely affected.

Nordic Paper and its operations could be affected by new political agendas and administrative regulations

Nordic Paper has production facilities in Sweden and Norway and markets its products internationally. During the financial year 2019, net sales in Sweden amounted to SEK 446 million, in Italy to SEK 424 million, in Germany to SEK 357 million, in United Kingdom to SEK 257 million, in the rest of Europe to SEK 811 million, in the United States to SEK 431 million and in the rest of the world to SEK 503 million. Changes in the political situation in these regions or countries, or political decisions affecting an industry or country, could materially impact the sales or associated costs of Nordic Paper's products. These include recent political events, such as the United Kingdom vote to leave the European Union, which has created uncertainty regarding the future trade policy with the United Kingdom (wherein net sales of Nordic Paper, during 2019, amounted to SEK 257 million), but also an increase of trade barriers around the world, for example the escalation of tariffs between countries such as the United States and China as well as more stringent border controls, for example due to Covid-19. As Nordic Paper usually covers the delivery costs to customers, an increase of trade barriers and escalation of tariffs, as well as increased require-

ments on transportation methods, such as employment regulations for drivers or restrictions on the use of certain transportations, e.g. fossil fuel driven transportation and sea transportation (such as the impact from the European Sulphur Content of Marine Fuels Directive), could lead to increased costs or failure to achieve planned revenues.

In addition, Nordic Paper may be affected by the current political discussions in Sweden regarding protection of forests, where there is currently a movement advocating that larger areas of forests should be exempt from commercial forestry. If any such restrictions on commercial forestry are implemented, the Company may not be able to purchase its input goods at the same price as it is used to, which could adversely affect Nordic Paper's results of operations. Nordic Paper is also affected by standards and requirements on paper used in the food industry. Changes in such standards or requirements, could lead to that products currently produced by Nordic Paper can no longer be used for the intended purposes which could lead to additional costs to adapt the paper in accordance with the new standards or requirements or entail that Nordic Paper no longer will be able to produce and sell paper for a specific purpose within its current business.

Nordic Paper works with external monitoring, actively participates in various organizational networks and with indirect lobbying through certain associations, such as the Swedish Forest Industries Federation. However, there is always a risk that political decisions may prevent or limit Nordic Paper's opportunities to conduct its operations and market its products in accordance with current procedures and processes. Political upheaval, changes in laws due to political agendas, such as regarding environment, taxation, financial reporting and local labour hiring requirements, and other factors, such as trade barriers and tariffs, could adversely affect Nordic Paper's results of operations.

Nordic Paper could fail to achieve strategic and operational objectives due to lack of access to competent employees

Nordic Paper's access to competent employees is of great importance to achieve strategic and operational objectives. It is therefore important that Nordic Paper is successful in attracting and retaining employees with appropriate competence in the future. Nordic Paper continually conducts employee surveys and achieves satisfactory results, but there is a risk that Nordic Paper encounters struggles associated with the industry in general, where lack of qualified personnel, due to declining interest in the industry or failure of the educational sector, could lead to difficulties in the future. A continued trend of urbanisation in Sweden and abroad, where people migrate from the rural areas, where Nordic Paper's production units are located, to the cities, could also lead to such issue intensifying in the future. The loss of management, qualified personnel or the inability to

1) JOO303 Statistiska meddelanden Rundvirkespriser 2019. Skogsstyrelsen.

2) Biometria (previously SDC) and Skogsstyrelsen. 28/08/2020: <https://www.skogsstyrelsen.se/statistik/statistik-efter-amne/rundvirkespriser/>.

identify, recruit and retain qualified personnel could adversely affect Nordic Paper's long-term results of operations.

Operational risks

Long term relationships with agents and customers could have an impact on Nordic Paper's business and operating results if such agents and/or customers face difficulties or if such relations deteriorate

Successful agent and customer relationships are vital to Nordic Paper's business and continued growth. Maintaining strong relationships with existing agents and customers and building relationships with new agents and customers is necessary to ensure that Nordic Paper's products are well presented to its customers and held available for purchase. Strong relationships with such and other large agents and customers lay the foundation for the recurring business Nordic Paper aims to achieve and is of great importance for Nordic Paper. In 2019, Nordic Paper's ten largest customers accounted for approximately 22 per cent of net sales. Within the segment Natural Greaseproof, one agent accounted for approximately 30 per cent of net sales, but such volume was in turn split among approximately 30 customers. Approximately 80 and 90 per cent of net sales within Kraft Paper and Natural Greaseproof, respectively, are attributable to customers that have purchased goods from Nordic Paper for six or more years. There are, however, no long-term agreements or exclusivity agreements with any specific customer. Instead, orders are normally received with expected volumes for a six to twelve months period. The Company's relationship with long-term agents or customers could deteriorate in the future, or such long-term customers may experience difficulties and become insolvent, which could have an adverse effect on Nordic Paper's results of operations.

Damages to production equipment and other disruptions in production could lead to cessation of one or several of Nordic Paper's production units

The four production units of Nordic Paper carry out production on an ongoing basis. The continuous operation of critical production equipment, including machinery, computer and electrical equipment as well as site infrastructure and supply of raw materials and energy means high efficiency in the utilisation of capital. In addition, Nordic Paper has, over the period from 2013 to 2019, also successfully increased production output by a compound annual growth rate ("CAGR") of 3.6 per cent in its existing production facilities without adding of new production lines to the mills. The continuous mode of operation and the historically high production output increases the sensitivity for production disturbances. The efficient operating time is not 24 hours a day, 365 days a year, but is instead reduced for a variety of reasons, including planned and unplanned maintenance stops as well as other reasons, including the installation of new equipment, lack of orders or necessary input goods.

The prevailing reasons for lost operating time are planned and unplanned stops. Planned stops are often related to maintenance, e.g. replacement of consumables such as fabrics and felts, and grade and quality changes of the machines. Unplanned stops are defined as all stops where the need is identified less than 24 hours ahead of the stop. For Nordic Paper, downtime has historically, on average, accounted for 5–10 per cent of the available time, whereof cleaning relates to 2–3 percentage points, planned maintenance relates to 1–3 percentage points and unplanned stops accounts for the remaining downtime.

Personnel at each respective mill within the Group continuously plan and carry out maintenance and the senior management annually reviews the production units' investment plans. During 2019, investments amounted to SEK 100.4 million, and included measures for increased productivity and environmental performance. Annual maintenance stops are also carried out to ensure a high and even production rate. During the annual maintenance stops planned maintenance is executed. Inspections are performed to identify additional immediate and/or future needs to ensure continuous operation. During 2019, annual maintenance stops were performed at all four production units in Sweden and Norway. The annual maintenance stops are thoroughly planned to minimize maintenance time. Starting up the operation from complete stop to normal production rate requires a ramp up and synchronizing of the different process sections until stable conditions are fulfilled. This ramp up period can vary in time. If such maintenance stops are prolonged, or if additional maintenance needs are identified during such stops, the production could be adversely affected, and the maintenance could render additional costs compared to previous years and compared to what has been guided by the Company.

Besides the normal and average need of downtime in the production there can be unforeseen larger failures of equipment or accidents. Recent examples of events resulting in such unplanned stops include (i) the shutdown of the Bäckhammar pulp mill in May 2020 due to an accumulation of soap, resulting in costs and production shortfalls of in total SEK 20 million, and (ii) an equipment failure in Bäckhammar during the autumn of 2018 that caused an overload in the biological waste water treatment plant which lead to an unanticipated production stop of two weeks until the emission levels were secured in relation to the production permit level, resulting in costs and production shortfalls of SEK 45 million. Further, the potential closing of the Säffle pulp mill, whereby the production of sulphite pulp is discontinued and the associated sulphite boiler is taken out of use, would entail that steam to the paper machines in Säffle would only be supplied by the current bioboiler and the electrical back-up boiler. If the remaining boilers not should be able to function at full capacity due to unforeseen failures or accidents, the production of paper in Säffle could, in whole or in part, experience production shortfalls in the future.

Operations, including production and distribution, may also be disrupted for a variety of other internal and external reasons, including the unintentional release of substances harmful to health or environment, civil unrest, civil disobedience, natural disasters (including earthquakes, flooding, lighting strikes, snowstorms, fires or other natural disasters or other force majeure events), cyber-attacks, terrorist attacks, strikes, transportation disruptions and pandemics.

Nordic Paper has an active insurance policy, covering property and business interruptions (Sw. *egendom- och avbrottsförsäkring*), encompassing risks to property damage (including machinery breakdown), fires and business interruptions (including machinery breakdown). The sums insured are based on a replacement value and are, based on Nordic Paper's assessment, consistent with that of other companies operating in the same industry and appropriate for the operations of the Group. However, Nordic Paper could incur losses that exceed the scope of the insurance coverage, be unsuccessful in its insurance claims or be subject to deductibles in the claims, where such losses or deductibles could have adverse effect on Nordic Paper's financial condition and results of operations.

An inefficient implementation of strategic plans, erroneous investment decisions, failure in establishing commitment for adopted strategies and risks relating to acquisitions and integration could adversely affect the operations

Setting corporate targets is an important part of Nordic Paper's annual strategic cycle. Successful execution of Nordic Paper's strategic plans is however not assured, and Nordic Paper may fail to achieve management's guidance, targets or expectations in respect to its financial and operational targets or may not realise all or part of the benefits that it expects from its current plans or other future initiatives. No assurance can be given that the implementation of the Nordic Paper's strategy and/or the achievement of its financial targets or investment objectives will be successful under current or future market conditions. Such strategic plans could, for example, encompass acquisitions or divestments aimed to expand or contract the operations of Nordic Paper, by expanding into new product categories and geographical markets or divesting part of the operations due to reorganisation and streamlining of the business. Should the strategic plans not be implemented well enough, be communicated efficiently within the organization, achieve commitment among the employees or if the implementation is delayed for any reasons, it could lead to gradually reduced earnings and have an adverse effect on Nordic Paper's results of operations.

Nordic Paper's business strategy includes organic growth as well as growth through acquisitions of companies within the same industry. Organic growth encompasses strategic investments in production capacity as well a grad-

ual expansion into new product categories, new applications for existing products and new geographical markets, in order to adopt to reigning market conditions and to pursue implementation of adopted strategic goals. Nordic Paper's production units require continuous maintenance to maintain the production capability and to minimize the risk for unplanned downtime. In addition to the regular maintenance work, investments are also carried out. For example, an investment in a shoe press for a paper machine, made by Nordic Paper in 2018, amounted to SEK 55.9 million and facilitated a 11.0 per cent increase in paper output from that machine between 2018 and 2019. There is a risk that strategic investments in production units or gradual expansion measures, current or future, will be unsuccessful, which could have an adverse effect on Nordic Paper's financial condition and results of operations.

Growth through acquisitions of companies within the same industry also expose Nordic Paper to a number of risks. For example, when deciding to make an acquisition, Nordic Paper makes certain assumptions and determinations based on its due diligence of the companies to be acquired, as well as other information then available, including assumptions regarding future income and operating costs. However, these assumptions and determinations involve risks and uncertainties that may cause them to be incorrect, and therefore Nordic Paper may not realise the full benefits it expects from an acquisition. Other risks involved in the acquisition of companies within the same industry include risks linked to environmental conditions and technical shortcomings. Anticipated economies of scale and cost savings may not be realised in whole or in part or may occur later than anticipated. This may result in higher costs than planned. There can also be no assurances that the systems, operations or controls required to support the expansion of Nordic Paper's business are sufficient and they may require continued development.

In addition, acquisitions of companies can expose Nordic Paper to additional risks. These risks are mainly related to the integration of the acquisitions, such as the inability to retain key personnel or customers, merging costs, organisational costs, unexpected costs and difficulties in achieving the anticipated synergies from the acquisitions and the successful implementation of Nordic Paper's strategy in the aftermath of the acquisition. Entering into new geographical markets also entails risks related to, among other things, local legal requirements, business climate and common business practices and ethics. If the conditions in the jurisdictions change or differ from Nordic Paper's expectations, an expansion could involve new and increased risks for Nordic Paper.

If any of the foregoing risks relating to future or recently completed acquisitions materialise, Nordic Paper's financial condition could be adversely affected.

Nordic Paper is dependent on IT systems for its ongoing operations and disruptions or errors in critical systems could lead to disruptions in production and important business processes

Nordic Paper relies on IT systems for its day-to-day operations, including a system that the Group uses for the flow from order to delivery and an enterprise resource planning system that the Group uses for different functions such as finance, purchasing, storage of spare parts and maintenance of the mills. It is of great importance that the IT providers can maintain and update existing IT systems used by the Group and that the Group has efficient firewalls and antivirus programs in place. Any disruptions or faults in critical IT systems used by the Group, including those caused by sabotage, computer viruses received through phishing or otherwise, operator errors, software errors, hardware errors or termination of IT agreements could impact Nordic Paper's operations, including its ability to register orders, package, weight and deliver products, as well as issue invoices and register payments, and impact the reporting of its results, and consequently have an adverse effect on Nordic Paper's results of operations.

Disruptions or faults in the IT systems may also impact Nordic Paper's handling of personal data. Nordic Paper's operations are subject to data protection legislation. There is a risk that the measures taken by Nordic Paper in order to comply with processes and routines prove to be insufficient, and that unauthorised disclosure or incorrect processing of personal data occurs. This may result in fines, claims in damages from individuals and injunctions from supervisory authorities to effect rectification. Non-compliance with data protection legislation could have an adverse effect on Nordic Paper's financial condition.

Unethical conduct or a disregard for sustainability issues by Nordic Paper, its agents or its suppliers, could lead to depreciation of Nordic Paper's brand, reputational damage and difficulties of retaining and attracting customers and employees

Unethical behaviour or a disregard for sustainability issues may harm Nordic Paper's brand and market reputation. An inability to address adverse publicity or other issues, including concerns about Nordic Paper's, its agents or its suppliers' environmental and business conduct, product safety, quality or efficacy, real or perceived, could negatively impact sentiment towards Nordic Paper and its brand. Developing and maintaining Nordic Paper's reputation is an important factor for Nordic Paper's relationship with customers, suppliers, employees and others. This is due to Nordic Paper's operations being conducted in a competitive industry, whereby loyalty, which is dependent on positive sentiment, is among the main drivers. The Company has a Code of Conduct and a five-year strategy, which should permeate the entire Nordic Paper business. Supplier evaluations are also carried out annually and consist of a number of parameters, business ethics included. There is a however a risk

that the guidelines and procedures implemented by Nordic Papers prove to be insufficient, or that Nordic Paper, despite best efforts, is unable to comply with the guidelines and procedures or that individual employees breaches such guidelines and procedures, and that Nordic Paper's brand and market reputation is harmed, which could lead a deterioration of the relationship with customers, suppliers, employees and other important relationships, which could increase the cost for Nordic Paper when, for example, replacing suppliers and decrease the Nordic Paper's earnings if customers cannot be replaced on equal terms, and thus adversely affect Nordic Paper's results of operations.

Dependency on few or sole suppliers of certain input goods could have a significant impact on the Company's ability to source raw materials if such suppliers face difficulties to perform

Nordic Paper is dependent on suppliers for input goods and services, such as pulpwood and saw mill chips, bleached sulphate pulp and additive chemicals, energy, natural gas and other fuels. Nordic Paper's variable costs, which mainly consists of input goods and services, amounted to approximately 53.3 per cent of Nordic Paper's cost base for the financial year 2019. Nordic Paper aims to have several suppliers for the most essential input goods and strives not to depend on one individual supplier. However, it cannot be ruled out that changes to the current supply chains may emerge in the future, due to suppliers reorganising, repositioning on the market or due to altered relations between Nordic Paper and its suppliers. As Nordic Paper's supply chain network is exposed to potentially adverse events, such as physical disruptions, inefficient ordering and forecasting processes, environmental and industrial accidents or bankruptcy of key suppliers, a high dependency on certain individually important suppliers could adversely affect Nordic Paper's results of operations if and when such important suppliers experience difficulties to perform.

Financial risks

Nordic Paper is exposed to currency risks due to transactions performed in currencies other than SEK and due to subsidiaries holding net assets in currencies other than SEK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in exchange rates. The Group is exposed to currency risk through exchange rate changes of future payment flows, so-called transaction exposure, and the valuation of the net assets of foreign subsidiaries, known as translation exposure.

Nordic Paper operates in multiple geographical markets and is exposed to transaction risks when buying, selling and trading in currencies other than SEK, primarily EUR, GPB, USD and NOK. Exchange rate fluctuations, excluding hedging arrangements, had a positive effect on net sales between 2017 and 2018 of SEK 130.1 million, equivalent

to 4.7 per cent of net sales in 2017. For the period 2018 to 2019, the exchange rate fluctuations, excluding hedging arrangements, had a positive effect on net sales of SEK 130.0 million, equivalent to 4.3 per cent of net sales in 2018. Nordic Paper also has exposure to purchases in mainly EUR and USD, which reduces the total currency exposure. For 2019, a change of 5 per cent of the exchange rates in the most important currencies EUR, USD and GBP would imply an amendment in net profit of approximately SEK 66 million. Nordic Paper monitors and assesses trends in foreign currency exchange rates on an ongoing basis and seeks to address part of its transaction exposure by utilising hedges through currency derivatives. However, there is a risk that current or future hedging measures will fail to provide Nordic Paper with sufficient protection against the adverse effects of exchange rate fluctuations. In addition, the effectiveness of Nordic Paper's hedging activities is largely dependent on the accuracy of its assumptions and forecast on future cashflows. Any incorrect assessments affecting such assumptions or forecast may have an adverse effect on Nordic Paper's results of operations.

The Group also has translation exposure arising from the translation of foreign subsidiaries' earnings and net assets into SEK. The translation exposure is against NOK, with exposure, as of the end of the financial year 2019, amounting to approximately NOK 117 million. The Group does not hedge translation exposure and adverse effects of exchange rate fluctuations may as such have an adverse effect on Nordic Paper's financial condition and results of operations. For example, and in regard to the financial year 2019, a 5 per cent stronger SEK against NOK would have had a negative impact on equity of approximately SEK 4.8 million.

Indebtedness and changes in market interest rates could affect Nordic Paper's costs for financing and entail other risks

Interest rate risk concerns the impact that a change in interest rates may have on a company's financial performance. At the end of the 2019 financial year, the Group's interest-bearing debt amounted to SEK 238.0 million. The interest expenses amounted to SEK 11.7 million (including interest expenses on leasing liabilities) during the 2019 financial year. As a result of the refinancing in connection with the Offering, the Company expects the indebtedness will increase to SEK 1,000 million. The speed with which a change in interest rates affects profit and loss depends on the interest rate re-fixing periods of the loans and investments. Nordic Paper is currently or could in the future be exposed to risk stemming from interest rate fluctuations, which could adversely affect its financial costs. Interest rates fluctuate based on a number of factors beyond Nordic Paper's control, including but not limited to, the macro-economic policies of governments and central banks in jurisdictions in which Nordic Paper conducts its operations.

Nordic Paper's indebtedness may also have certain negative consequences including, inter alia, making the Group more susceptible to economic downturns, restricting

the Group from pursuing strategic opportunities or other business opportunities, and may divert a substantial portion of cash flow from operations to debt service obligations. Furthermore, the facilities agreement that the Company, in connection with the Offering, has entered into with DNB Bank ASA, DNB Bank ASA, Sweden Branch, DNB Sweden AB and Aktiebolaget Svensk Exportkredit contains various covenants limiting or restricting the Group's ability to, among other things, (i) provide securities, (ii) incur additional debt, (iii) divest or sell assets, (iv) make acquisitions, and (v) make loans or grant credits, including guarantees. All such limitations or restrictions are subject to exceptions or qualifications. The covenants could limit the Group's ability to finance future business and demand for capital and may affect its ability to carry out business opportunities and activities that may be of interest.

Nordic Paper could suffer losses due to customers and other counterparties failing to meet their payment obligations as they fall due

Credit risk refers to when a counterparty in a financial transaction cannot meet its commitments. Nordic Paper has established guidelines to ensure that products and services are sold to customers with a suitable credit background and the payment term varies between 0–90 days depending on the counterparty. In relation to Nordic Paper's net sales, credit losses (or reservations related thereto) have historically been relatively small and amounted, after insurance, to SEK 4 million for the financial year 2019 and SEK 2 million for the financial year 2018. Nordic Paper has an active trade credit insurance and strives to have at least 90 per cent of the account receivables secured in accordance with the Company's financial policy. However, there is a risk that Nordic Paper's review of its customers' payment capacity is proven to be insufficient or inaccurate in the future and that Nordic Paper incurs losses that exceed the scope of the insurance coverage. If Nordic Paper's measures to minimise the credit risk is not sufficient, or if customers and counterparties under financial agreements fails to fulfil payment obligations towards Nordic Paper, this could have an adverse effect on Nordic Paper's results of operations.

Insufficient liquidity and failure to obtain credit could lead to the Company not being able to fulfill its obligations

Nordic Paper manages liquidity risk by striving to maintain sufficient assets and short-term investments in a liquid market and the necessary financing through credit facilities. There is a risk that a deteriorated financial performance of Nordic Paper's operations may lead to liquidity deterioration. Reduced liquidity, in turn, may have several secondary effects that affect Nordic Paper adversely, including deteriorating credit conditions and terms of delivery.

In connection with the Offering, the Company has entered into a facilities agreement with DNB Bank ASA, DNB Bank ASA, Sweden Branch, DNB Sweden AB and Aktiebolaget Svensk Exportkredit, and a breach of the

covenants in this facilities agreement could lead to higher costs for financing or to termination of the facilities agreement. If Nordic Paper is not able to achieve its planned business targets or if existing facilities agreements are terminated, there is a risk that the Company will need additional capital from its shareholders. If Nordic Paper fails to raise the required capital in the future, this may entail Nordic Paper not being able to fulfill its obligations, which could adversely affect continued operations. There can be no assurance that financing will be available, including to refinance or replace its existing indebtedness at a commercially reasonable cost, or at all.

Legal and regulatory risks

Nordic Paper's operations are exposed to environmental risks and must comply with various environmental regulations

Nordic Paper's operations have an impact on air, water, land and biological processes. Nordic Paper is therefore subject to environmental regulations. Compliance with these rules and regulations is important for Nordic Paper's ability to continue its operations. For example, in Sweden, Nordic Paper's operations are regulated by, amongst others, the Swedish Environmental Code (Sw. *Miljöbalken (1998:808)*), the Government's regulation on environmentally hazardous activities and health protection (Sw. *Förordning (1998:899) om miljöfarlig verksamhet och hälsoskydd*) and the Government's Environmental Assessment Regulation (Sw. *Miljöprövningsförordning (2013:251)*). Nordic Paper must also comply with "best available techniques"-conclusions ("**BAT conclusions**") decided in accordance with the EU Directive on Industrial Emissions. The BAT conclusions are applicable in parallel to permit conditions and relates to acceptable emission levels. New acts and regulations, or a change in the application of existing legislation that Nordic Paper must comply with, could negatively impact the Group's results of operations. In addition, there is a risk that Nordic Paper's interpretation of existing codes, acts and regulations is incorrect, or the accepted interpretation of these codes could change in the future which could cause Nordic Paper to incur increased costs or face the risk of material fines, penalties or withdrawal of permits.

Under current environmental legislation, Nordic Paper is, for example, required to obtain permits for its operations related to the production of pulp and paper. As such, and in order for Nordic Paper to conduct its operations, the Group is dependent on being able to procure and maintain permits, licenses, authorizations and/or approvals or to duly notify the relevant authority. Obtained environmental permits have to be renewed within certain timeframes and new permits may also have to be obtained upon a change or increase in the production rate of a facility or upon a change in the environmental legislation or its interpretation, and there is a risk that such new permits will not be granted. In some cases, Nordic Paper's production facilities have been granted exemptions from the compliance with current BAT conclusions. In one of the cases, in Åmotfors, the exemptions are limited in time

and applicable BAT conclusions must be complied with no later than 1 January 2021. Work is underway within Nordic Paper to evaluate available alternatives. There is also a risk associated with applying for a new environmental permit, as it often leads to more restrictive conditions being applied to a new permit. Such stricter conditions or termination of existing exemptions from compliance with BAT conclusions may lead to requirements for further investments in, for example, emission reducing equipment, which may entail significant costs for the Group. As such, it is possible that permits, licenses, authorizations and/or approvals required for Nordic Paper in order to carry out its operations cannot be procured on reasonable terms or at all. Furthermore, a permit application is time consuming. For example, the permit application made in 2011, regarding the operations in Bäckhammar, took about two years from the filing of the application until the decision regarding the permit was made in the first instance. In the event the permit decision of the first instance is appealed, the process of receiving a new permit is prolonged, with another year or more. There is no guarantee that the outcome of such permit applications will be positive and even in the cases where the outcomes are positive for Nordic Paper, such processes are associated with additional costs and resources being utilised.

Nordic Paper's operations may generate hazardous and non-hazardous waste and emissions into the air and water, and the Group is subject to a wide range of laws and regulations related to the discharge of pollutants into the air and water, the use, storage and disposal of hazardous substances and waste and the clean-up of contaminated properties. Nordic Paper could incur significant costs, including fines, penalties, civil and criminal sanctions, investigation and clean-up costs and third-party claims for property damage or personal injury, as a result of violations of or liabilities under environmental laws and regulations or otherwise.

Additionally, and under current environmental legislation in the jurisdictions in which Nordic Paper operates, an operator that has contributed to contamination or acquired an operation that has contributed to contamination is also liable for its remediation. The production units in Bäckhammar, Åmotfors, Säffle and Greåker were established over a hundred years ago. A long industrial history typically causes a high risk of soil and groundwater contamination. There is a significant risk that the companies within the Group may be liable for potential contaminations in their capacity as operators of the production units since many years. This may involve soil decontamination or remediation in respect of the presence of, or suspicion of the presence of, contaminants in the soil, catchment areas or groundwater. The liability is not limited in time. It should, however, be noted that a portion of the costs may be reduced depending on the time when of the contamination was caused. Such risks could for example be actualized in connection with the potential closing of the Säffle pulp mill, whereby the production of sulphite pulp would be discontinued and the associated sulphite boiler would be taken out of use. The cost of inves-

tigation, removal, or remediation required to comply with environmental regulations may be substantial and therefore such orders could adversely affect Nordic Paper's financial condition.

Nordic Paper's operations are exposed to risks related to sanctions, corruption and competition laws

Nordic Paper's operations on the global paper market, in particular considering its geographic spread, expose Nordic Paper to risks related to, *inter alia*, sanctions and corruption. Nordic Paper's marketing of its products in certain jurisdictions, such as Lebanon, Russia, Serbia and Tunisia, increases its exposure to corruption. The corruption risks are particularly high in connection with procurement exercises for larger contracts of significant value. The risk is further increased by the Group's use of agents in many of their export markets as the Group may be liable for any corrupt practices by their business representatives in addition to their own employees. In the event of an undue benefit being provided by, or on behalf of, the Group, the potential lack of adequate procedures or non-compliance with such procedures, the Group, as well as employees and board members, could be exposed to the risk of criminal liability under Swedish and other applicable anti-bribery legislation. According to Swedish law, the Group itself can be liable for corporate fines up to SEK 500 million. According to other extraterritorial laws, the fines can be even higher.

Economic sanctions have become a significant risk factor for companies involved in international trade in recent years. Even if Nordic Paper's products may be considered as a low risk product in itself from a sanctions perspective, trade with sanctioned countries entails significant sanction risks for any company in terms of the identity of the local business associates and customer's business sectors, which may be subject to targeted sanctions. For instance, Russia, Ukraine and Syria are subject to sanctions by both the United States and the European Union. There is also the risk that products are re-exported to prohibited countries or persons. It cannot be ruled out that Nordic Paper, due to its geographical spread and international sales, may be included in sanctions lists due to accidental trading, directly or indirectly through representatives, with customers in areas subject to targeted sanctions. Furthermore, it cannot be ruled out that Nordic Paper may, indirectly, be adversely affected should a shareholder be affected or in any way be negatively exposed to such sanction laws.

Violations of applicable anti-corruption or sanctions laws could lead to fines and other criminal, civil or administrative sanctions and, in addition, have an adverse effect on Nordic Paper's reputation and financial condition.

Furthermore, Nordic Paper is subject to competition laws in the jurisdictions in which it operates. Competition authorities have the power to initiate ex-post regulatory procedures and to require a party to cease applying contractual terms, prices and practices that are found to be anti-competitive. Competition authorities also have the

power to impose fines and other sanctions as a result of non-compliance with relevant regulatory requirements.

Nordic Paper's operations are exposed to health and safety risks and must comply with various work-related health and safety regulations

The work environment within Nordic Paper's operations is instrumental to the health and safety of the employees of the Group as well as to business partners visiting the sites of the Group due to the risk of accidents and incidents. This applies both to the physical work environment as well as to social and psychological aspects. As such, Nordic Paper is subject to regulations in areas such as occupational health and safety. For example, in Sweden, Nordic Paper's operations are regulated by, amongst others, the Swedish Work Environment Act (Sw. *Arbetsmiljölagen (1977:1160)*) and its regulations.

During the year 2019, 16 work-related injuries (leading to loss of working time) of varying degree occurred in the operations of Nordic Paper, corresponding to 2.6 work-related injuries for every 100 employees. The large majority of such injuries were minor and consisted of sprained ankles, minor cut wounds as well as other hand and foot injuries. Some of them were however more serious and involved injuries to eyes and backs. Nordic Paper works actively to reduce the number of accidents and increase health attendance of the employees. For example, strategies are used to achieve specific targets, which are then followed up. Nordic Paper also works with continuously training the staff, routine reporting and follow-up of accidents and incidents. Non-compliance with acts and regulations in any of the jurisdictions in which the Group operates may result in authorities issuing orders for enforcement measures, imposing fees or fines, and in some cases even imposing restrictions on the operations of the Group, which can be serious and adversely affect Nordic Paper's financial condition.

Nordic Paper risks being involved in legal and administrative proceedings

Nordic Paper conducts business globally in both mature markets as well as in emerging markets, some of which may be less politically stable. Nordic Paper may be involved as a counterparty in various jurisdictions. Accordingly, from time to time, Nordic Paper risks being involved in civil law, work environment-related and administrative proceedings which arise within the scope of its day-to-day operations.

Disputes risk to arise upon claims from customers that Nordic Paper's products are inadequate or defective and fail to deliver the level of quality, security and reliability that the customer has expected, which could result in significant claims for damages or other demands for payment. This could in turn lead to other product-related litigation, significant product recalls as well as food safety disputes. Nordic Paper also risks being involved in administrative proceedings with supervisory authorities following complaints from counterparties, third parties or routine investigations. It is inher-

ently difficult to predict the outcome of legal, regulatory and other adversarial proceedings or claims and if the outcome of any current or future legal or administrative proceeding turns out to be negative for Nordic Paper, this could have an adverse effect on Nordic Paper's financial condition and results of operations. Even in the cases where the outcomes of the legal or administrative proceedings are positive for Nordic Paper, such proceedings are associated with additional costs and resources being utilised for defence and other measures.

Nordic Paper's tax situation could worsen if changes are made in taxation legislation

The Group is comprised of subsidiaries in Sweden and Norway and given the Group's international operations the Group is subject to assessment by different local tax authorities.

There is a risk that Nordic Paper's understanding and interpretation of tax laws, tax treaties and other provisions is not correct in all respects. There is also a risk that tax authorities in the relevant jurisdictions make assessments and decisions that differ from Nordic Paper's understanding and interpretation of the aforementioned laws, tax treaties and other provisions, which risks to negatively impact the Group's tax expenses and effective tax rate. Accordingly, there is a risk that amended laws, tax treaties or other provisions, which may apply retroactively, may have an adverse effect on Nordic Paper's results.

Nordic Paper's projections of future taxable income are based on management's estimates and assumptions. Accordingly, there is a risk that changes in assumptions or erroneous estimates in the projection of future taxable income result in significant differences in the valuation of deferred taxes. Significant differences in such assumptions thus constitute a significant risk for Nordic Paper.

Nordic Paper employs a largely unionised labour force and could be subject to organised labour actions, including work stoppages, that could have an adverse effect on its business

Most of Nordic Paper's employees are covered by collective agreements. In Sweden for example, Nordic Paper (through the Swedish Association of Industrial Employers (Sw. *Föreningen Industriarbetsgivarna*)) is bound by a collective agreement with several major employee unions, including the Swedish Paper Workers' Union (Sw. *Svenska Pappers-industriarbetareförbundet*). There is a risk that Nordic Paper will not be able to maintain its stable relations with unions, negotiate salary agreement/labour conditions that meet the union demands or become affected by conflicts and negotiations on a central national level, whereas Nordic Paper risks being involved in labour disputes and/or be subject to strikes and work stoppages before or during any negotiation process, similar to the conflict that took place between the Swedish Paper Industry Workers' Union and the Confederation of Swedish Enterprise (Sw. *Svenskt Näringsliv*) in 2010, when Nordic Paper was subjected to an overtime block. However, unlike several other paper and pulp mills in Sweden,

Nordic Paper's mills did not go on strike at such occasion. However, it cannot be ruled out that conflicts may break out in the future, with or without strikes and work stoppages, which, in turn, could lead to production disruptions and increased labour costs and have an adverse effect on Nordic paper's result of operations.

Risks related to the securities

An active, liquid and orderly trading market for Nordic Paper's shares may not develop, the price of its shares may be volatile, and potential investors could lose a portion or all of their investment

Prior to the Offering, there has been no orderly trading arranged for Nordic Paper's shares. There is a risk that an active and liquid market will not develop or, if developed, that it will be sustained after completion of the Offering. The offering price will be determined through a book-building procedure and, consequently, based on demand and the overall market conditions. The offering price will be set by the Company's board of directors and the Principal Owner in consultation with the Managers. This price will not necessarily reflect the price at which investors in the market will be willing to buy and sell the shares following the Offering. Investors may, thus, not be able to resell share at or above the offering price.

Sales of shares by existing shareholders could cause the share price to decline

The market price of Nordic Paper's share could decline if there are substantial sales of the Company's shares, particularly sales by the Company's directors, senior management, and significant shareholders, or otherwise when a large number of shares are sold.

Sutriv Holding, members of Nordic Paper's board of directors and certain employees within the Group, including the senior management, that acquire shares in connection with the Offering, have each agreed, subject to certain exceptions, for a certain period of time, not to sell their shares or enter into transactions with a similar effect without the prior written consent of the Joint Global Coordinators. After the expiry of the relevant lock-up period, the shareholders subject to lock-up will be free to sell their shares in Nordic Paper. Any sales of substantial amounts of Nordic Paper's shares in the public market by the Principal Owner or certain members of Nordic Paper's board of directors and senior management, or the perception that such sales might occur, could cause the market price of the Nordic Paper-share to decline.

The Principal Owner will continue to have substantial influence over Nordic Paper after the Offering

After completion of the Offering, the Principal Owner will, through Sutriv Holding, own in aggregate 49.0 per cent of the shares and votes in the Company, assuming that the Offering is not increased and that the Overallotment Option is not exercised.

Assuming that the Offering is increased in full and that the Overallotment Option is exercised in full, the Principal

Owner, through Sutriv Holding, own in aggregate approximately 24.1 per cent of the shares and votes in the Company. Thus, the Principal Owner is likely to continue to have a significant influence over the outcome of matters submitted to Nordic Paper's shareholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of Nordic Paper's assets. In addition, the Principal Owner could have significant indirect influence over the Company's senior management and Nordic Paper's operations.

The interests of the Principal Owner may differ significantly from or compete with Nordic Paper's interests or those of the other shareholders, and the Principal Owner could exercise influence over Nordic Paper in a manner that is not in the best interest of the other shareholders. By example, there could be a conflict between the interests of the Principal Owner on the one hand, and the interests of the Company or its other shareholders on the other hand with respect to distribution of dividends. Such conflicts could have a material adverse effect on the business, results of operations and financial condition.

Nordic Paper's ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors

The amount of any future dividends that Nordic Paper will pay, if any, will depend upon a number of factors, such as future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors. Nordic Paper also may not have sufficient distributable funds and Nordic Paper's shareholders may not resolve to pay dividends in the future. The dividend shall amount to approximately 50–70 percent of net profit in accordance with the Company's dividend policy. There is a risk however that Nordic Paper will not be able to pay out dividends at all or that future dividends will be lower than expected. This entails a risk for investors and may affect Nordic Paper's ability to attract investors whose investment decision is particularly dependant on the opportunity to receive recurring dividends.

Differences in currency exchange rates may materially adversely affect the value of shareholdings or dividends paid

Nordic Paper's shares will be quoted in SEK only, and any dividends will be paid in SEK. As a result, shareholders outside Sweden may experience adverse effects on the value of their shareholding and their dividends, when

converted into other currencies if SEK depreciates against the relevant currency. The recent strong development of SEK against certain other currencies, for example EUR and USD, has thus had a positive effect on the value of shareholdings denominated in other currencies. There is however a risk that SEK will have a negative development or not have the development shareholders anticipate and that shareholders, in the future, will experience negative effects of their shareholdings in Nordic Paper or dividends paid by Nordic Paper.

Shareholders in the United States or other countries outside Sweden may not be able to participate in any potential future cash offers

As of the date of this Offering Circular, the Company has only one shareholder, Sutriv Holding. In connection with the Offering, shares in the Company will be offered to both the public in Sweden and to institutional investors in Sweden and abroad. Following the Offering, the Company will therefore, most likely, have a number of shareholders in countries outside Sweden. Such shareholders may be exposed to additional risks. If the Company issues new shares in a cash issue, shareholders shall, as a general rule, have preferential rights to subscribe for new shares proportionally to the number of shares held prior to the issue. Shareholders in certain other countries may, however, be subject to limitations that prevent them from participating in such rights offerings, or that otherwise makes participation difficult or limited. By example, shareholders in the United States may be unable to exercise any such rights to subscribe for new shares unless a registration statement under the Securities Act is effective in respect of such subscription rights and shares or an exemption from the registration requirements under the Securities Act is available. Shareholders in other jurisdictions outside Sweden may be similarly affected if the rights and the new shares being offered have not been registered with, or approved by, the relevant authorities in such jurisdiction. Nordic Paper is under no obligation to file a registration statement under the Securities Act or seek similar approvals under the laws of any other jurisdiction outside Sweden in respect of any subscription rights and shares and doing so in the future may be impractical and costly. To the extent that shareholders in jurisdictions outside Sweden are not able to exercise their rights to subscribe for new shares in any future rights issues, their ownership in the Company may be diluted or reduced.

Invitation to acquire shares in Nordic Paper

In order to facilitate Nordic Paper's continued profitable growth and development, Nordic Paper and the Principal Owner have resolved to diversify the distribution of ownership of the shares. Nordic Paper's board of directors has therefore applied for listing of the Company's shares on Nasdaq Stockholm.

On 16 September 2020 Nasdaq Stockholm's listing committee made the assessment that the Company fulfils the listing requirements. Nasdaq Stockholm will approve an application for admission to trading of the Company's shares on Nasdaq Stockholm subject to certain conditions, including that the Company submits such an application and fulfills the distribution requirements for its shares. Trading in the Company's shares is expected to commence on or about 22 October 2020.

Pursuant to the terms and conditions set forth in the Offering Circular, investors are hereby offered to acquire a maximum of 34,123,488 existing shares from the Principal Owner (through Sutriv Holding).

The price of the Offering will be determined through a book-building process. The final price per share in the Offering (the "**Offering Price**") will be set within the price range of SEK 40 to 52 (the "**Price Range**") by the Company's board of directors and the Principal Owner in consultation with the Managers based on contacts with certain institutional investors, current market conditions and a comparison with the market price of other comparable listed companies. The Offering Price is expected to be made public through a press release around 22 October 2020.

The Principal Owner has reserved the right to increase the Offering by up to 10,036,320 existing shares, corresponding to a maximum of 15 per cent of the total number of shares in the Company. In addition, the Principal Owner intends to issue an overallotment option to Joint Bookrunners, implying that Joint Bookrunners at Joint Global Coordinators' request no later than 30 days from the first date of trading in the Company's share on Nasdaq Stockholm has the right to acquire additional 6,623,971 existing shares from the Principal Owner, at a price corresponding to the Offering Price, equal to no more than 15 per cent of the total number of shares in the Offering, including the additional shares that could be added following an increase of the Offering (the "**Overallotment Option**"). The Overallotment Option may only be exercised in order to cover possible overallotments in the Offering.

Provided that the Offering is increased in full and that the Overallotment Option is exercised in full, the Offering encompasses a maximum of 50,783,779 shares, which corresponds to approximately 75.9 per cent of the shares and votes in the Company.

The total value of the Offering, based on the Price Range of SEK 40 to 52, amounts to approximately SEK 1,365 to 1,774 million. If the Offering is increased in full and the Overallotment Option is exercised in full, the total value of the Offering amounts to approximately SEK 2,031 to 2,641 million.

Karlstad, 12 October 2020
Nordic Paper Holding AB (publ)
Shanying International Holding Co., Ltd.
SUTRIV Holding AB

Background and reasons

Nordic Paper is a producer of specialty paper with a leading¹⁾ position within kraft paper and natural greaseproof paper. The Company operates through four production sites located in Säffle, Greåker, Bäckhammar and Åmotfors, which manufacture high quality pulp and paper. The majority of the Company's paper is sold to the European market, which contributed to 63 per cent of the Company's net sales in 2019. Nordic Paper targets sales to selected niche segments of the kraft and greaseproof paper market, where the Company believes it can offer customers a strong value proposition in terms of high quality paper and services. The Company holds leading market position across all its key niche segments within the kraft and greaseproof paper markets.²⁾

In 2017, Shanying International, a Chinese-based listed company acquired 100 per cent of Nordic Paper through its Swedish-based subsidiary Sutriv Holding, recognizing both the Company's strengths in the global premium, speciality paper market and the opportunity to diversify Shanying's operations and holdings geographically by gaining a foothold in Europe and the Nordics. Shanying International is one of the largest paper industry companies in China, mainly focused on containerboard manufacturing. Shanying International is controlled by the Wu family.³⁾

The board of directors and the senior management of Nordic Paper, supported by Sutriv Holding and the Principal Owner, consider the Offering and listing of Nordic Paper to be a logical and important step in Nordic Paper's development. A listing of Nordic Paper would further increase awareness of the Company and its operations as well as further enhance Nordic Paper's profile with investors, business partners, customers and other important stakeholders. In addition, Nordic Paper as a separately and independently listed company would be well positioned to pursue its own growth agenda.

Nordic Paper's strong market positions and positive underlying market drivers have resulted in a favourable development over the past years. The Company's net sales have increased from SEK 2,777 million for the financial year ended 31 December 2017 to SEK 3,231 million for the financial year ended 31 December 2019, representing a CAGR of 7.9 per cent. During the same time period, the Company has improved its EBITDA margin from 18.8 to 19.5 per cent.⁴⁾ The board of directors and senior management believes that Nordic Paper is well positioned to deliver continued strong performances in the coming years. The Offering and the listing is expected to support the Company's continued growth and development by expanding the shareholder base and enabling Nordic Paper access to the Swedish and International capital markets as well as providing the optionality to use the Company's shares as currency in M&A transactions.

The Offering and listing of Nordic Paper will allow for the Principal Owner to partially monetise its holding as a natural next step to further diversify its holdings and geographic exposure. Notwithstanding this fact, the Principal Owner will remain a large and committed shareholder and is, by retaining a part of its holdings in Nordic Paper, able to participate in the future development of the Company.

In other respects, reference should be made to the full particulars of this Offering Circular, which has been prepared by the board of directors of Nordic Paper in connection with the application for listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection with the listing.

The board of directors of Nordic Paper is responsible for the contents of this Offering Circular. To the best of the knowledge and belief of the board of directors the information contained in this Offering Circular is in accordance with the facts and this Offering Circular makes no omission likely to affect the significance of such information.

Karlstad, 12 October 2020

Nordic Paper Holding AB (publ)

The board of directors

The board of directors of Nordic Paper alone is responsible for the content of this Offering Circular. However, the Principal Owner confirms its commitment to the terms and conditions of the Offering in accordance with what is set out in section "Terms and conditions" of the Swedish Offering Circular.

Shanying International Holding Co., Ltd.

- 1) Fisher International Market Study. For further information, please refer to sections "Market Overview – Competitive landscape" and "Business Overview – Key strengths and competitive advantages – Leading market positions within attractive key niche markets".
- 2) Fisher International Market Study.
- 3) As of 1 June 2020, the Wu family's consolidated direct and indirect (via Fujian Taison Industrial Co., Ltd) ownership in Shanying International corresponded to 33.26 per cent of the shares and votes in Shanying International.
- 4) IFRS 16 was applied by Nordic Paper for the first time for the financial year ended 31 December 2019. Thus, the EBITDA margin for 2017 and the EBITDA margin for 2019 are not calculated on the same basis. However, the impact of the application of IFRS 16 is marginal.

Market overview

The information concerning market growth and size as well as Nordic Paper's market position in relation to the competitors specified in this Offering Circular comprises an overall assessment by Nordic Paper, based on both internal and external sources. The sources on which Nordic Paper has based its assessment are indicated continuously in the information. Nordic Paper has obtained certain market and competitive position data in this Offering Circular from a report dated 7 April 2020 produced by Fisher International (Fisher International Market Study). The Fisher International Market Study was prepared at the request of the Company in return for payment and it is the Company's opinion that it is reliable. As part of its research for the Fisher International Market Study, the consultancy firm Fisher International received market and company information from Nordic Paper. In addition, Nordic Paper makes several statements and assumptions in this Offering Circular about the industry and its competitive position within the industry. These statements and assumptions are based on the Company's experience and its own market surveys. Nordic Paper cannot guarantee that any of the information submitted to the consultancy firm or other statements and assumptions made are correct, nor that they accurately reflect its market position in the industry. None of the Company's available information has been verified by independent sources, which may have had estimates or views of industry-related information that differ from those of the Company. Market and business information may include estimates concerning future market trends and other forward-looking statements. Forward-looking statements are not a guarantee of future results or trends, and the actual results could differ materially from those contained in the forward-looking statements.

All statements, assumptions, estimates and forward-looking statements made by Nordic Paper in this Offering Circular are subject to risks, uncertainties, and other factors that could cause actual results, performance, trends or events to differ materially from those contained in the statements, assumptions, estimates and forward-looking statements. Such risks and uncertainties are increased due to the Covid-19 outbreak, which may continue to have an adverse effect on the general economic conditions and may lead to a recession or depression, which in particular could lead to an adverse effect on the economic conditions on the markets on which the Company operates and affect the demand for the products Nordic Paper produces. To which extent Covid-19 might affect the markets on which the Company operates will depend on a number of factors that the Company, as of the date of this Offering Circular, cannot identify or assess with precision or certainty. Please see "*Risk factors – The Group's business, industry and markets – Nordic Paper could be affected by risks related to the novel coronavirus (Covid-19)*".

Information from third parties has been accurately reproduced in this Offering Circular and, as far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Introduction

Nordic Paper operates within the kraft paper market and greaseproof paper market, which are sub-segments of the paper and board market. Within both the kraft paper market and greaseproof paper market the Company targets the A-quality segment of the market, which, according to the Company, is characterised by customers having high demands regarding the quality and properties of the paper.

Based on non-official in-house testing¹⁾, Nordic Paper's kraft paper is one of the strongest kraft papers on the market. The Company's kraft paper is mainly used for creating various types of packaging for foods and building materials as well as a wide-range of other industrial applications. The greaseproof barrier of the Company's greaseproof paper is partly attained by grinding of the fibers as opposed to only chemical treatments with for example fluorochemicals, and is therefore called natural greaseproof paper. Greaseproof paper is primarily used for various food related applications such as baking paper and baking cups.²⁾

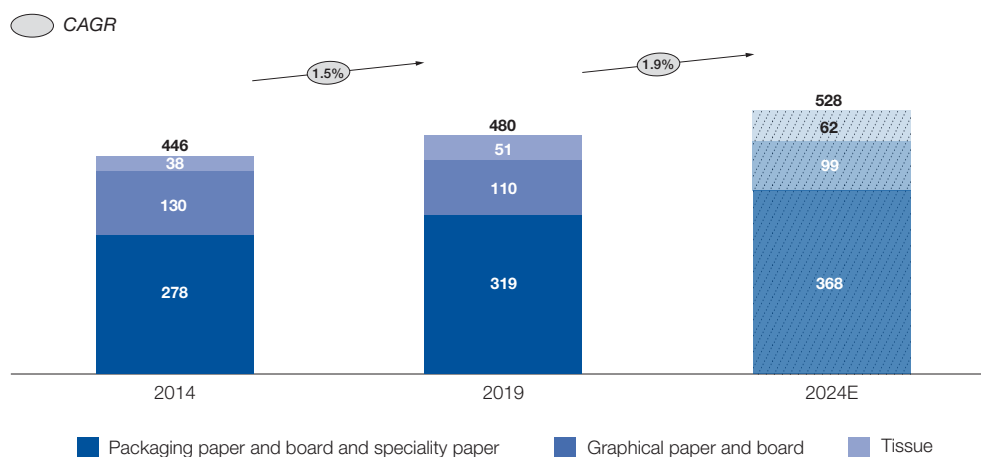
Nordic Paper's kraft paper primarily targets the European market whereas the Company's greaseproof paper targets the global market. Nordic Paper holds a leading market position across its target segments of the kraft paper market and greaseproof paper market.³⁾

Global paper and board market

The global paper and board market consists of various types of paper, each with different target end-uses and therefore different growth outlooks. The increasing demand for sustainable packaging is, for example, generating increased demand for paper-based packaging. At the same time, newsprint paper and many other graphical paper types have seen a decline in demand over the last couple of years. As a result, some segments of the paper and board market are expected to demonstrate stable growth going forward while others are expected to decline.⁴⁾ The paper and board market can broadly be divided into three different segments: (i) packaging and specialty paper and board, (ii) graphical paper and board, and (iii) tissue.

In 2019, the global demand for paper and board amounted to 480 million tonnes with packaging and specialty paper and board being the largest segment followed by graphical paper and board. The market in terms of volume has grown steadily over the last years and demonstrated a CAGR of 1.5 per cent between 2014 and 2019. Going forward, the market is expected to continue to demonstrate stable demand growth and grow by a CAGR of 1.9 per cent between 2019 and 2024.⁵⁾

Global demand for paper and board, million tonnes⁶⁾



1) Test compared the strength (measured as TEA geom J/m². average) of Nordic Paper's sack and MG paper to selected competitors' comparable papers.

2) Fisher International Market Study.

3) Fisher International Market Study.

4) Fisher International Market Study.

5) Fisher International Market Study. Includes demand for both virgin and recycled fiber based paper and board.

6) Fisher International Market Study. Includes demand for both virgin and recycled fiber based paper and board.

Paper and board market by segment¹⁾

Paper type	Description	Demand million tonnes, 2019	Share of total market, 2019	Demand CAGR, 2014–2019	Expected demand CAGR, 2019–2024
Packaging and specialty paper and board	Papers and boards used for various types of packaging as well as papers for technically demanding niche applications such as greaseproof papers	319	66.5%	2.8%	2.9%
Graphical paper and board	Papers used for newspapers, magazines and other types of writing papers	110	22.9%	-3.2%	-2.2%
Tissue	Hygiene papers such as toilet papers, kitchen rolls, facial wipes and other personal care papers	51	10.6%	5.9%	4.0%
Total		480	100.0%	1.5%	1.9%

Nordic Paper's target markets – kraft and greaseproof paper

Nordic Paper produces kraft and greaseproof paper, which are sub-segments of the packaging and specialty paper and board segment.

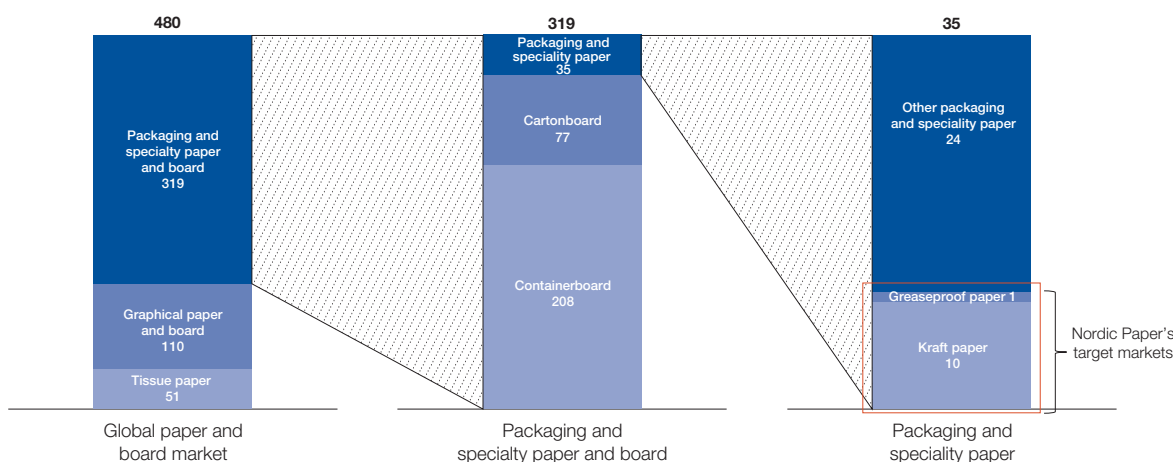
Kraft paper is, among other things, characterised by its strength and flexibility and is therefore used for a wide-range of different end-uses, including various types of carrier bags and packaging (e.g. for food and building materials).

Greaseproof paper is characterised by its resistance to grease and is mainly used for baking and cooking purposes and various types of food containers. In 2019, the kraft

paper segment accounted for 56 per cent of Nordic Paper's net sales whereas the natural greaseproof paper segment accounted for 44 per cent of the Group's net sales. Please see section "Operating and Financial Review" for a more detailed description regarding Nordic Paper's financial performance.

In 2019, the global demand for kraft paper amounted to 10 million tonnes and the global demand for greaseproof paper amounted to 1 million tonnes. Historically, the global demand for kraft paper and greaseproof paper has grown faster than the overall paper and board market and is expected to continue to do so in the future.²⁾

Nordic Paper's target markets 2019, demand million tonnes³⁾



1) Fisher International Market Study. Includes demand for both virgin and recycled fiber based paper and board.

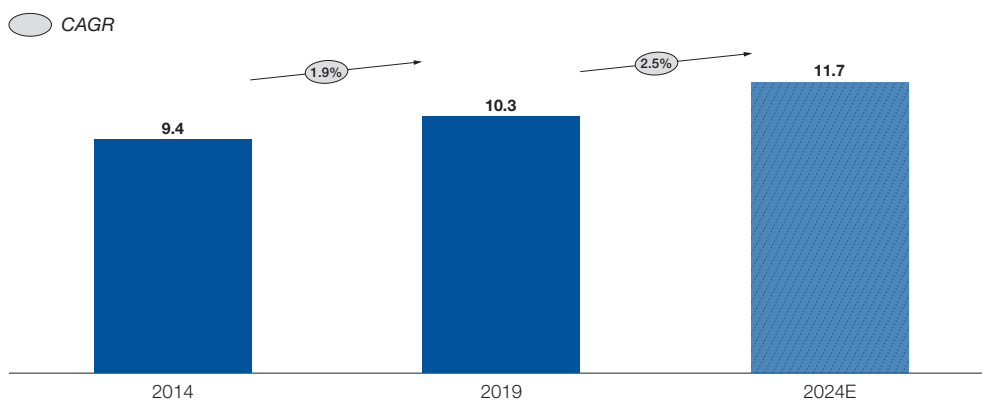
2) Fisher International Market Study. Includes demand for both virgin and recycled fiber based paper and board.

3) Fisher International Market Study.

Between 2014 and 2019, the global demand for kraft paper grew by a CAGR of 1.9 per cent, 0.5 percentage points more than the overall paper and board market. Between

2019 and 2024 the global demand for kraft paper is expected to grow by a CAGR of 2.5 per cent, 0.6 percentage points more than the overall paper and board market.

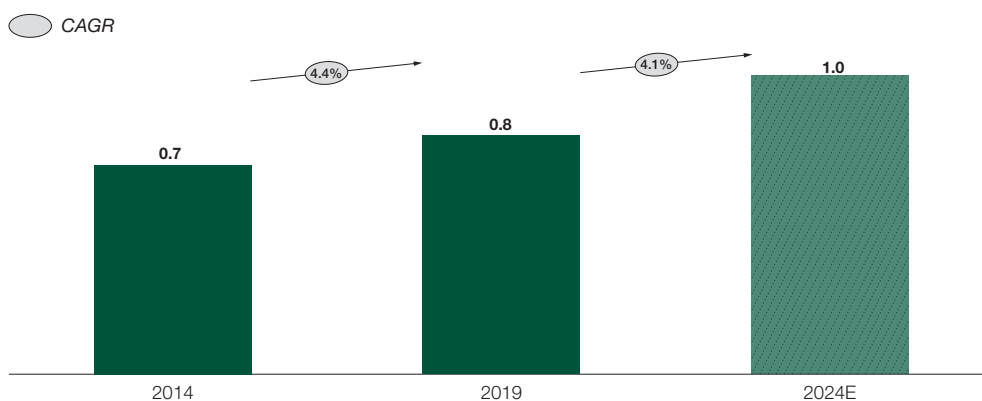
Global demand for kraft paper, million tonnes¹⁾



Between 2014 and 2019, the global demand for greaseproof paper grew by a CAGR of 4.4 per cent, 2.9 percentage points more than the overall paper and board market. Between 2019 and 2024, the global demand for greaseproof

paper is expected to grow by a CAGR of 4.1 per cent, 2.2 percentage points more than the overall paper and board market.²⁾

Global demand for greaseproof paper, million tonnes³⁾



1) Fisher International Market Study. Includes demand for virgin fiber based paper only.

2) Fisher International Market Study.

3) Fisher International Market Study.



Kraft paper market

Kraft paper is used for a wide-range of consumer-facing applications such as carrier bags and food packaging as well as packaging for a wide-range of industrial applications such as packaging of building materials and interleaving paper. The kraft paper market can be divided into four different paper grades: sack paper, machine finished paper (“MF”), machine glazed paper (“MG”) and other.¹⁾

Sack paper is the kraft paper grade with the highest demand, followed by MF. In terms of demand growth, MF and MG are expected to be the fastest growing kraft between 2019 and 2024 with an expected CAGR of 3.1 per cent each.²⁾

Kraft paper grades³⁾

Paper grade	Description	Usage	Demand million tonnes, 2019	Demand CAGR, 2014–2019	Expected demand CAGR, 2019–2024
Sack	A paper characterised by high porosity, strength, ability to stretch without breaking and cleanness	Mainly used for demanding packaging applications e.g. for food, cement and chemicals	3.4	0.8%	1.9%
MF	A paper similar to sack but often with a smoother surface allowing for better printability	Mainly used for carrier bags but also for packaging of foods	2.6	2.9%	3.1%
MG	A paper characterised by having one surface glazed	Used for a wide-range of applications e.g. consumer bags, medical packaging, interleaving paper and release liners	2.3	2.9%	3.1%
Other	Includes mainly unglazed papers not used for sack applications	Papers used for technical specialty applications such as abrasive papers, absorbent papers, masking tapes and electrotechnical papers	2.0	1.6%	2.2%
Total			10.3	1.9%	2.5%

The value of the global kraft paper market amounted to EUR 8.1 billion in 2019. The market grew by a CAGR of 5.7 per cent between 2014 and 2019. Over the same period, the price increased by a CAGR of 3.8 per cent while the demand increased by a CAGR of 1.9 per cent.⁴⁾

The value of the global kraft paper market is expected to reach EUR 10.0 billion in 2024, corresponding to an expected CAGR of 4.3 per cent between 2019 and 2024. Over the same period, the price is expected to increase by a CAGR of 1.8 per cent while the demand is expected to increase by a CAGR of 2.5 per cent.⁵⁾

1) Fisher International Market Study.

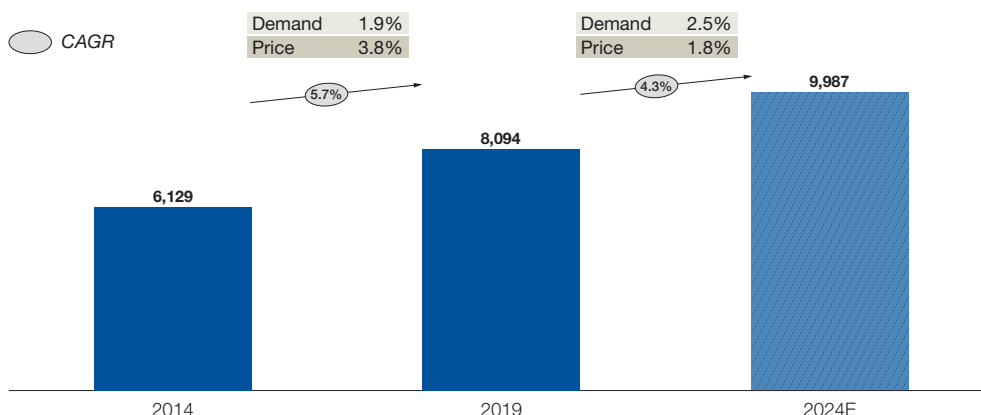
2) Fisher International Market Study. Includes demand for virgin fiber based paper only.

3) Fisher International Market Study. Includes demand for virgin fiber based paper only.

4) Fisher International Market Study. Includes demand for virgin fiber based paper only.

5) Fisher International Market Study. Includes demand for virgin fiber based paper only.

Global kraft paper market, MEUR¹⁾



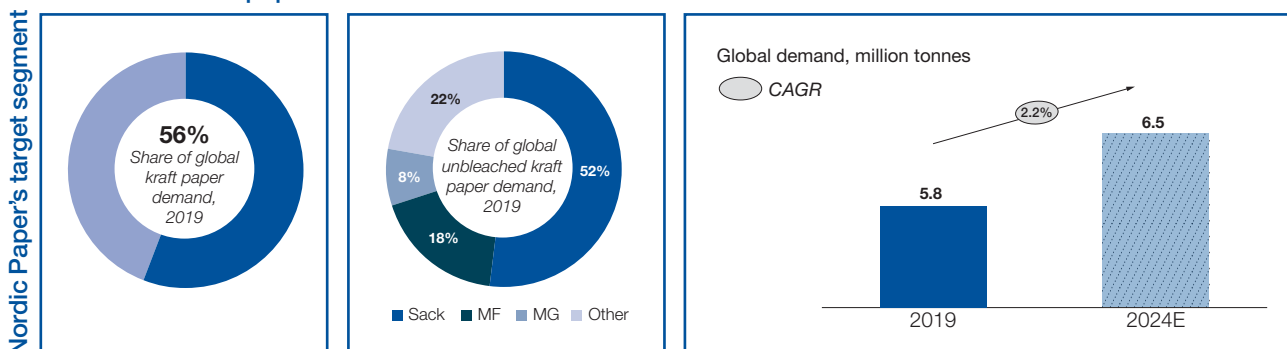
The different kraft paper grades presented in the table on the previous page may be produced using either unbleached kraft paper, which is brown, or bleached kraft paper, which is white. Unbleached and bleached kraft paper can be produced with similar properties in terms of strength, porosity, extensibility etc. However, bleached kraft paper typically offers better printability than unbleached kraft paper and is therefore more often used for consumer

oriented grades where printability is important. Unbleached kraft paper on the other hand is generally more commonly used in industrial applications. Generally, bleached kraft paper is more expensive than unbleached kraft paper due to the extra production steps required in the manufacturing process.

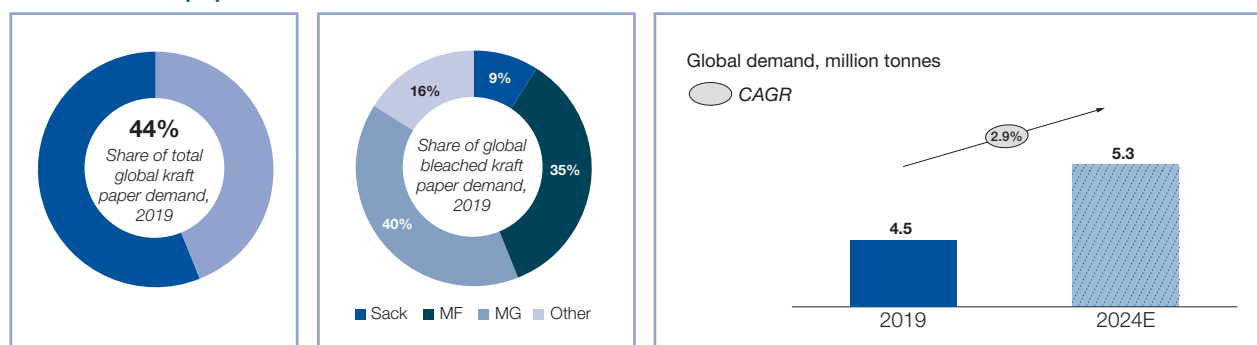
The Company has experienced an increase in the interest for unbleached kraft paper in recent years.

Demand by bleached and unbleached kraft paper²⁾

Unbleached kraft paper market



Bleached kraft paper market



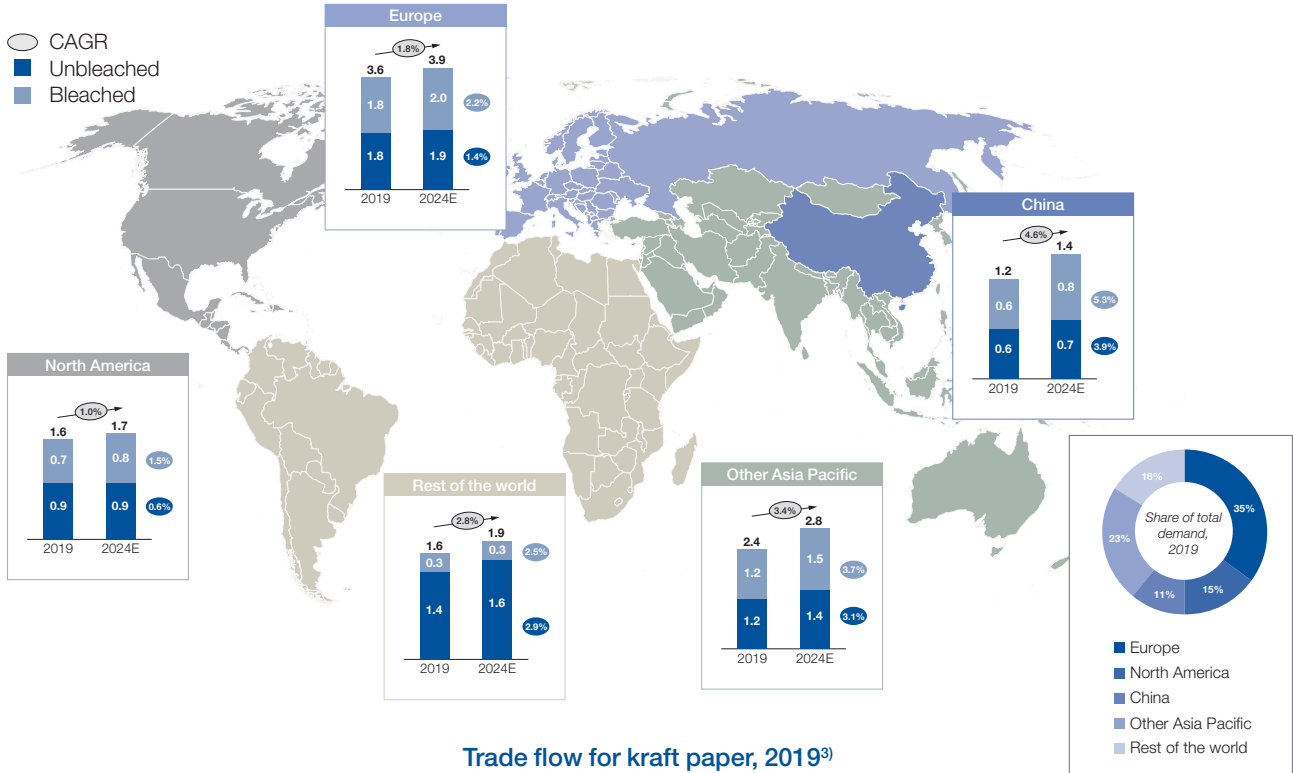
1) Fisher International Market Study. Includes market for virgin fiber based paper only.
 2) Fisher International Market Study. Includes demand for virgin fiber based paper only.

Geographical overview

Europe is the largest kraft paper market in terms of demand. China is expected to be the fastest growing market between 2019 and 2024 with an expected CAGR of 4.6 per cent, which expectedly corresponds to approximately 21 per cent of the growth in global demand over the same period. All of Asia Pacific is expected to account for more than 50 per cent of the global demand growth between 2019 and 2024.¹⁾

The Company has experienced that the regional demand for premium quality kraft paper is much linked to the regional preference for plastic as a competing packaging material. Generally, based on the Company's experience the Asian market tend to be more plastics oriented than the European market.

Kraft paper demand by region, million tonnes²⁾



Trade flow for kraft paper, 2019³⁾



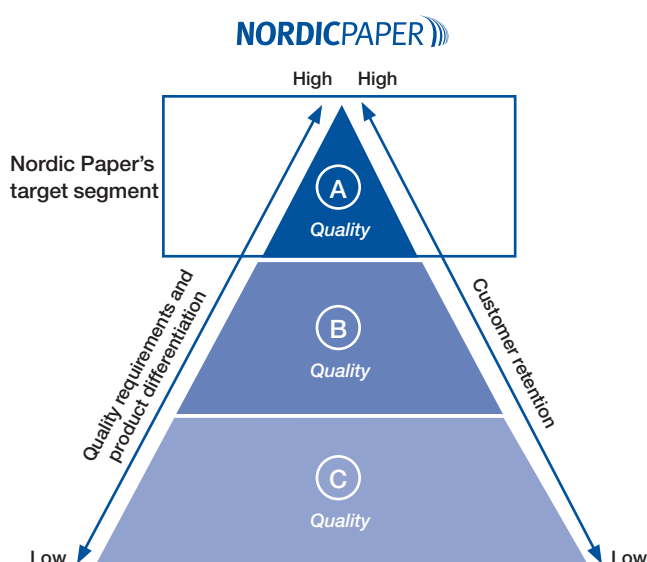
1) Fisher International Market Study Includes demand for virgin fiber based paper only.
 2) Fisher International Market Study. Includes demand for virgin fiber based paper only.
 3) Fisher International Market Study.

Nordic Paper's target segment within the kraft paper market

Nordic Paper is focused on producing unbleached kraft paper primarily for the European market. Within this market, Nordic Paper is focused on the A-quality segment of the market. According to the Company, the A-quality segment is characterised by customers having high demands regarding the quality and properties of the paper as well as flexibility requirements concerning the widths of the paper reel and grammages of the paper. Therefore, paper producers active within the A-quality segment may benefit from having know-how in the end-uses of the paper and a flexible operational set-up, which may be adapted to meet different customers' demand. Additionally, producers within the A-quality segment have a well-developed customer support service and may assist customers with various technical issues related to the paper.¹⁾

Market segmentation overview²⁾

Illustrative



Description of customers' requirements and product differentiation on the kraft paper market

Kraft paper is used for a wide-range of end-uses across different industries. Based on the company's experience within the A-quality segment, the quality requirements and properties of the kraft paper differ depending on the end-use. For example, when kraft paper is used for different types of packaging applications (e.g. for food or building materials), the strength properties of the paper is important. Further, industrial filling lines, including those for cement, sugar or flour, require kraft paper which combines strength with high porosity as the sack needs to quickly release air when being filled to not explode, which would cause a production disturbance. Additional examples of end-uses requiring specific paper properties include:

- **Electrotechnical paper:** used in the production of electrical equipment such as large transformers or cables. Within this application it is important that the paper is nonconductive and insulate the electrical components and therefore ensures low loss factor and high dielectric strength.
- **Absorbent paper:** mainly used in the production of various laminates for e.g. floors and furniture. Therefore, it's important that the paper has colour bearing qualities and resin saturation during impregnation.
- **Interleaving paper:** mainly used in the production of stainless steel. The interleaving paper is used to ensure that the product is not damaged during production, transportation or storage. Therefore, it is important that the interleaving paper is smooth and free from particles and impurities as even a minor scratch can lead to the stainless steel being downgraded.

1) Fisher International Market Study.

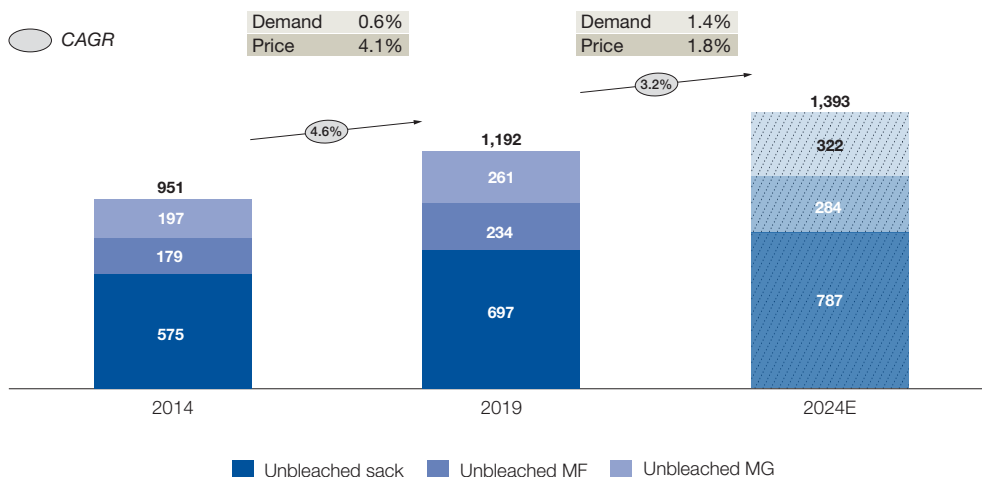
2) Fisher International Market Study and company information.

European unbleached kraft paper market

The underlying value of the European unbleached kraft paper market amounted to EUR 1.2 billion in 2019 and grew by a CAGR of 4.6 per cent between 2014 and 2019. Between 2014 and 2019, the price increased by a CAGR of 4.1 per cent and the demand increased by a CAGR of 0.6 per cent.¹⁾

The value of the European unbleached kraft paper market is expected to reach EUR 1.4 billion in 2024, corresponding to an expected CAGR of 3.2 per cent between 2019 and 2024. Between 2019 and 2024, the price is expected to increase by a CAGR of 1.8 per cent and the demand is expected to increase by a CAGR of 1.4 per cent.²⁾

European unbleached kraft paper market, MEUR³⁾



Between 2019 and 2024, MF and MG are expected to be the fastest growing paper types on the European unbleached kraft paper market, demonstrating an expected CAGR of 4.0 and 4.3 per cent, respectively. The European unbleached sack market is expected to grow by a CAGR of 2.5 per cent between 2019 and 2024.⁴⁾

Some of Nordic Paper's sack paper targets food packaging, which is a segment that is expected to grow faster than the overall sack paper market in Europe between 2019 and 2024.



1) Fisher International Market Study. Includes demand for virgin fiber based paper only.
 2) Fisher International Market Study. Includes demand for virgin fiber based paper only.
 3) Fisher International Market Study. Includes market for virgin fiber based paper only.
 4) Fisher International Market Study. Includes demand for virgin fiber based paper only.



Greaseproof paper market

Greaseproof paper is a family of paper grades characterised by its resistance to grease. There are four main types of greaseproof paper on the market today: parchment paper, natural greaseproof paper, siliconised, surface treated or laminated greaseproof papers and grease resistant papers.¹⁾

Siliconised, surface treated or laminated greaseproof papers is the largest greaseproof paper grade followed by grease resistant papers. In terms of demand natural greaseproof paper is expected to be the fastest growing greaseproof paper grade between 2019 and 2024, with an expected CAGR of 6.5 per cent.²⁾

Greaseproof paper grades³⁾

Paper grade	Description	Usage	Demand million tonnes, 2019	Demand CAGR 2014–2019	Expected demand CAGR 2019–2024
Parchment paper	A paper where the greaseproof properties are obtained by treating the paper with sulfuric acid	Specialty greaseproof paper treated for oven use. Also used for non-food applications such as decorative laminates, artistic products and textile tube cores	0.1	5.2%	3.9%
Natural greaseproof paper	A natural greaseproof barrier is created by refining the fibers of the paper. In addition, the natural greaseproof paper is often siliconised	Mainly used for various food service and food industry applications e.g. baking and cooking papers and food packaging	0.2	4.3%	6.5%
Siliconised, surface treated or laminated greaseproof papers	The greaseproof barrier of the paper is not created by refining the fibers of the paper. A grease resistant barrier is instead created using other chemicals than fluorochemicals, for example wax	Mainly used for various food service and food industry applications and food packaging	0.3	3.8%	5.0%
Grease resistant papers	A grease resistant barrier is created using fluorochemicals	Mainly used for various food service applications and food packaging	0.3	4.6%	1.7%
Total			0.8	4.4%	4.1%

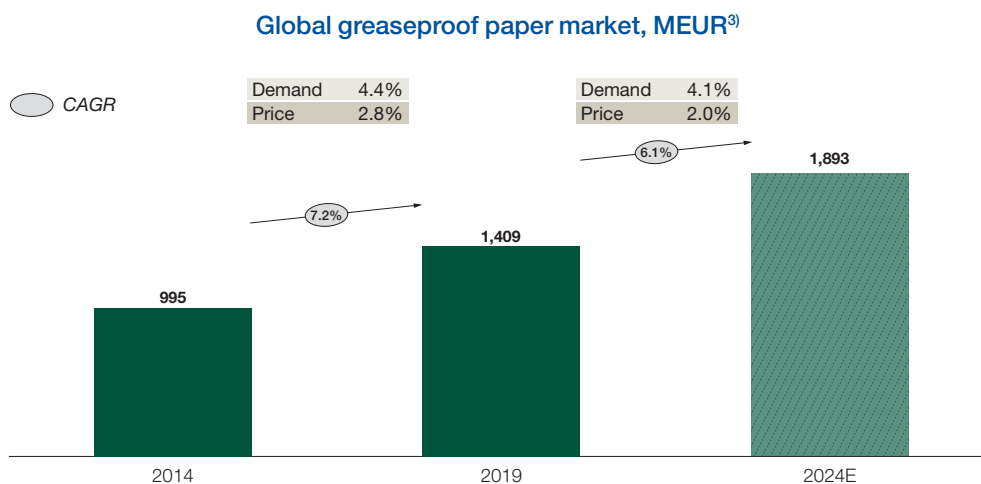
1) Fisher International Market Study.

2) Fisher International Market Study.

3) Fisher International Market Study.

The global greaseproof paper market amounted to EUR 1.4 billion in 2019. The market grew by a CAGR of 7.2 per cent between 2014 and 2019. Over the same period, the price increased by a CAGR of 2.8 per cent while the demand increased by a CAGR of 4.4 per cent.¹⁾

The value of the global greaseproof paper market is expected to reach EUR 1.9 billion in 2024 corresponding to an expected CAGR of 6.1 per cent between 2019 and 2024. Over the same period, the price is expected to increase by a CAGR of 2.0 per cent while the demand is expected to increase by a CAGR of 4.1 per cent.²⁾



Geographical overview

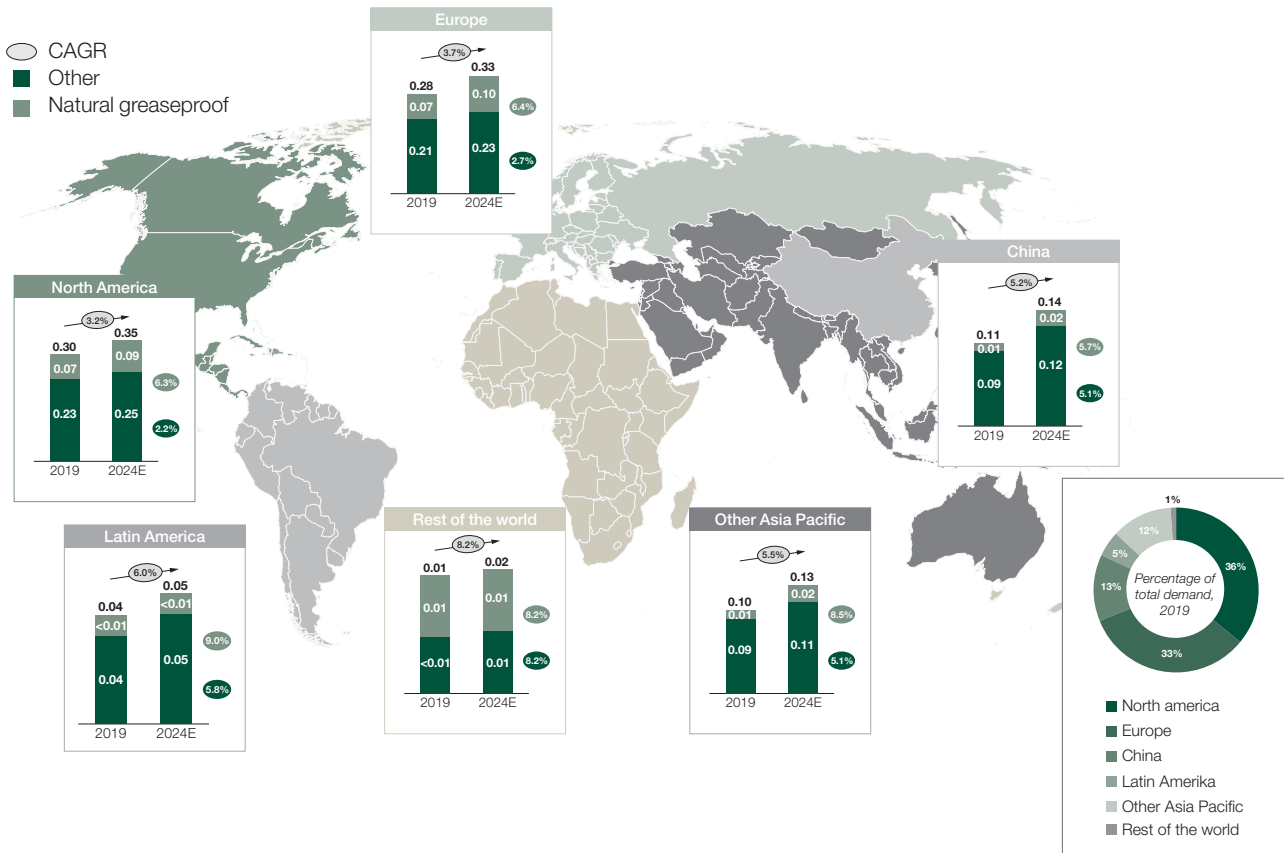
Europe and North America are the largest greaseproof paper markets in terms of demand. Latin America and the Rest of the world are expected to demonstrate the highest growth rate in greaseproof paper demand between 2019 and 2024 with an expected CAGR of 6.0 per cent and 8.2 per cent, respectively.⁴⁾

The highest volume growth for natural greaseproof paper is forecasted to take place in Europe and North America between 2019 and 2024. This is due to different cooking and baking habits and that price sensitivity limits the demand growth in developing markets. The natural greaseproof paper market is expected to grow faster than the overall greaseproof paper market as natural greaseproof paper is expected to benefit from the growing awareness of health risks related to fluorochemicals, which are used to create the greaseproof barrier of some non-natural greaseproof papers.⁵⁾

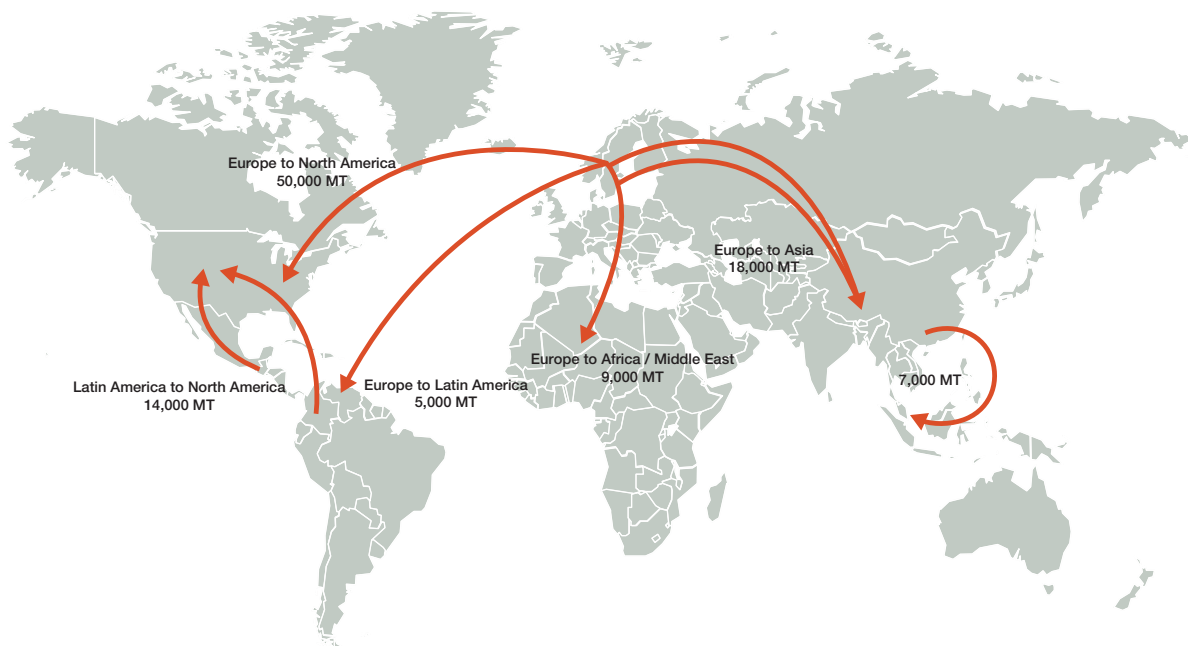
The demand for greaseproof paper in China and Other Asia amounted 0.2 million tonnes in 2019, corresponding to 25 per cent of the total global demand. The demand for greaseproof paper in China and Other Asia is expected to grow by a CAGR of 5.3 per cent between 2019 and 2024 reaching 0.3 million tonnes, corresponding to 26 per cent of the total global demand in 2024.⁶⁾ Generally, the Company has seen changing consumer habits in Asia, leading to an expansion of “fast-casual” restaurants and coffee shops, which the Company sees as one of the main drivers of growth for greaseproof paper in China and Other Asia.

1) Fisher International Market Study.
 2) Fisher International Market Study.
 3) Fisher International Market Study.
 4) Fisher International Market Study.
 5) Fisher International Market Study.
 6) Fisher International Market Study.

Greaseproof paper demand by region, million tonnes¹⁾



Trade flow for greaseproof paper & parchment paper, 2019²⁾



1) Fisher International Market Study.
 2) Fisher International Market Study.

Nordic Paper's target segment within the greaseproof paper market

Nordic Paper is focused on the global market for natural greaseproof paper. The natural greaseproof paper market is characterised by high entry barriers due to requirements of specialised know-how within paper manufacturing as well as a production set-up specifically tailored for greaseproof paper production, including high refining capability and paper machines with large dewatering and drying capability. In addition, natural greaseproof paper requires access to high quality pulp.¹⁾

Together with parchment papers, natural greaseproof paper form the A-quality segment of the greaseproof paper market.²⁾ The Company has experienced that within the A-quality segment, parchment and natural greaseproof paper compete head-to-head within baking and cooking applications. However, parchment is typically more expensive than natural greaseproof paper due to the extra production step required in the manufacturing process.

B-quality and C-quality papers generally lack some of the properties of A-quality papers, such as heat resistance. Therefore, based on the Company's experience, B-quality and C-quality papers can only compete with A-quality papers when the end-use does not require all of the A-quality papers' properties such as wrappers for fast food.

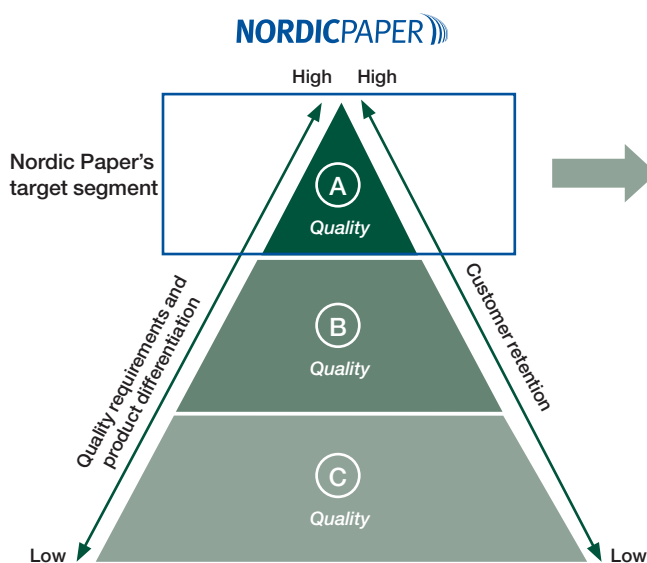


1) Fisher International Market Study.

2) Fisher International Market Study.

Market segmentation overview¹⁾

Illustrative



- A** High quality and high price levels compared to B and C as these products have specific properties and requirements such as
- Heat proof
 - Freeze proof
 - Greaseproof
 - Wet strength
 - Good runnability (consistent quality) in machines
 - Without added fluorochemicals
- B** Waxed papers are generally of lightweight grade paper which is waxed at the mill to attain strength and resistance
- Good for food preparation but can not be heated
 - Some papers are wax coated kraft paper
- C** Grease and stain resistant paper is the largest grade category for speciality food service papers
- Greaseproof resistance is often attained by using fluorochemicals
 - Can be used for e.g. hamburger wrappers where food contact time is short

Description of customer's requirements and product differentiation on the greaseproof paper market

Natural greaseproof paper is mainly used for different types of baking and cooking applications such as baking paper, baking cups and various food wrappers and containers. Based on the company's experience, within the A-quality segment, the quality requirements and properties of the greaseproof paper differ depending on the end-use. For example, baking and cooking paper is set to make food preparation simpler, and minimize cleaning. Therefore, the greaseproof paper should be heat and freeze proof as the food may need to go direct from a freezer to a microwave or conventional oven. Additionally, baking paper should combine greaseproofness with good release properties as the paper should be easy to remove once the food is ready. On the other hand, food containers and wrapper requires paper which ensure that the product stays fresh with a barrier against fat, light, air and moisture, while also being easy to serve and consume.

Additionally, several end-use applications for greaseproof paper requires the paper to have special properties. For example automated bakery lines require baking cups which combine a barrier against fat and moisture with high-speed denesting to not cause production disturbance.

Global natural greaseproof paper market

The global natural greaseproof paper market amounted to EUR 0.4 billion in 2019. The market value grew by a CAGR of 7.2 per cent between 2014 and 2019. During the same period, the price increased by a CAGR of 2.9 per cent while the demand in terms of volume increased by a CAGR of 4.3 per cent.²⁾

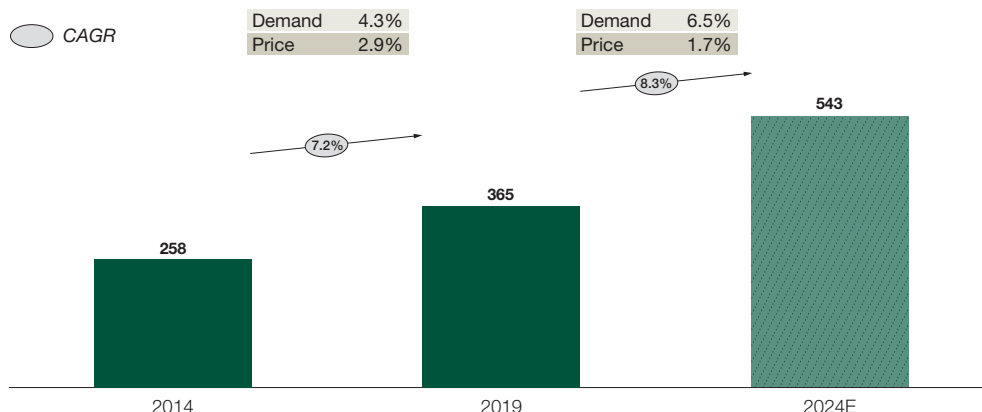
The value of the global natural greaseproof paper market is expected to reach EUR 0.5 billion in 2024 corresponding to an expected CAGR of 8.3 per cent between 2019 and 2024. During the same period, the price is expected to increase by a CAGR of 1.7 per cent while the demand is expected to increase by a CAGR of 6.5 per cent.³⁾

1) Fisher International Market Study.

2) Fisher International Market Study.

3) Fisher International Market Study.

Natural greaseproof paper market, MEUR¹⁾



General market drivers and trends

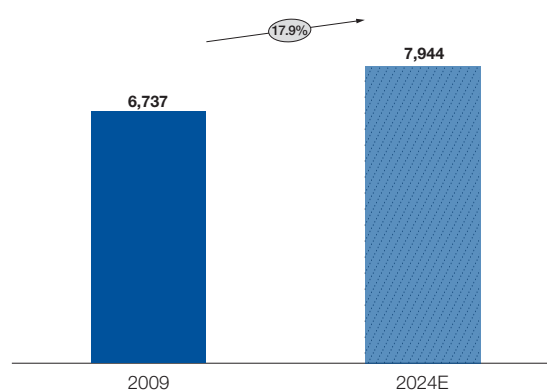
The kraft and greaseproof paper market benefit from several structural drivers and global megatrends.²⁾ However, both kraft and greaseproof paper are used for numerous different end-uses across different industries. Therefore, individual segments of the kraft paper and greaseproof paper market may be exposed to different underlying drivers and trends. Below follows a description of the more general trends and drivers which are expected to have an impact on the kraft paper and greaseproof paper market as a whole.

Key market drivers and trends affecting both the kraft and greaseproof paper market

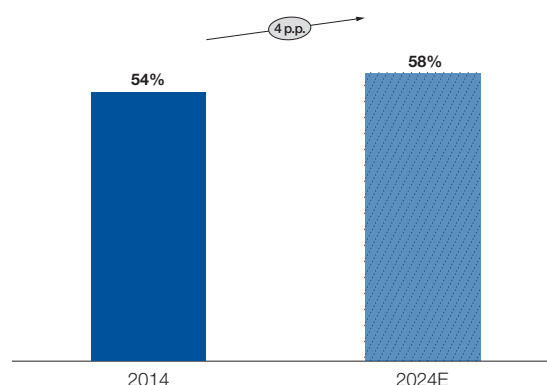
Demographics and urbanisation

The global population is expected to reach approximately 8 billion by 2024 compared to approximately 7 billion in 2014. Further, the population is becoming more urban with approximately 60 per cent of the world population expected to be living in cities by 2024. In addition, the middle class is expected to grow in many countries as GDP grows. These trends are expected to drive additional demand for packaged goods globally, resulting in increased demand for various types of paper.³⁾

Global population, millions⁴⁾

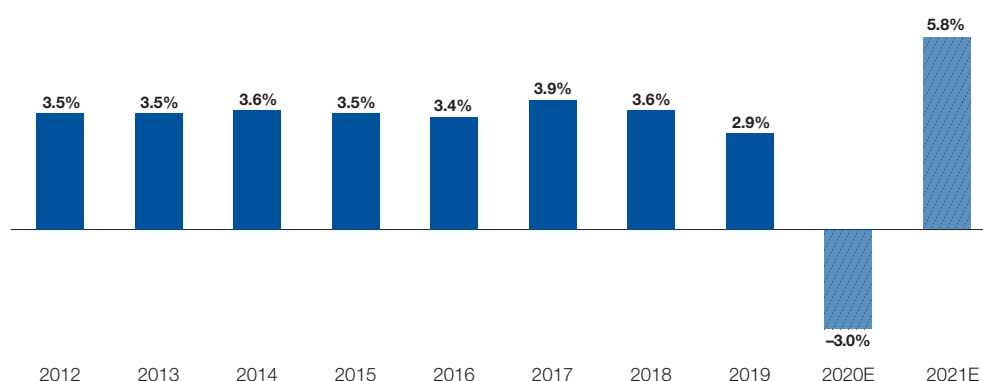


Percentage of the global population living in cities⁵⁾



1) Fisher International Market Study.
 2) Fisher International Market Study.
 3) Fisher International Market Study.
 4) Fisher International Market Study.
 5) Fisher International Market Study.

Yearly global real GDP development¹⁾



Greater sustainability awareness

All over the world, consumers, policymakers and businesses are starting to take action towards a more sustainable use of resources. For example, 64 per cent of all millennials in the United States are willing to pay more for eco-friendly materials than non-eco-friendly materials. This development is expected to drive additional demand for materials that are viewed as relatively more sustainable, such as paper.²⁾

For various end-uses of paper, such as different packaging solutions and carrier bags, a main substitute is plastic. From an environmental perspective there are several benefits with paper compared to plastic, including:

Paper is based on renewable raw materials: even though the technical solutions to make plastic from renewable raw materials exist, only 5 per cent of all plastic produced today is based on renewable raw materials. The remaining 95 per cent is based on fossil materials.³⁾

Production of paper can be made with lower climate impact than plastic: the Swedish Environmental Research Institute, found in a study that the climate impact from producing a kraft paper bag was approximately half of that of producing a plastic bag. A subsequent study carried out by the same institute found that a paper bag also has significantly lower climate impact than a recycled plastic bag or a renewable plastic bag.⁴⁾

Relatively high recycling rate for paper packaging:

paper based packaging has one of the highest recycling rates among packaging materials within the EU. According to Eurostat in the EU, the recycling rate for paper packaging amounted to approximately 85 per cent in 2017 compared to approximately 42 per cent for plastic packaging. Additionally, if paper based packaging would end up in the environment despite well-developed recycling systems, paper packaging generally also benefits from faster biodegradability than most types of comparable plastic packaging.⁵⁾

Key market drivers and trends affecting the kraft paper market

Regulations targeting plastic

In parallel to the climate change debate, plastic pollution and its implications to marine environments have over the past decade grown in public awareness. According to the Ellen MacArthur Foundation, as much as 32 per cent of the 78 million tons of plastic packaging produced every year ends up in the environment. To prevent this, governments are taking action in the form of restrictions on the use of plastic. According to the UN, 127 countries have introduced some form of restriction on the use of plastic.⁶⁾ For example, Sweden introduced a new tax on certain plastic bags of SEK 3 from 1 May 2020.⁷⁾

For various types of packaging applications, paper types such as kraft and greaseproof paper compete directly with plastic. Therefore, regulations discouraging the use of plastic are expected to have positive effect on the use of packaging papers and boards.

1) IMF World Economic Outlook April 2020.

2) Fisher International Market Study.

3) Plastic Europe, Bio-Based Plastics.

4) The Swedish Environmental Research Institute, Comparative study if virgin fibre based packaging products with competing plastic materials. The studies were based on the BillerudKorsnäs Skärblacka pulp and paper mill. Climate impact was measured as global warming potential (GWP): GWP is a measure of how much a unit mass of gas contributes to global warming, measured in kg CO₂ equivalents.

5) Fisher International Market Study.

6) Fisher International Market Study.

7) The Swedish Parliament.

Development of the construction industry

Kraft paper sacks are one of the most important alternatives for packaging of building materials such as cement. Hence, the construction industry is an important end-user of kraft paper globally. The overall construction industry is expected to demonstrate growth above global gross domestic product over the next decade. Factors driving the growth within the construction industry include population growth in emerging markets, necessary upgrades to infrastructure in developing countries and expected necessary investments in renewable energy and telecommunications.¹⁾

Development of the industrial cycle

Kraft paper is used for a wide-range of industrial applications such as interleaving paper in the stainless steel industry.²⁾ The Company has experienced that the global development of industrial production has affected the demand for kraft paper historically. Going forward The Association of Swedish Engineering Industries forecast the industrial production to contract in 2020 globally and then rebound in 2021.

Key market drivers and trends affecting the greaseproof paper market

Increasing restrictions on some fluorochemicals in food contact materials drive demand for natural greaseproof papers

Fluorochemicals are used for creating the greaseproof barrier of some non-natural greaseproof papers and some fluorochemicals have been found to be toxic and cause risk to human health. As a result, countries around the world have introduced restrictions on the use of fluorochemicals in food contact materials such as greaseproof paper.³⁾

For example, in December 2016, the EU decided to restrict all use and import of PFOA (25 µg/kg), a fluorochemical which has been used for producing the greaseproof barrier of some non-natural greaseproof papers. The restriction came into force on the 4 July 2020.⁴⁾

The restrictions on fluorochemicals are expected to shift the demand to natural greaseproof paper and increase market growth within the A-quality segment of the market in the medium to long-term.⁵⁾

Growing food service industry

The global food service sector is expected to continue to deliver stable growth going forward, driven by the “fast casual” segment.⁶⁾

This trend is expected to favour the greaseproof paper market, as professional food producers use greaseproof paper to a higher degree than general consumers and tend to have higher quality requirements.⁷⁾

Competitive landscape

Nordic Paper targets the A-quality segment of the European kraft paper market and the global natural greaseproof paper market. In general, the A-quality segment of the kraft paper market and the natural greaseproof paper market are relatively consolidated with a limited number of competitors on a global scale.

Nordic Paper holds a leading market position across its target segments of the kraft paper and greaseproof paper market.⁸⁾ Key competitors on the kraft paper market include Mondi and BillerudKorsnäs whereas Metsä Tissue and Ahlström-Munksjö are the main competitors on the greaseproof paper market.

Factors affecting the market position

Below follows a description of the main factors affecting Nordic Paper’s market position. Please see section “*Business overview – Overview of Nordic Papers value chain*” for more information regarding Nordic Paper’s place in the value chain, integrated pulp production, paper quality and customer service.

Place in the value chain

Companies operating within the paper and board market may be active across different parts of the value chain. Some paper producers are integrated into converting, i.e. they both sell paper to other converters and convert paper to products themselves. Generally, there is an incentive for non-integrated converters to source paper from producers which are not integrated into converting as they then avoid sourcing paper from a direct competitor. Paper producers without integrated converting may be called independent producers.

On the European kraft paper market, Nordic Paper is one of the few large producers that is not integrated into converting. On the greaseproof paper market Nordic Paper’s main competitors consist of both integrated and non-integrated producers.⁹⁾

1) Deloitte, Global Powers of Construction.
 2) Fisher International Market Study.
 3) Fisher International Market Study.
 4) Fisher International Market Study.
 5) Fisher International Market Study.
 6) Fisher International Market Study.
 7) Fisher International Market Study.
 8) Fisher International Market Study.
 9) Fisher International Market Study.

Integrated high-quality pulp production

High-quality pulp made from long-fiber softwood is a cornerstone for producing strong A-quality kraft paper. The long-fibers of the tree gives the paper its strength properties. The short summers and cold winters in Sweden allows the trees to grow more slowly which increases the strength of the fibers. Additionally, to produce cost competitive A-quality kraft paper, integrated pulp production is necessary.¹⁾

Nordic Paper is strategically located in the heart of Scandinavia with proximity to slow growing trees. This combined with an integrated pulp production allows Nordic Paper to produce cost competitive A-quality paper.

Paper quality and properties

Due to the varying end-uses of kraft paper, the required properties and quality of the paper may differ depending on the application. For example, end-use applications such as packaging for building materials and food, often requires high strength, high porosity, extensibility and sometimes also wet strength, whereas interleaving paper, for example, requires a clean and smooth paper.

Nordic Paper's flexible production processes allows it to produce kraft paper with almost any combination of properties e.g. extensibility, wet strength and porosity. Additionally,

based on non-official in-house testing, Nordic Paper's kraft paper is one of the strongest kraft papers on the market today.²⁾

Greaseproof paper is mainly used within baking and cooking and also various types of food packaging. Therefore the paper's barrier against fat, moisture, release properties, and heat/freeze resistance is important.

Nordic Paper's natural greaseproof paper meets global standards for food handling.³⁾ Additionally, the Company's greaseproof paper is highly flexible in terms of properties and may be adjusted to match customer's demands.

Customer service

Within the A-quality segment, top-class customer service is critical. This includes a wide sales network, predictability in delivery lead times and a well-developed technical service support.

Nordic Paper has built a well-established distribution network across its focus markets. The Company has over time also developed extensive know-how in speciality paper manufacturing and in the end-use applications where the paper is used. This allows Nordic Paper to assist customers with various technical issues related to the paper.



1) Fisher International Market Study.

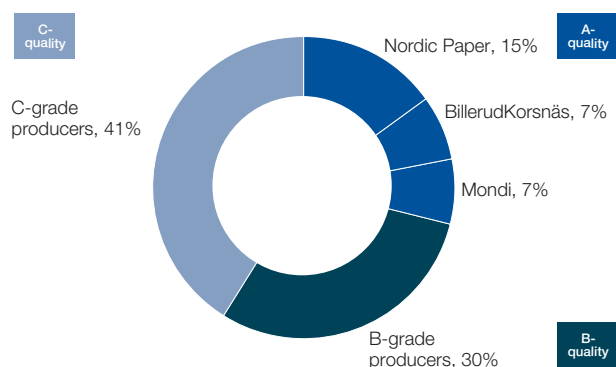
2) Test compared the strength (measured as TEA geom J/m², average) of Nordic Paper's sack and MG paper to selected competitors' comparable papers.

3) Nordic Paper's natural greaseproof paper complies with European regulation (EC 1935/2004) on materials and articles to come in contact with food and meets globally accepted standards for food contact materials like ISO 22000, FDA and BfR regulations and specific requirements in France under decree Decree n° 2007-766 and China under GB 9685-2016 and GB 4806.8-2016 National Food Safety Standard.

Market position and key competitors

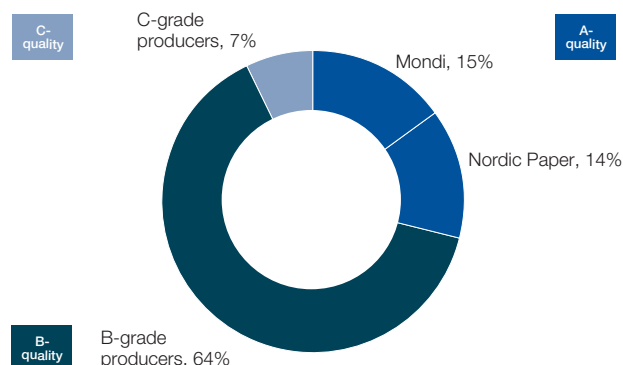
Unbleached sack/MF paper: Nordic Paper is the leading independent¹⁾ producer of A-quality sack paper on the open European market. Nordic Paper's two main competitors on the market are Mondi and BillerudKorsnäs. Similar to Nordic Paper, BillerudKorsnäs is an independent paper producer. However, according to Fisher International a majority of BillerudKorsnäs' sack paper is sold outside of the European market. Mondi is integrated into converting and a majority of the paper it produces is targeted towards its own converting facilities and not sold on the open market.²⁾

Estimated market share on the open European unbleached sack/MF paper market, 2019³⁾



Unbleached MG paper: Nordic Paper is the leading independent producer of A-quality unbleached MG paper in Europe. The main competitor Mondi is a non-independent producer and uses some of the unbleached MG paper it produces in its own converting operations.⁴⁾

Estimated market share on the open European unbleached MG paper market, 2019⁵⁾



Absorbent paper: Nordic Paper holds a leading market position on the market for low-basis weight absorbent paper which is mainly used for industrial applications such as laminates for construction and furniture manufacturing as well as cells in humidifiers and evaporative climate-control systems. The main competitor on the absorbent paper market is Kotkamills, which is focused on high basis weight absorbent papers which are mainly used for various laminates.⁶⁾

Stainless steel interleaving paper: Steel interleaving paper is a niche segment of the kraft paper market with only a few producers in Europe. Nordic Paper and Ahlström-Munksjö are the two leading steel interleaving paper producers in Europe.⁷⁾

1) Independent producer refers to paper producers without integrated converting operations.

2) Fisher International Market Study.

3) Fisher International Market Study. Open market excludes sales to own converting facilities. An A-quality producer of kraft paper is defined as a producers who are capable of supplying virgin fibre based, extensible and high porosity sack papers. In addition, A-quality suppliers have a developed efficient supply chain and customer service, and they work actively on product development.

4) Fisher International Market Study.

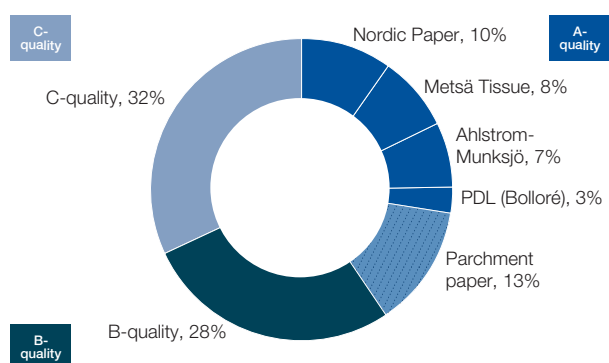
5) Fisher International Market Study. The A-quality unbleached MG supplier category includes producers who have access to integrated northern long-fiber unbleached kraft pulp and are known for their high-quality products with superior strength and surface properties suitable for various packaging end-uses. In addition, suppliers have developed efficient supply chain and customer service, and they work actively on product development.

6) Fisher International Market Study.

7) Fisher International Market Study.

Natural greaseproof paper: Nordic Paper is the world's leading producer of natural greaseproof paper. The main competitors on the market are Metsä Tissue and Ahlström-Munksjö. Mätse Tissue is an integrated producer and some of the paper it produces are targeted towards its own converting facilities and not the open market. Ahlström-Munksjö is like Nordic Paper an independent producer, however, a large share of the high-quality greaseproof paper it produces is parchment paper and not natural greaseproof paper.¹⁾

Estimated market share on the global greaseproof paper market, 2019²⁾



1) Fisher International Market Study.

2) Fisher International Market Study. A-quality producer defined as a producer of either natural greaseproof paper or parchment paper.



NORDIC

Business overview

Overview of Nordic Paper

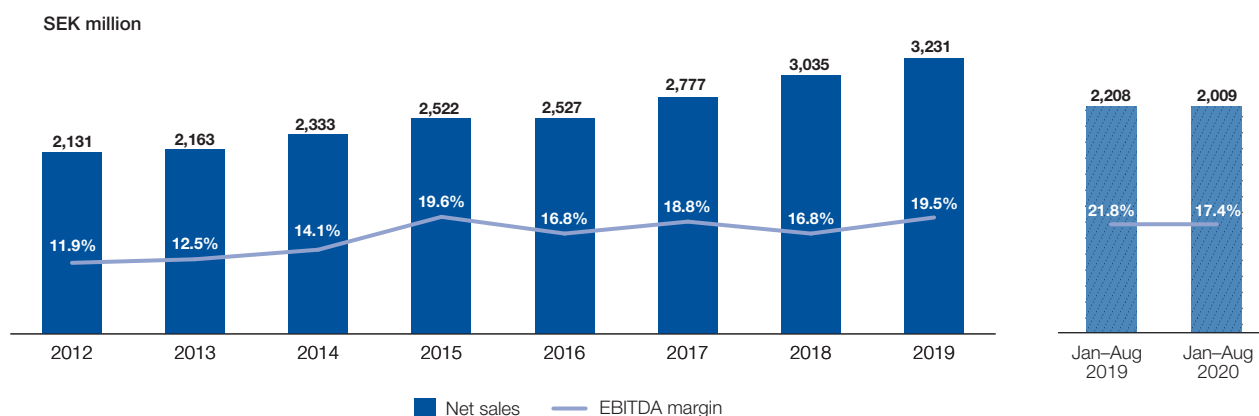
Nordic Paper is a producer of specialty paper with a leading¹⁾ position within kraft paper and natural greaseproof paper. The Company operates through four production sites located in Säffle, Greåker, Bäckhammar and Åmotfors, which manufacture high quality pulp and paper with an annual total production capacity of 286²⁾ ktonnes paper, whereas the volume of paper sold in 2019 amounted to 264³⁾ ktonnes. The Company's mills are strategically located in the heart of Scandinavia, in close proximity to favourable wood sourcing and with access to virgin long-fibre which is suitable for the manufacturing of strong paper. Nordic Paper has approximately 700 customers located in approximately 70 countries⁴⁾ and close to 95 per cent of the Company's manufactured paper is exported⁵⁾. Nordic Paper operates two business segments: Kraft Paper and Natural Greaseproof.

Kraft Paper: Nordic Paper offers a strong, unbleached, high quality paper, mainly for a variety of industrial usage such as packaging solutions for food and construction

material. The raw material, virgin long-fibres, is ideal for creating strong paper of high quality and is used to manufacture Nordic Paper's kraft paper. Nordic Paper's kraft paper products include sack and MF paper, MG paper, steel interleaving paper and absorbent paper. Targeted end-use markets mainly include the industrial and construction sectors.

Natural Greaseproof: Nordic Paper's natural greaseproof paper⁶⁾ is a premium quality paper for packaging and preparation of food with grease withstanding properties, achieved by grinding the pulp intensively prior to paper-making and by coating it with functional additives. The Company's natural greaseproof paper is characterised by high quality and flexibility, adaptable to several different manufacturing processes and quality requirements. The natural greaseproof paper is mainly used within the food and food service sector and Nordic Paper's natural greaseproof paper products comprise baking and cooking paper, baking cups, food containers, building laminates and barrier papers.

Net sales and EBITDA margin development 2012–August 2020⁷⁾



- 1) Fisher International Market Study. For further information, please refer to sections "Market Overview – Competitive landscape" and "Business Overview – Key strengths and competitive advantages – Leading market positions within attractive key niche markets".
- 2) Refers to the production capacity as per the year ended 2019.
- 3) Refers to the volume of sold paper as per the year ended 2019.
- 4) Number of countries with customers that have been invoiced during 2019.
- 5) In 2019, 94 per cent of the paper was exported.
- 6) Natural greaseproof paper is free from fluorochemicals.
- 7) The transition to IFRS 16 had an effect on the result of the financial year 2019. The implementation of IFRS 16 increased EBITDA with SEK 8.3 million, increased the depreciation with SEK 8.1 million and increased the financial income with SEK 0.4 million. EBITDA for Jan–Aug 2020 includes IPO costs of SEK 14.4 million.

Nordic Paper's net sales has grown organically from SEK 2,131 million in 2012 to SEK 3,231 million in 2019, representing a CAGR of 6.1 per cent. Over the period, extensive operational improvements focused on both increasing volume growth and improving profitability has been made, which has resulted in significant expansion in EBITDA margins from 11.9 per cent in 2012 to 19.5 per cent in 2019, corresponding to a CAGR of 13.9 per cent. Net sales for the eight months ended 31 August 2019 and 2020 amounted to SEK 2,208 million and SEK 2,009 million respectively, while the EBITDA margin for the same periods amounted to 21.8 percent and 17.4 percent, respectively¹⁾.

For the year ended December 31, 2019, Nordic Paper employed an average of 619 full time employees, of which the majority of them were situated in Sweden (84 per cent).

History and important events

Nordic Paper's history traces back to the late 1800s, with the establishment of the Bäckhammar mill in 1871. The Säfte mill was later established in 1883 followed by the establishments of Åmotfors mill and Greåker mill in 1896 and 1905 respectively. Over the years, the Company has developed a strong expertise of delivering premium quality kraft paper and natural greaseproof paper to customers world-wide. The current production structure of Nordic Paper was established in 2008 when Nordic Paper acquired Wermland Paper. In 2017, the Chinese-based listed company Shanying International acquired 100 per cent of Nordic Paper through its Swedish-based subsidiary Sutriv Holding AB, recognising the Company's strengths in the global premium, speciality paper market.

Shanying International is a renowned paper products manufacturer in China with an operation history of over 60

years, and is currently one of the largest paper industry companies in China with a rank of 346 in China Fortune 500 in 2019. It is a family controlled company, and was listed on the Shanghai Stock Exchange in 2001. In 2019, Shanying's production volume amounted 4.7 million tonnes of paper, mainly containerboard, and 1.3 billion square meters of corrugated cardboard, and it achieved revenue of RMB 23.2 billion. Within China, Shanying International is growing organically through selected investments in manufacturing capacity. During the first half of 2020, the company started up a new 500 000 tonnes per year containerboard machine in Hubei and also announced plans for adding another 1,77 million tonnes per year of paper capacity to its existing mills in Zhejiang and Guangdong. At Zhejiang, one of the three future paper machines has been announced to be intended for manufacturing of food grade packaging papers with grease resistant properties, grades that are not in competition with the products of Nordic Paper.

Shanying International has a growing presence also outside of China, with operations in Japan, the US, Europe and Australia, and owns 10 paper mills globally. In addition to its Nordic Paper ownership, Shanying also owns Phoenix Paper Wickliffe LLC, operating a pulp and paper mill in the US. During Shanying's holding period, the Company has focused on continuing its profitable growth journey by improving internal efficiency and by carrying out selective investments such as an investment in a shoe press for the PM 5 paper machine in Bäckhammar in 2018, which amounted to SEK 55.9 million and facilitated a 11.0 per cent increase in paper output from that machine between 2018 and 2019. The following table presents a selection of key events in the Company's history.

Year	Event
1871	Bäckhammar mill established. Kraft paper production started in 1886
1883	Säfte mill established. Greaseproof paper production started in 1922
1896	Åmotfors mill established. Kraft paper production started in 1897
1905	Greåker mill established. Greaseproof paper production started in 1914
Late 1950s	The new Bäckhammar mill was built, with modern machines and increased kraft capacity. The new mill was finalised in the beginning of the 1960s
1981	During the 1970s, Bäckhammar and Åmotfors were part of the group Vänerskog AB, which was placed in bankruptcy in 1981
2001	Nordic Paper AS established through a combination of parts of Peterson AS and Norske Skogsindustrier ASA, consisting of the three mills Säfte, Greåker and Geithus in Norway
2003	Wermland Paper was founded through the combination of Bäckhammar and Åmotfors
2006	Petek and NorgesInvestor acquired Nordic Paper and the Geithus mill was shut down
2008	Current corporate structure of Nordic Paper established through the acquisition of Wermland Paper from Procuritas Capital Investors
2008	Construction of Åmotfors Energi AB commenced in 2008 and was finalised in 2010. Nordic Paper owns 37.6 per cent of the company
2012/2013	New legal structure implemented and the Company changed name to Nordic Paper Holding AB and becomes a Swedish entity
2014	Nordic Paper was acquired by Special Situations Venture Partners III
2017	Nordic Paper was acquired by Shanying International

1) EBITDA for the eight months ended 31 August 2020 includes IPO costs of SEK 14.4 million.

Key strengths and competitive advantages

Structurally growing market supported by global megatrends, kraft and greaseproof paper market segments outperforming overall market

Nordic Paper operates in the structurally growing kraft and greaseproof paper markets that historically have, and are expected to continue to, grow at a faster rate than the global paper and board market as a whole. Global demand for kraft paper and greaseproof paper grew at a CAGR of 1.9 per cent and 4.4 per cent, respectively, between 2014 and 2019 and demand is expected to continue to grow at a CAGR of 2.5 per cent and 4.1, respectively, between 2019 and 2024, outperforming the overall paper and board market which grew at a CAGR of 1.5 per cent between 2014 and 2019 and is expected to grow by 1.9 per cent between 2019 and 2024¹⁾.

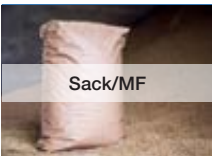

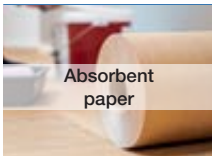
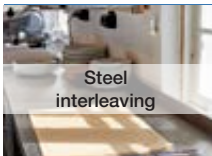






According to the Company, both the historical and expected growth within the kraft paper and greaseproof paper markets are driven by a number of megatrends such as sustainability, urbanisation and globalisation among others. These megatrends are expected to provide underlying growth for the foreseeable future, especially the focus on sustainability from the general public. New regulations from governments and changes in customers' demand are key drivers for the transition from plastic to other alternatives, further reinforcing growth in packaging and other products made from recyclable materials such as fibre. Please see section "Market overview" for a more detailed description regarding Nordic Paper's market and global megatrends.

Leading market positions within attractive key niche markets

Nordic Paper has consciously targeted a selected number of speciality niche segments of the kraft and greaseproof paper markets where the Company believes it has a strong value proposition to customers. Within these niche segments, and to leverage the strong value proposition of the Company, Nordic Paper's strategy has been, and continues to centre on, careful customer selection and profitable growth to achieve a stable, growing and profitable market position over time. Continued growth will also be supported by a number of growth initiatives, such as the new permit in Bäckhammar, which is expected to allow for an increase in pulp and paper production of up to 50,000 tonnes and 20,000 tonnes per year, respectively²⁾. Please see section "Business overview – Strategy" for further information regarding Nordic Paper's strategy.

According to Fisher International, Nordic Paper has leading market positions across all its niche markets. Nordic Paper believes that its high quality offering and top service targeted towards premium segments of niche markets is one of the most important reasons for the Company's leading market positions. Nordic Paper has consciously selected customers with high requirements in terms of product quality and paper specifications, requiring paper with certain specific strength, smoothness, wet strength, heat and freeze proofness and release properties, amongst other requirements. Once a customer finds a supplier able to meet these strict requirements and provide both high quality paper and service, the customer generally tends to stick with this

Overview of Nordic Paper's market positions in its niche markets³⁾

	Kraft Paper				Natural Greaseproof
Niche	 Sack/MF	 MG	 Absorbent paper	 Steel interleaving	 Natural Greaseproof Paper
	Independent unbleached sack/MF paper market in Europe	Independent unbleached MG paper market in Europe	Low basis weight segment in Europe	Total market in Europe	Global natural greaseproof market
Market position					

1) Third party provider: Fisher International. The demand for the overall paper and board market refers to the demand for both virgin and recycle fibre based paper and board. The demand for the kraft paper and greaseproof paper refers to the demand for virgin fibre based paper only.

2) The new production permit at the Bäckhammar mill is subject to the application being granted by the Land and Environment Court.

3) Third party provider: Fisher International. Market positions for Kraft Paper niches refers to Europe and are defined as followed: the total independent unbleached sack paper market. The independent market refers to paper producers without integrated converting operations; the total independent unbleached MG paper market. The independent market refers to paper producers without integrated converting operations; Absorbent paper in low basis weight (40–120 gsm) segment; total steel interleaving market. Market positions for Natural Greaseproof refers to global natural greaseproof paper. Market positions based on year ended 31 December 2019.

supplier for a long time creating long-term relationships. This allows for Nordic Paper to benefit from a stable and profitable market position within its niches. Please see section “Business overview – Kraft Paper” and section “Business overview – Natural Greaseproof Paper” for detailed information regarding Nordic Paper’s high quality offering of kraft paper and natural greaseproof paper products.

For niche markets within the Kraft Paper segment, Nordic Paper is the market leader in the independent unbleached sack/MF paper, independent unbleached MG paper and in absorbent paper niche markets, where the Company has historically grown volumes by offering high product quality and service, and leveraging its relationships with long-standing customers. Nordic Paper is the market leader in natural greaseproof paper, where the Company’s largest niche segments include baking paper and baking cups, and Nordic Paper is well positioned to further grow in these niche markets.

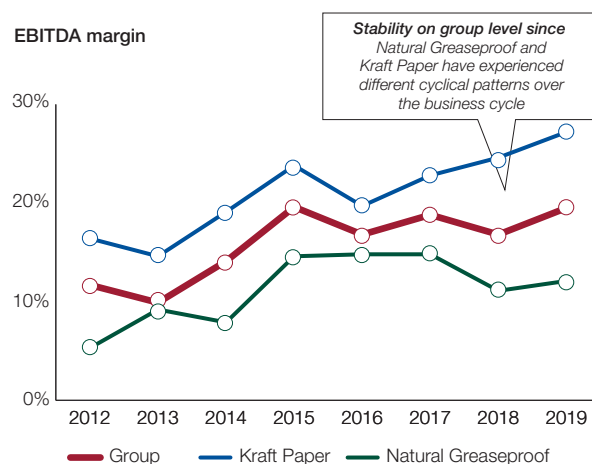
Balanced and well diversified product portfolio provides stability and resilience

Nordic Paper benefits from significant revenue diversification across segments, products, geographies and customers. The Company has a well-balanced portfolio between its Kraft Paper and Natural Greaseproof segments, where Kraft Paper accounted for 56 per cent of net sales in 2019 and Natural Greaseproof accounted for 44 per cent¹⁾. Historically, Natural Greaseproof and Kraft Paper have experienced different cyclical patterns over the business cycle, creating a well-balanced portfolio further contributing to a stable Group EBITDA margin over time.

Nordic Paper is also well diversified in terms of its products, offering a broad range of different products both within its Kraft Paper and Natural Greaseproof segments, providing exposure to a variety of end-use segments. The majority of Nordic Paper’s natural greaseproof paper products are sold to low-cyclical end-use segments such as the food industry, further contributing to financial stability and sustained volume growth over the cycle.

Geographical diversification also limits Nordic Paper’s exposure to specific countries macroeconomic situation. In 2019, 63 per cent of the Company’s net sales were within Europe, while the rest of the net sales were generated from primarily North America (15 per cent) and Asia (15 per cent).²⁾ Moreover, the Company has a high level of customer diversification with only one customer accounting for more than 5 per cent of net sales in 2019 and the aggregated sales to the 10 largest customers amounted to 22 per cent of net sales.

EBITDA margin development³⁾



Unique asset base and efficient operational set-up tailored for targeted markets

Production units strategically located in the heart of Scandinavia

Nordic Paper has four production units located in the heart of Scandinavia. According to the Company, it is an ideal location for long-fibre wood and pulp sourcing, as multiple suppliers operate in the area, enabling production of paper products with good strength properties. In addition, proximity to multiple suppliers is beneficial from both sustainability and economical perspectives since the raw material can be delivered without long transportations and with lower uncertainties. The Company has successfully managed to build long-standing relationships with local wood and pulp suppliers, contributing to reliability and stability of the fibre-related materials supply.

Production set-up with flexible machines suitable for serving the targeted markets

Nordic Paper’s production set-up is specifically designed for production of unbleached kraft paper and natural greaseproof paper. Nordic Paper operates multiple flexible paper machines with the adaptability to customise several different niche product series in accordance with customers’ specifications and quality requirements in a cost-efficient way. The Company’s long experience and extensive know-how of producing technically demanding papers and operating multiple flexible machines coupled with the in-house production of unbleached pulp provides significant competitive advantages. Nordic Paper believes that this unique production set-up would be difficult and costly to replicate, hence creating barriers to entry.

1) Based on net sales after eliminations.

2) The figures apply to sales to end users in contrast to the distribution of net sales in Note 6 under section “Historical financial information – Financial information for the 2017–2019 financial years – Notes” which applies to invoice recipients.

3) EBITDA margin per segment is calculated based on EBITDA before Group eliminations and other Group related costs divided by net sales before eliminations.

The ability to customise a wide range of products is also a key strength of Nordic Paper as it enables the Company to cater to customers' preferences and offer products that meet their unique requirements, supporting the customers value proposition to their end-customers. By offering customised and attractive products to selected customers (as described in the section "*Business overview – Strong and long-standing customer relationships*") and increasing production volume with a CAGR of 3.4 per cent from 2012 to 2019, the Company has successfully improved profitability as evidenced by the expansion in EBITDA margin from 11.9 per cent to 19.5 per cent between 2012 and 2019.

Smart and disciplined capital expenditure strategy

Nordic Paper has a very disciplined approach to capital expenditure that permeates the whole organisation. This is one of the key reasons that Nordic Paper has been able to achieve a CAGR of 3.4¹⁾ per cent in production volumes during the period 2012 to 2019, without adding new pulp lines or paper machines, and while keeping the ratio of capital expenditure to net sales to an average of 3.4 per cent over the same time period²⁾.

Nordic Paper's capital expenditure strategy and its implementation are characterised by a thorough selection process based on deep understanding of the production processes of the company, efficient project execution capabilities, structural benefits provided by the location of the production units and by the size of the process equipment.

The capital expenditure selection process ensures that any investment to be undertaken has a clear rationale and investment merits in terms of benefits for the business and the financial profile of the company. Furthermore, investments are focused on capacity increases providing volume and sales growth, debottlenecking in operations and efficiency improvements to provide tangible profitability improvements and at the same time reduce the environmental impact of the Company. To ensure that this stringent approach to capital expenditure is adhered to, investment decisions are taken by the Company's management together with the operationally responsible mill manager.

The implementation of small to medium sized capital expenditure projects is carried out by in-house resources complemented by carefully selected external resources from the region in case specific additional know-how is required. This ensures that projects are carried out based on a high level of knowledge of the specific conditions at Nordic Paper's mills.

Being located in an area with many other paper industries as well as globally leading suppliers to the industry provides many structural benefits when implementing capital expenditure programs. There is good availability of skilled contractors with expertise in key areas which coupled with tight cooperation and select sharing of know-how with main suppliers allows for successful implementation of capital expenditure projects.

In addition to the location benefit, the size of Nordic Paper's production equipment also offers benefits when it comes to efficient spending of capital expenditure. The smaller size of production equipment in specialty paper production means that maintaining and making improvements to existing equipment can be done efficiently, with standard workshop equipment without the need for unique more expensive arrangements.

The availability in Europe of high quality process equipment from restructured or closed paper industries offers opportunities to Nordic Paper as complement and competition to purchasing new equipment. In some recent investment cases, Nordic Paper has been able to substantially decrease the investment cost by partly using such components from closed mills.

Strong and long-standing customer relationships

A significant majority of Nordic Paper's business is based on long-standing customer relationships. As elaborated on in the section "*Business overview – Key strengths and competitive advantages – Leading market positions within attractive key niche markets*", one of the key benefits of Nordic Paper's high quality product offering and service is that customers tend to stick with a supplier that is able to meet their strict quality requirements. Consequently, approximately 80 per cent of the Company's Kraft Paper sales and approximately 90 per cent of Natural Greaseproof sales are generated from customers having been with Nordic Paper for 6 years or longer³⁾.

Nordic Paper targets selected customers with high demand on product quality within selected niches, where Nordic Paper is able to offer products that enhances the customers' value proposition. Nordic Paper works in close collaboration with these customers in product development by making incremental improvements of the product portfolio to ensure Nordic Paper products supports the customers' value proposition over time. This has translated into long-term customer relationships, contributing to a profitable and stable growth.

Business model supporting green urbanisation

Society strives to combine an urban life-style with sustainability and Nordic Paper contributes to that trend through its operations and paper-based recyclable products. This is particular result of three factors in the business model of the company.

First, the Company's products are made of renewable raw material which comes from sustainably managed local forests. The forests are not only renewable, but also have other positive sustainability impacts during their growth phases as they bind carbon dioxide and contribute to employment in rural areas, as well as contributing to recreation.

1) Refers to the production volume of paper in 2019.

2) Average capital expenditure to net sales calculated as average of the annual capital expenditures divided by annual net sales between the years 2012 and 2019.

3) Based on customers generating sales in 2019.

Second, paper-based recyclable products have been recognised as important sustainable substitutes for products otherwise made of plastic. The demand for paper-based alternatives to plastics is increasing and has been further aided by new regulations and restrictions around the world. It is Nordic Paper's ambition to help and support consumers in choosing paper-based products to reduce their usage of plastics, and thus contributing to a more sustainable everyday life.

Third, the Company's production processes are focused on resource efficiency and production units mainly use renewable energy sources. Nordic Paper has been able to gradually decrease its climate impact, with direct consumption of fossil oil in Bäckhammar reduced by more than 90 per cent since 2003, as just one example.

Attractive financial track record with strong growth, stable margins and stellar cash conversion

Nordic Paper has an attractive financial profile with a strong track record of organic sales growth, high and stable profitability and strong cash conversion, reflecting the Company's strong and resilient business model. This is evidenced by the long-term track record of revenue and earnings growth, with high and stable margins. Between 2017 and 2019, net sales grew by a CAGR of 7.9 per cent, partly driven by increase in volumes and by favourable market conditions, including rising demand and higher market prices for kraft and greaseproof paper, as well as by positive currency effects. The strength of the business model and continued focus on operational excellence is further demonstrated by the EBITDA margin expansion from 18.8 per cent to 19.5 per cent between 2017 and 2019, corresponding to an EBITDA CAGR of 9.8 per cent over the period. The Company's smart capital expenditure strategy in combination with stringent focus on net working capital have resulted in a high cash conversion, amounting to 87.6¹⁾ per cent in 2019 and an average cash conversion of 78.1 per cent for the period 2017 to 2019. The Company's historical growth has primarily been driven organically.

Avenues for growth

Organic growth initiatives

Nordic Paper has a long and successful track record of implementing and realising organic growth initiatives as evidenced by the 7.9 per cent CAGR in net sales between 2017 and 2019 and the Company has a clear ambition to continue to deliver profitable sales growth going forward (please see section "*Business Overview – Financial targets*") for more information regarding Nordic Paper's financial targets). Improvements and initiatives are ongoing and planned for each segment and followed up in a structured way on a group level.

Nordic Paper has planned on several investment opportunities, both of smaller and larger character, in order to

strengthen its market position and drive further growth. The ongoing and decided investments amounts to approximately SEK 104.1 million. In addition, Nordic Paper has also planned for a number of additional organic investments, in which a planned, but not yet decided, expansion of the Bäckhammar mill constitutes the largest investment, expected to amount to approximately SEK 1,200 million. In Bäckhammar, the Company has applied for a new production permit, which is expected to allow for an increase in pulp and paper production of up to 50,000 tonnes and 20,000 tonnes per year, respectively²⁾. The current investment plan in Bäckhammar is estimated to result in increased production capacity of approximately 5,000 tonnes of paper and 50,000 tonnes of pulp. In addition, the capacity in Åmotfors is also expected to increase by 5,000 tonnes paper, as a result of improved pulp properties in Bäckhammar. Please see section "*Operating and financial review – Ongoing and decided investments*" and section "*Operating and financial review – Planned investments*" for more information regarding the Company's ongoing and decided investments, and planned investments.

M&A opportunities

The Company believes that the global speciality paper market is a highly fragmented market. In such market structure, Nordic Paper believes it is well positioned to capture potential opportunities to grow its business by successfully acquiring and integrating targets that fits the Company's strategy.

The Company is continuously working to identify targets with a strategic fit and believes that there exist numerous value creative acquisition opportunities. Nordic Paper is primarily looking to do horizontal rather than vertical acquisitions and is focusing on bolt-on acquisitions. The strategic objective to maintain a well-balanced and diversified product portfolio is always taken into considerations and the Company is hence looking to do acquisitions to increase its offering in existing or adjacent product groups with synergies or to expand its geographical reach in markets such as Europe, North America and Asia. Please see section "*Business Overview – Product and geographical expansion through selective M&A*" for more information regarding Nordic Paper's M&A strategy.

Strategy

The Company's overall strategic ambition is to achieve profitable growth and maintain leading market positions in selected premium niche segments within the global kraft and greaseproof paper markets that exhibit a positive growth outlook and are supported by structural growth drivers. Fundamental to the implementation of the Company's strategy is the business concept to offer selected customers high quality and service.

1) Cash conversion defined as (EBITDA-capital expenditure-change in NWC)/ EBITDA.

2) The new production permit at the Bäckhammar mill is subject to the application being granted by the Land and Environment Court.

Offering selected customers high quality paper and service

Nordic Paper aims to target customer segments that have high requirements in terms of product quality and specifications. By offering selected customers high quality paper and service, Nordic Paper has successfully managed to build long-term relationships with its customers. Nordic Paper is committed to continue to maintain its long-standing customer relationships going forward, and works in close cooperation with customers in product development to ensure a competitive product offering catering to customers' need. The approach to make incremental improvements of the product portfolio based on the customers' preferences enables sustainable growth with maintained profitability. In addition, by selectively expanding into adjacent product categories and new geographical markets, the Company aims to cross-sell and increase its relevance with existing customers as well as finding new customers.

Continued market leadership within selected key niche segments

Nordic Paper aims to maintain and strengthen its position as one of the leading providers of high quality products, targeting premium segments of selected key niche markets. The Company will continue to target growing and profitable niches where it can offer customers a competitive edge in terms of high product quality and properties and service. Nordic Paper believes that by focusing on profitable and growing premium niche segments, and maintaining and strengthening its market leading positions within these segments, the Company will be well positioned to continue to generate high and stable margins over time.

Organic growth and margin expansion through strategic investments

Nordic Paper's historic growth has primarily been driven organically, which will continue to be an important focus of the Company's strategy going forward. Organic growth initiatives are partly focused on investments in existing production facilities, focused on driving increased volume growth as well as reducing costs and expanding margins.

The Company also has a clear ambition to continue to operate its mills as efficient as possible, and is continuously evaluating opportunities to make further operational efficiencies and improvements in the way of working to achieve further efficiency at the mills.

Nordic Paper has planned for a number of investments, which are expected to contribute to the Company's organic growth. As part of this capital expenditure program, the Company has applied for a new production permit at the Bäckhammar mill, which is expected to allow for an increase in pulp and paper production with up to 50,000 tonnes and 20,000 tonnes per year, respectively¹⁾. The Company's

current investment plan to increase the capacity in Bäckhammar amounts to approximately SEK 1,200 million, and is estimated to result in increased production capacity of approximately 5,000 tonnes of paper and 50,000 tonnes of pulp per year. It is also expected to result in an increased capacity in the Åmotfors mill with 5,000 tonnes paper, due to an improved quality of the pulp from Bäckhammar. In order to reach a new production level when a new permit is obtained, Nordic Paper also plans to invest in a new wood room and rebuild the evaporation plant at the Bäckhammar mill, which is expected to increase flexibility in wood sourcing, lowering raw material cost, reduce maintenance cost and reduce the level of bark moisture. The new wood room and the rebuild of the evaporation plant is estimated to result in annual cost savings of approximately SEK 60 million from late 2022. Please see section "*Operating and financial review – Planned investments*" for more information regarding the Company's planned investment in Bäckhammar.

The Säffle pulp mill is one of the oldest operating sulphite pulp mills, resulting in a production cost that is comparatively high in relation to sourcing external pulp. A preliminary feasibility study and an initial analysis conducted by the Company to increase the efficiency and lower the production costs, indicates that significant capital expenditure would be required in Säffle. Necessary investments to be able to continue the production of sulphite pulp in Säffle would include replacement of the boiler and extensive maintenance of equipment. The Company believes that the capital expenditure needs for continuing running the Säffle pulp mill are not economically justified, and is therefore currently evaluating a potential closure of the pulp mill. The initial analysis indicates that a closure of the Säffle pulp mill is expected to reduce fixed costs by approximately SEK 50 million per annum. Please see section "*Operating and financial review – Planned investments*" for more information regarding Nordic Paper's potential future closure of the Säffle pulp mill.

Product and geographical expansion through selective M&A

Nordic Paper aims to selectively grow through synergetic and strategic M&A. The speciality paper market is highly fragmented, and the Company is continuously evaluating acquisition opportunities to strengthen its offering and market position. Nordic Paper believes that there exist a number of attractive acquisition opportunities to increase offering in existing or adjacent product groups with synergies and expand to new geographies. The Company is looking for targets in both Kraft Paper and Natural Greaseproof and has a strategy to maintain a balanced and well-diversified product portfolio. Nordic Paper's focus is on bolt-on acquisitions and on horizontal rather than vertical M&A. The nimbleness, management know-how and decen-

1) The new production permit at the Bäckhammar mill is subject to the application being granted by the Land and Environment Court.

tralised structure of Nordic Paper facilities acquisitions and integration of mills of all sizes allowing for flexibility in the Company's M&A agenda. Nordic Paper's decentralised structure allows the acquired companies to operate fairly autonomously and facilitates the integration of mills into Nordic Papers business segments, while leveraging on the acquired target's knowledge of local market dynamics.

Segment strategies

Kraft Paper

Nordic Paper's ambition is to maintain its leading market positions as a niche supplier of highest quality kraft paper. The Company aims to continue focusing on existing product segments and on its long-term relationships with key customers. Nordic Paper will also continue to primarily target the European market in order to remain close to customers, allowing it to build close relationships and provide a strong service offering, but will also grow selectively in new market such as China and other parts of Asia Pacific.

Nordic Paper believes that opportunities exist to further optimise its product mix by shifting production from niche segments with higher price sensitivity towards rapidly growing and highly profitable niche segments. Nordic Paper also sees an opportunity to further optimise volumes and products within existing infrastructure, for example by better utilising the whole machine width, i.e. through trimming.

Nordic Paper will continue to focus on making continuous improvements in internal processes such as in digitalisation, functions and ways of working to increase operational efficiency as well as enable analysis of data to strengthen customer relations, ensure higher reliability in deliveries and enable a better customer service, for example through 24/7 web access for customers through EDI (Electronic Data Interchange).

Nordic Paper's planned investments in Bäckhammar are expected to further drive volume growth. The new production permit is expected to allow for an increase in pulp and paper production of up to 50,000 tonnes and 20,000 tonnes per year, respectively.¹⁾

Natural Greaseproof

Nordic Paper is the global leading producer of natural greaseproof paper.²⁾ The Company's strategic target is to strengthen this position and develop new customer solutions. The Company believes that opportunities exist to increase volumes in developed markets by further promoting the sustainability aspects of its natural greaseproof paper through a positive positioning as a supplier of paper without fluorocarbons and non-natural solutions.³⁾ As part of this strategy, the Company will continue to develop its papers for baking cup and food container applications in response to the global shift in demand away from plastics. Nordic Paper also aims to grow sales by selectively expanding into less developed markets and enhance service differentiation through improved IT solutions supporting automated data driven processes.

Nordic Paper's ambition is to grow its position in Europe and North America, while continuing to build its position in the Asia Pacific market. In Europe, Nordic Paper will focus on growing more in the demanding professional food sector. In North America, Nordic Paper will focus efforts to drive increased market share of the baking cup, food container and retail baking paper sectors. The Company also sees potential to leverage on its relationship with Shanying International to open up new opportunities in China and Asia Pacific.

Nordic Paper expects to focus on continuous product development in close collaboration with customers and suppliers. Through product development, the Company aims to continue focusing on making incremental improvements to existing products to achieve better paper qualities and properties. Examples of product development areas include incremental improvements to the de-nesting performance of baking cups, improvements to the lamination, coating and printing characteristics of the paper, and continued work on pulp selection to further improve barrier properties.

Nordic Paper will continue to primarily target the low-cyclical and growing food industry. Global megatrends such as population growth and rise in ready meal consumption and in the number of coffee shops are expected to support sustainable long-term growth in food products. Nordic Paper also aims to supply to both the retail sector (home cooking) and the professional sector (food service industry) in order to create a good demand balance.

1) The new production permit at the Bäckhammar mill is subject to the application being granted by the Land and Environment Court.

2) According to Fisher International Market Study.

3) Continued volume growth is subject to that Nordic Paper's continues to make the necessary investments in operations.

Financial targets

The financial targets below constitute forward-looking statements which are based on a number of estimates and assumptions, and subject to risks and uncertainties. Nordic Paper's actual results may differ materially from what is expressly or implicitly stated in these forward-looking statements due to a variety of factors, of which some are outside the Group's control. Nordic Paper's business, profitability, the development of the industry and the macroeconomic environment in which Nordic Paper operates, may differ materially, and be more negative, than that assumed when preparing the financial targets set forth below. In addition, unanticipated events, whether within or outside of Nordic Paper's control, may adversely affect the actual results that the Group achieves in future periods whether or not these assumptions prove to be correct. See sections "Risk factors" and "Important information to investors – Forward-looking statements".

The board of directors of Nordic Paper has decided on the following financial targets for the Company.

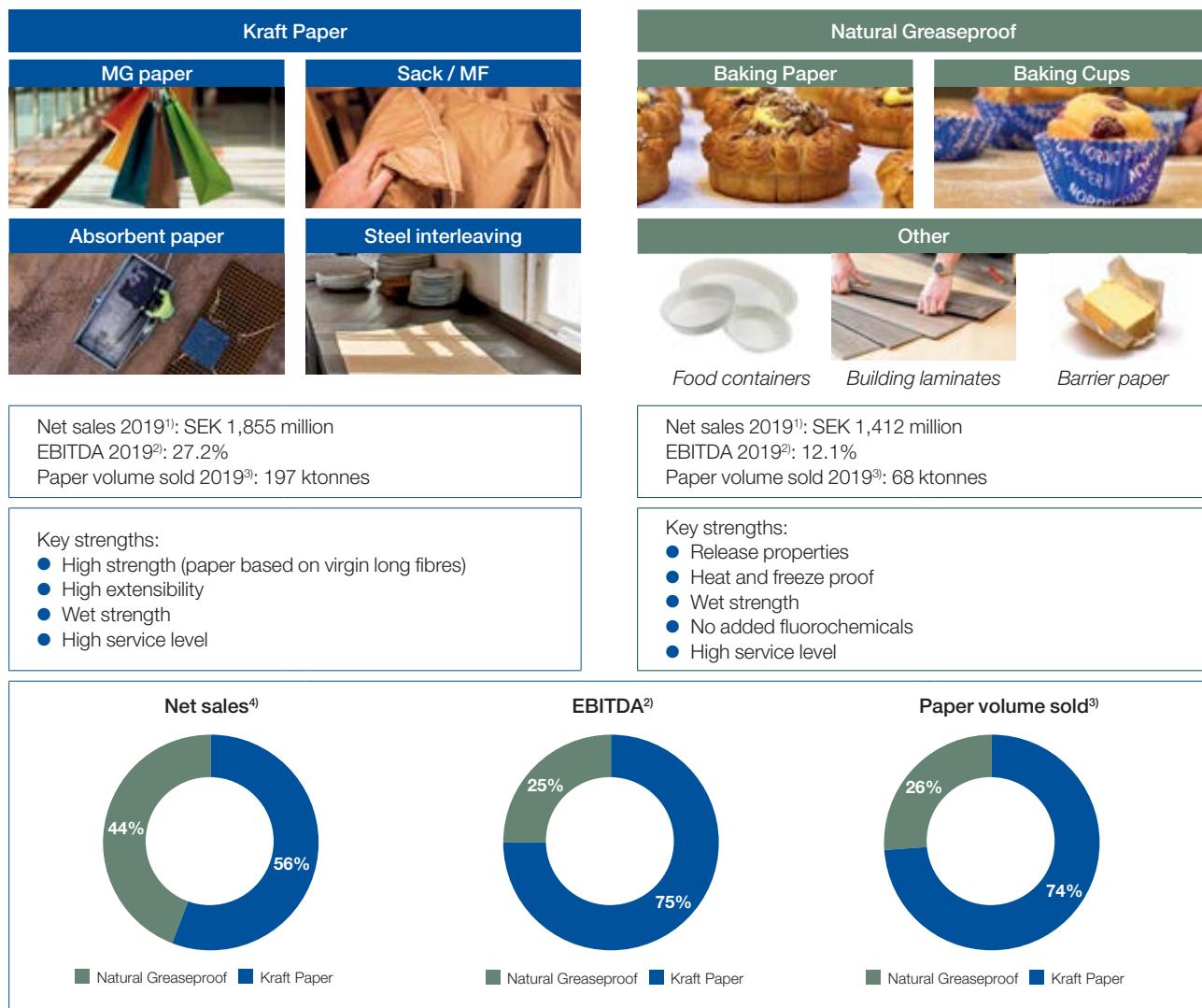
Target	Description
Growth 2–4%	An annual long-term net sales growth rate of 2–4 per cent. In addition, Nordic Paper is looking to opportunistically grow through selective acquisitions.
EBITDA margin ~20%	EBITDA margin of approximately 20 per cent in the medium term.
Net debt/EBITDA <2.5x	The net debt in relation to EBITDA is not to exceed 2.5x. However, the net debt to EBITDA ratio may temporary exceed 2.5x, for example in connection with acquisitions.
Dividend policy 50–70%	Approximately 50–70 per cent of net profit is to be paid as dividend. The proposed dividend shall take Nordic Paper's financial position, liquidity position, future investment needs and general macroeconomic and business conditions into account.



Description of Nordic Paper's operations

Nordic Paper operates through two business segments – Kraft Paper and Natural Greaseproof – both of which offer high quality paper used for a variety of packaging solutions and industrial applications.

Business area overview



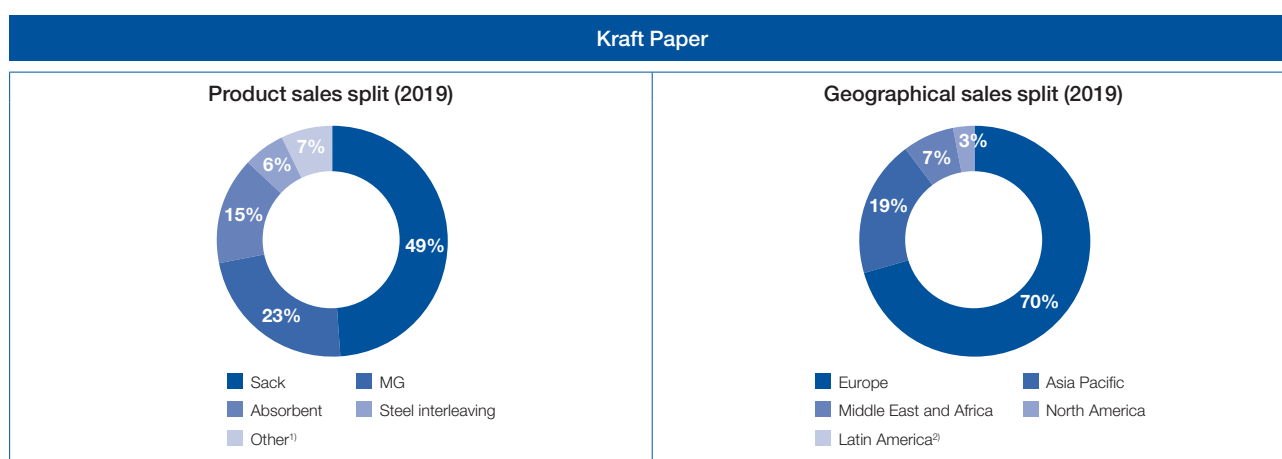
1) Net sales before Group eliminations.
 2) EBITDA before Group eliminations and other Group related costs.
 3) Invoiced volume. For Kraft, excludes pulp volume sold.
 4) Calculated based on net sales after Group eliminations.

Kraft Paper

Nordic Paper's kraft paper offers a strong, unbleached paper, mainly for a variety of industrial usage such as packaging solutions for food and building material. The raw material, long virgin fibres, is ideal for creating strong paper of high quality and is used to manufacture Nordic Paper's kraft paper. The favourable cold climate in Scandinavia means that the forests grow slowly which results in extra-long and strong fibres in the wood. The two kraft paper mills

at Bäckhammar and Åmotfors produced 148 ktonnes and 43 ktonnes of unbleached paper respectively, and, in total, sold unbleached paper amounting to approximately 197 ktonnes in 2019. Nordic Paper's Kraft Paper segment mainly targets the industrial and construction sectors. The Kraft Paper's product and end-use diversification each provide stability against cyclicity for the Kraft Paper business.

Kraft Paper product overview



1) Other includes electro technical, spinning and pulp.

2) Latin America is smaller than 1%.

Sack and MF paper

Nordic Paper's sack and MF paper is characterised by high elasticity and tear resistance and is used for the production of sacks and other packaging solutions, both for food and non-food materials. The strength of the Sack paper reduces the amount of packaging required. Nordic Paper's flexible production processes makes it possible to produce a wide range of combinations of extensibility, strength, wet strength and porosity. End-use applications comprise food packaging (e.g. sacks for potatoes and flour), building materials (e.g. sacks for cement), chemical and compostable bags. Key customers include converters and trading houses.

MG kraft paper

Nordic Paper produces unbleached MG kraft paper characterised by high strength, printability and durability as well as a glossy appearance. The paper is used for the production of shopping bags, wrapping paper, lamination and protection paper.

Steel interleaving paper

Steel interleaving paper is used to protect the surface of stainless steel and aluminium materials from friction and damage between sheets and coils. Steel interleaving paper is primarily sold to steel producers.

Absorbent paper

Nordic Paper's Absorbent kraft paper with high absorbency properties is used for a range of products used in building and furniture construction, where impregnated absorbent paper is pressed onto substrates such as plywood. Impregnated absorbent kraft paper creates a hard and durable surface. Plywood made with Nordic Paper's impregnated paper is used in areas such as moulds for casting concrete and for trailer floors. The paper is also used for cells in humidifier and evaporative climate-control systems, including those used extensively in livestock and poultry farms. Key customers include impregnators and laminate producers.

Other grades

Other grades include electrotechnical paper, spinning paper and pulp. Electrotechnical paper is used for insulating electrical components. A special cleaning process removes impurities and charged ions from the pulp used for electro-technical paper, resulting in a paper with low conductivity perfect for insulating electrical components. End-use applications comprise cables, transformers and electrical laminates. Key customers include cable and transformer manufacturers. Spinning paper is primarily used for the manufacturing of furniture after twisting paper stripes into ropes. Spinning paper can also be used as yarn for fabrics and in manufacturing of matches. Pulp is used for the internal paper production, and any surplus stemming from the pulp produced in Bäckhammar is sold externally.

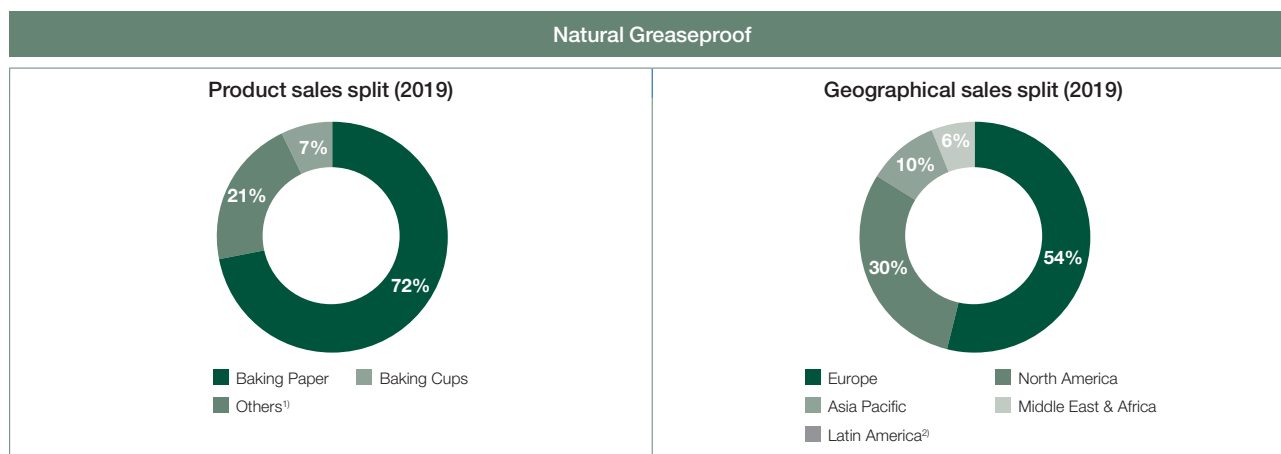
Natural Greaseproof Paper

Nordic Paper offers high quality natural greaseproof paper which is certified for food preparation, packaging and storage. The products have high quality and specification requirements in terms of e.g. grease resistance, release properties, wet strengths, heat and freeze proof resistance. Nordic Paper's natural greaseproof papers is entirely free from added fluorochemicals as opposed to competing grease resistant grades. Fluorochemicals is a large family of chemicals of which some compounds have been found to be harmful to health. The Company offers both bleached and unbleached natural greaseproof paper. Nordic Paper is able to offer unbleached natural greaseproof paper that is

more appealing than bleached papers to customers having sustainability as an important selection criteria, due to the supply of unbleached pulp from the Company's kraft paper production. The majority of Nordic Paper's natural greaseproof paper is sold to the food industry.

The two Natural Greaseproof paper mills at Säffle and Greåker produced 30 ktonnes and 37 ktonnes of both unbleached and bleached paper, respectively, and sold, in total, approximately 68 ktonnes natural greaseproof paper in 2019. Baking paper and paper for baking cups constitutes the largest product categories, representing 72 per cent and 21 per cent respectively of Natural Greaseproof net sales in 2019¹⁾.

Natural Greaseproof paper product overview



1) Other includes Food containers, Barrier Papers and Building Laminates.
 2) Latin America is smaller than 1%.

Baking Paper

Baking paper is a biodegradable and compostable natural greaseproof paper that can be silicone treated and has excellent heat stability. The baking paper is used by professional bakeries and food manufacturers, as well as for cooking and baking at home. The baking paper has been developed to make food preparation simpler, cleaner and more efficient. Key customers include converters, distributors/wholesalers and ready-meal producers.

Baking Cups

Nordic Paper's baking cup paper is a special grade designed to give good cup stability in addition to an excellent barrier against fat and moisture. The cup paper is available in multiple colours, graders and formats. The paper is primarily sold to industrial baking cup converters.

1) Refers to Natural Greaseproof net sales as of the financial year ending 31 of December 2019.



Others

Other includes speciality paper such as food containers, barrier papers and building laminates. Food containers are used for packaging of oven heated ready-meals and frozen prepared food. Food containers are mainly sold to industrial food container converters. Barrier papers are used for wrap-

ping butter, meat and other fatty foods as well as oxygen barriers. The products can be laminated to improve the barrier properties. Key customers include converters and laminators. Building laminates are used in the manufacturing of high pressure laminates for furniture, flooring and kitchens. The products are sold to laminate manufacturers.

Sales and distribution (route to market strategy)

Nordic Paper's products are sold to customers through three different types of sales channels; directly via Nordic Paper's sales representatives, via sales agents or via trading houses. Sales agents and trading houses are used as a complement to Nordic Paper's sales representatives as an additional channel to reach more customers. Sales agents act as the first interacting point for customers and handle part of the administration, but they do not have any price or volume negotiating power, which is handled directly by Nordic Paper's sales representatives. Trading houses, however, handle contract negotiations directly with end-customers.

The two segments, Natural Greaseproof and Kraft Paper, differ slightly in terms of their respective go-to-market strategies, reflecting the different market dynamics in these segments. Kraft paper is mainly sold to the European market. The natural greaseproof paper has a high value per tonne and is sold globally.

Overview of Nordic Papers value chain

Nordic Paper focuses on the production of pulp and paper. The Company purchases raw materials from suppliers, primarily comprising long fibre materials from close lying Scandinavian forests. Other input materials purchased includes chemicals, energy and some external pulp (please see section "Operating and financial review – Variable costs" for detailed information on raw materials purchased). The raw materials are used in the production of pulp and paper, which is later sold to Nordic Paper's customers, primarily converter companies and to some extent directly to wholesalers¹⁾.

The in-house pulp production is key for increasing cost control, as pulp prices are highly volatile.

Within the Kraft Paper business area, Nordic Paper primarily sells its paper to independent packaging converters, who converts Nordic Paper's paper to final end-use products. It is an advantage for Nordic Paper to be an independent supplier as it does not compete with customers. Within the Company's Natural Greaseproof business area, approximately 15 per cent of the paper is sheeted and sold directly to wholesalers, while 85 per cent is sold to converters²⁾.



1) The illustration below does not show that Nordic Paper has conversion operations in the Natural Greaseproof segment representing approximately 15 per cent of Natural Greaseproof sales which is sold directly to wholesalers, while the remaining 85 per cent is sold to converters.
 2) Refers to Natural Greaseproof net sales as of the financial year ending 31 of December 2019.

Sourcing strategy

Nordic Paper operates a centralised purchasing function across all mills. The responsibility of the purchasing organisation is to secure a stable availability of the products and services at the right quality and at competitive prices and to secure that the suppliers comply with the requirement in Nordic Paper's Code of Conduct for suppliers.

In order to secure a stable supply of critical products and services, finding and contracting a diverse supplier base with more than one supplier per item is crucial.

Nordic Paper has about 1,700 active suppliers, of which more than 95 per cent are located in Scandinavia (primarily in Sweden and Norway). Non-Scandinavian suppliers are mainly European suppliers of transportation services. Prior to engaging with new suppliers with a direct impact on production or with contract length in excess of one year, a supplier evaluation is made. Nordic Paper regularly carry out evaluations of the suppliers to ensure that the suppliers meet Nordic Paper's expectations. Annual assessments are made of suppliers that have a critical effect on the end product, quality and service, and that have a certain scope and frequency of purchases.

Sourcing of wood

The majority of Nordic Paper's sourcing relates to purchasing of pulpwood and sawmill chips. Nordic Paper's total annual wood and sawmill chips purchased in 2019 amounted to approximately 1 million m³ which is used for the production of pulp. Nordic Paper has no forest assets on its own, but purchases all forest raw materials for the production process from external suppliers. All sourcing of wood and sawmill chips is handled centrally within the Company and the majority is purchased from professional local suppliers, providing access to high quality long fibre wood, and implying short lead times and lower transportation costs. Nordic Paper purchases wood that is FSC and/or PEFC certified according to customers' preferences.

There are various factors that can affect the supply of wood on the market ranging from weather patterns and seasonality to the economic cycles of the forest and wood

products industries. Nordic Paper has a clear strategy to address these dynamics to ensure a constant wood supply for production. Nordic Paper is actively monitoring changes in market conditions on a daily basis to quickly act and adjust its purchasing if necessary. Nordic Paper's nimbleness and decentralised structure is key for Nordic Paper's ability to act quickly to changing market conditions.

Nordic Paper has over the years managed to build long-term relationships with its suppliers, which is key to ensure a stable wood supply over the cycle. Nordic Paper is conscious to negotiate terms that are beneficial from both a Nordic Paper and supplier perspective, paving way for a long-term cooperation. Nordic Paper also believes that it has a good mix of both larger and smaller suppliers, contributing to stability in the wood supply.

Sourcing of energy



Nordic Paper's mills need supply of energy such as electricity and steam in order to operate. The steam can either be produced on site by combustion of fuels in a boiler or as in the case in Åmotfors, purchased from an external supplier located nearby. Fuels can be biofuels, various types of oils, including biooils, or natural gas. At Åmotfors, the steam is purchased from Åmotfors Energi AB, a company in which Nordic Paper owns 37.6 per cent. It operates a combined heat and power plant located next to the Åmotfors mill. The plant produces steam, heat and electricity based on incineration of household waste. Most of the energy produced is supplied to Nordic Paper, but Åmotfors Energi AB also supplies heating to the village of Åmotfors. Approximately 75 per cent of the energy consumed at Åmotfors mill comes from Åmotfors Energi AB. Nordic Paper and Åmotfors has agreed on a contract until 2022 with a possibility to extend until 2028, which ensures sufficient and cost-efficient energy supply to the mill. For a closer description of the agreement entered into with Åmotfors Energi AB, please refer to section "*Legal considerations and supplementary information – Agreements – Energy supply agreement with Åmotfors Energi AB*".

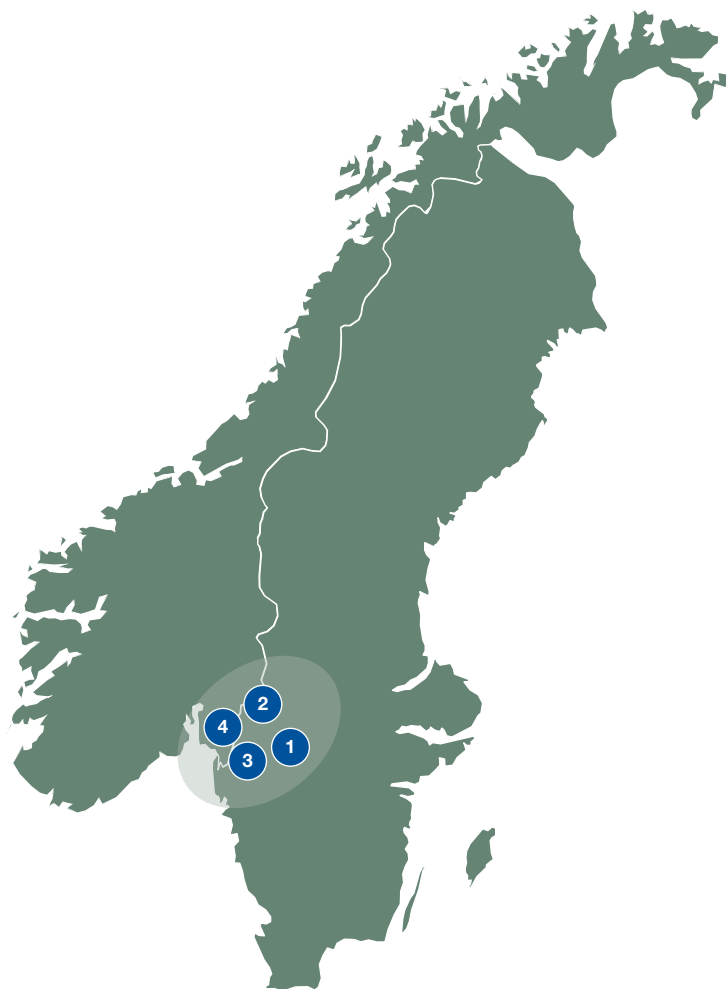
Production

Nordic Paper is strategically located in the heart of Scandinavia, an area characterised by favourable wood sourcing dynamics with access to long-fibre wood. The cold climate in Scandinavia makes the trees grow slowly, leading to strong long-fibres, enabling the production of strong paper. The location is also favourable from a supplier perspective, as many of the Swedish wood and pulp suppliers are located in the area.

Nordic Paper’s production of pulp and paper takes place at four production mills – Säfte, Bäckhammar and Åmotfors in Sweden and Greåker in Norway. The two mills Säfte and Greåker, are focused on the production of the

natural greaseproof paper, whereas the Åmotfors and Bäckhammar mills focus on the production of kraft paper. All four mills are located within a 250-kilometre radius of each other, which allows for efficient management and operational synergies. In addition, the Säfte and Bäckhammar mills are integrated pulp and paper mills, which supplies pulp internally to the Åmotfors and Greåker mills. According to the Company, Nordic Paper’s combined annual production capacity amounts to 286 ktonnes paper. The mills have an efficient and operational set-up and have obtained several certificates, including ISO 9001, ISO 22000, FSC, PEFC, Biologically degradable paper (RISE), Svanen and EcoLabel.

Kraft Paper	1	Bäckhammar	
	2	Åmotfors	
Natural Greaseproof	3	Säfte	
	4	Greåker	



Production units

Bäckhammar



Established: 1871 (current mill structure 1956)
Description: The head office. Integrated pulp and paper mill, producing unbleached kraft paper. Sulphate pulp supplied to Åmotfors mill and Säffle mill as well as sold externally
Business area: Kraft Paper
Number of paper machines: 2
Paper production capacity: 159 ktonnes per year (Kraft)
Pulp production capacity: 230 ktonnes per year (unbleached sulphate pulp)
Products: Sack and MF paper and MG paper
Certificates: ISO 9001, FSC®, PEFC

Åmotfors



Established: 1896
Description: Paper mill with unique paper machines, producing unbleached kraft paper. Unbleached sulphate pulp supplied from Bäckhammar mill
Business area: Kraft Paper
Number of paper machines: 2
Paper production capacity: 50 ktonnes per year
Pulp production capacity: n.a.
Products: Steel interleaving and absorbent paper
Certificates: ISO 9001, FSC®, PEFC

Säffle



Established: 1883
Description: Integrated pulp and paper mill, producing the natural greaseproof paper. Unbleached sulphate pulp is supplied from Bäckhammar mill and sulphate pulp is purchased externally. The bleached sulphite pulp produced is used internally or supplied to Greåker mill
Business area: Natural Greaseproof
Number of paper machines: 2
Paper production capacity: 33 ktonnes per year
Pulp production capacity: 25 ktonnes per year (bleached sulphite)
Products: Baking paper, baking cups and food containers
Certificates: ISO 9001, ISO 22000, FSC®, PEFC and Svanen

Greåker



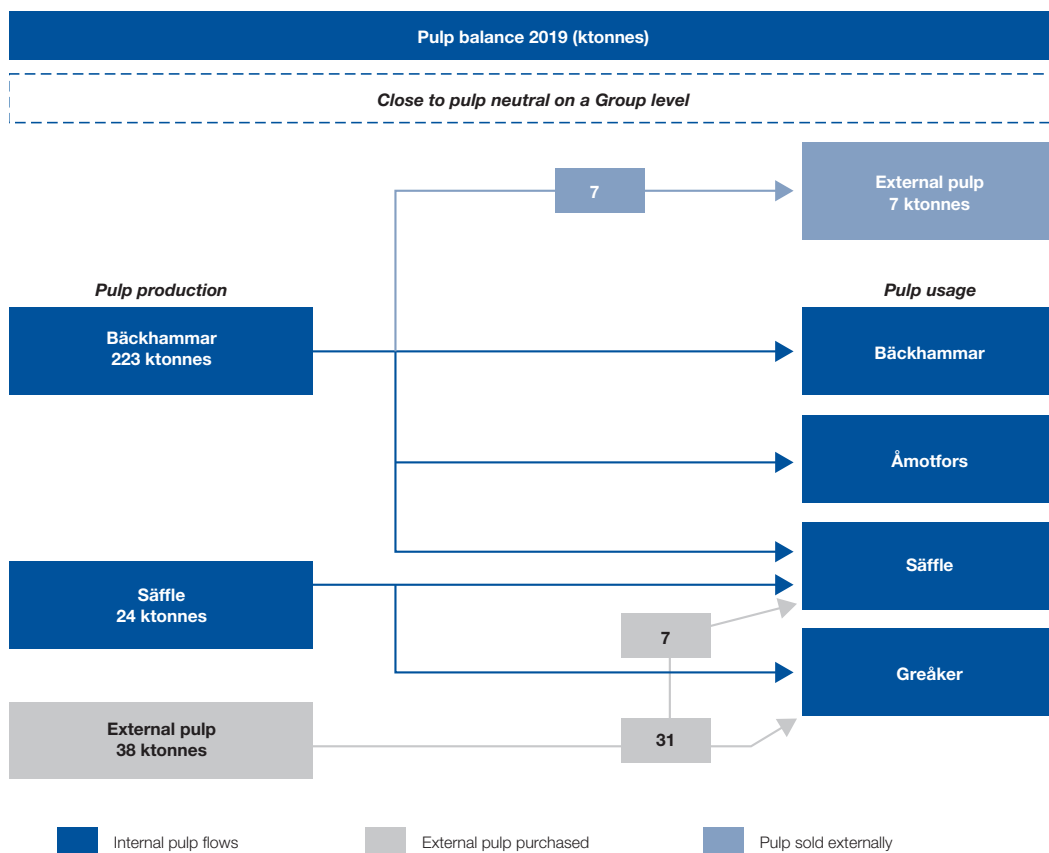
Established: 1905
Description: Non-integrated paper mill, producing natural greaseproof paper. Pulp supplied from Säffle mill (bleached sulphite) as well as external suppliers
Business area: Natural Greaseproof
Number of paper machines: 2
Paper production capacity: 44 ktonnes per year
Pulp production capacity: n.a.
Products: Baking paper, baking cups and barrier paper
Certificates: ISO 9001, ISO 22000, FSC®, PEFC and Svanen

Nordic Paper’s pulp balance and benefits of integrated pulp production

Pulp is used as input material for the production of paper. Nordic Paper has an integrated pulp production in the Bäckhammar and Säffle mills, which also supply pulp internally to the other mills. Part of the unbleached pulp produced in Bäckhammar is also supplied internally to the Åmotfors and Säffle mills, and part of the bleached sulphite pulp produced in Säffle is also supplied internally to the

Greåker mill. Any surplus stemming from the internal pulp production is sold externally to the market. Nordic Paper also purchases some pulp externally, primarily Northern Bleached Softwood Kraft pulp (NBSK pulp). The figure below shows the different pulp flows and illustrates that Nordic Paper is close to pulp neutral on a Group level. In 2019, Nordic Paper’s net exposure to external pulp was only 31 ktonnes.

Overview of Nordic Paper’s pulp balance in 2019



As a result of the Company’s integrated pulp and paper production, Nordic Paper is on a Group level close to pulp neutral over time. The integrated pulp production creates several advantages:

- **Limits exposure to volatile pulp prices:** Integrated pulp production reduces Nordic Paper’s exposure to volatile pulp prices and is key for increased cost control.
- **High product quality and control over the production process:** Complete control over the production process ensures high product quality. It also reduces dependency on external suppliers, ensuring high reliability in deliveries.

- **High level of self-sufficiency in energy:** Pulp production produces an energy surplus, which can be used in the production of paper.
- **Reduced energy consumption:** The pulp can be used directly in the paper manufacturing process, and needs no intermediate drying, which saves energy.

Logistics

Nordic Paper's logistics set-up is managed on Group level, with minor differences between segments and mills. Nordic Paper has no truck fleet of its own and relies solely on outsourced logistics.

In-bound logistics comprise of raw materials such as fibre and chemicals transported to the production units via trucks. The suppliers providing the raw materials are responsible for the in-bound logistics and have contractual relationships with third-party logistics providers. All the production units have internal warehousing capacity and all units except Åmotfors have additional external warehousing in proximity to the mill. Nordic Paper operates on a made-to-order- basis with outsourced logistics, limiting the level of inventories required and reducing the risk for obsolete inventories.

Nordic Paper is responsible for the provision of out-bound deliveries comprising products transported to packaging converters and distributors, via third-party trucking and shipping companies. The majority of products that are transported with trucks end up at Scandinavian and central European destinations. Shipments of products overseas take place via Gothenburg (Sweden) and Fredrikstad (Norway), where products are transferred from trucks, into containers and onwards via ships.

IT

Nordic Paper's IT infrastructure and platforms are centrally managed. The Group's shared overall systems and applications are managed in and from Bäckhammar. There are also local IT infrastructure located at each production mill for specific local use, mainly near-production IT solutions. Nordic Paper's production units are linked together through a Nordic Paper network (DATANET) with wireless redundancy (4G). As part of the continuous development of Nordic Paper's production infrastructure, the Company actively work to evaluate new and upgraded IT solutions that can more efficiently support the Company's internal processes.

Nordic Paper uses a system solution (CSM) from ABB to support the process from order to delivery; order management, production planning, traceability in production, delivery and invoicing. Nordic Paper also uses a system solution (ERP) from IFS for tracking and planning purchasing, maintenance and finance.

Sustainability

For Nordic Paper, sustainability is an integrated part of the business offering. Starting from renewable raw materials from responsibly managed local forests, the Company operates production processes where resource efficiency is crucial and where the final products are filling the end consumers need all over the world and replacing plastic

alternatives. All of this is done with a high consideration for employees, customers and other stakeholders. This model has been the same for more than a century of operations in Nordic Paper's mills, but the Company is continuously working with improvements to further increase its positive impact for the future.

For the period 2018–2023, Nordic Paper has identified the three most important areas of sustainability for the organisation to address, follow up and communicate: sustainable work environment, responsible production and sustainable business conduct.

Sustainable work environment

Nordic Paper strives for creating a safe work environment with healthy employees where diversity and inclusion lead the way. Employee survey is conducted yearly to measure and follow up on how its employees experience the work environment.

There has been a positive trend over the past years when it comes to increasing the attendance rate at work. The level of sick leave was reduced from 4.7 per cent in 2018 to 4.1 per cent in 2019. However, when it comes to the number of work related accidents, Nordic Paper has not reached its targets in 2019. In 2019, 16 work-related injuries (leading to loss of working time) of varying degree in the operations of Nordic Paper, which is an increase from 13 in 2018. A number of measures have been taken to create a safer work environment, one example is a safety education programme that 98.5 per cent of all employees attended in 2019.

When it comes to gender equality, the board of Nordic Paper, which has been elected by the general meeting, is 50/50 composed of women and men. The Company has a female CEO and out of the 32 top managers of the Company, 40 per cent are women, which is well above the 21 per cent average rate of women working in the Swedish pulp and paper industry¹⁾.

Responsible production

Nordic Paper strives to improve the impact of its production from economic, social and environmental aspects.

This starts with the purchase of raw materials for which Nordic Paper is FSC and PEFC certified and can satisfy customer demands for certified products. The pulpwood and wood chips consumed by Nordic Paper are sourced locally. The average distance for transportation of pulpwood to Nordic Paper was 65 kilometres in 2019.

The production processes of Nordic Paper have an impact on the environment, including through emissions to air and water. It is the ambition of Nordic Paper to continuously decrease its negative impact on the environment and the Company is therefore continuously working to improve the operations.

1) The Swedish Forest Industries Federation, 04/06/2020: <https://www.skogsindustrierna.se/hallbarhet/jamstalldhet-och-mangfald/>.

When it comes to impact on climate change, the activities of Nordic Paper as a total for 2018 resulted in emissions of about 107,000 tonnes of fossile CO₂ eq. Of these total emissions, around half derive from Nordic Paper's own production (scope 1) or from purchased electricity and steam (scope 2). The emissions under scope 1 and scope 2 correspond to approximately 224 kg CO₂ eq per tonne of product.

Since 2003, the direct fossil oil consumption in Bäckhammar mill has declined by 90 per cent and amounts today to approximately 1,500 tonnes per annum. Measures are taken throughout the process to further reduce emissions including the sourcing of transportation services. As an illustration, since 2018, the majority of kraft paper products of Nordic Paper sold to Italy has transferred entirely to railway leading to lower emissions compared to truck transportation.

Also for water going into the production process, Nordic Paper takes measures to reduce the usage and constantly monitor the quantity and quality of emissions. The current water usage of Nordic Paper was 21.9 million m³ in 2019, consisting of mainly surface water, which means that no significant amounts of groundwater was used in Nordic Paper's production process.

Sustainable business conduct

Nordic Paper is dependent on relations with many stakeholders including employees, suppliers and customers. Many of these relations have been for more than a decade. To impart Nordic Paper's expectations on its suppliers, the

Company has issued a separate Code of Conduct for suppliers. This document includes sections on human rights, work environment, safety, terms of employment, anti-corruption and environment.

The anti-corruption policy of the Company provides a framework for how sustainable business is being carried out. During 2019 a section on zero tolerance for bribery was added to the agency agreements, it was followed up and no violations were identified.

Sustainable conduct of business also requires unified processes and routines all over the company for which digital tools are facilitating. New system for agent sales interaction, system for customs clearances, container loading system through EDI solutions and a new CRM system have all recently been successfully introduced.

Nordic Paper's contribution to UN Sustainable Development Goals

During 2018, Nordic Paper analysed its business within the framework provided by the 17 Sustainable Development Goals provided by UN as part of its Agenda 2030. The three goals where Nordic Paper has the largest ability to impact is within goal 8, Decent Work and Economic Growth, goal 12, Responsible Consumption and Production, and goal 15, Life on Land.

The work was continued during 2019 with the identification of the most relevant sub-goals under the three main goals. These detailed targets can be linked to already existing targets or activities within Nordic Paper.



Development and innovation

Product development together with customer

Product development is key for Nordic Paper's continued success of offering competitive and high-quality products. The Company views innovation as vital for securing both growth and competitiveness through improving existing products and designing new products to understand how they can deliver the products for the future. The primary goal is to identify customer's needs in terms of the material's qualities, functions, sustainability and cost-efficiency, and translate this expertise into products and services.

Nordic Paper works in close collaboration with its customers to understand how its offering can improve customer's performance and enable them to grow their business. Through in-depth customer insights the Company develops existing products by making incremental changes

according to customer feedback and designs new products. Significant process, product features and quality improvements have been achieved when understanding customers' need. Customer relationships are typically close and long-standing, strengthening Nordic Paper's understanding of end-user applications.

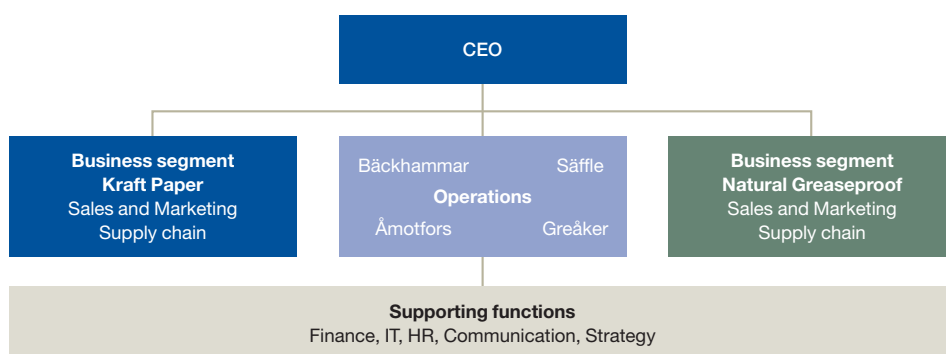
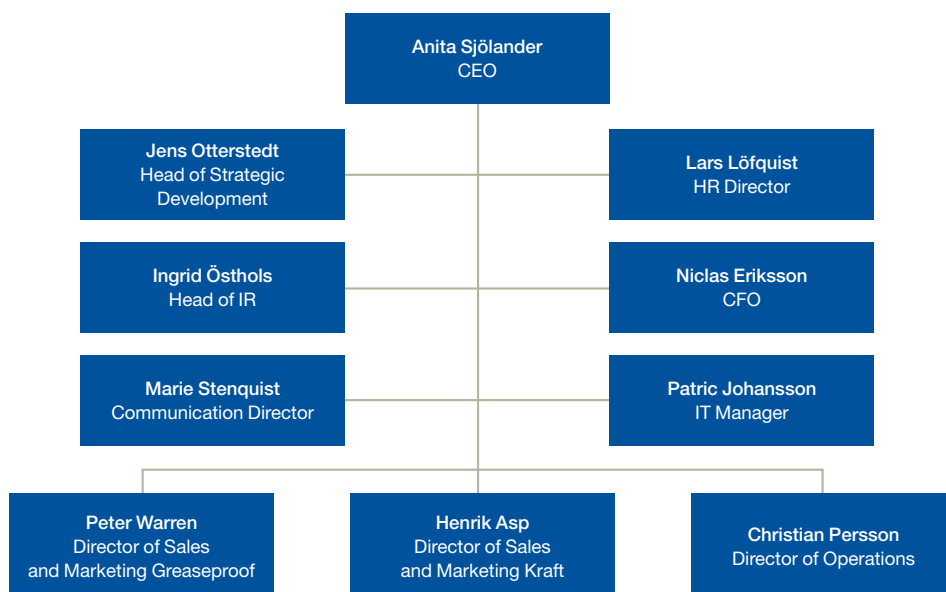
Nordic Paper has a team that covers technical support, product development, product and food safety, focusing on product development and improvement of existing product performance. In addition, opportunities in new applications emerge where existing paper grades could be used either as a part of a composite material for both existing and non-traditional uses. These are captured through an extensive cooperation in the Company's agent network, with existing and potential customers and via academic network.



Organisation and employees

Operational structure

The following charts shows the Group's senior management team and an illustration of the operational structure.



Employees

As of 30 June 2020, the Group had 635 full-time employees, of which approximately 74 percent were blue collar employees and 26 percent were white collar employees.

The following table shows the average number of full-time employees of the Group, in each country in which the Group conducts operations, during the periods January – June 2020, 2019, 2018 and 2017.

Country	January – June 2020	2019	2018	2017
Sweden	529	517	515	515
Norway	99	102	100	108
Total	628	619	615	623

Selected financial information

Selected historical financial information for the Group for the 2019, 2018 and 2017 financial years, interim information for the 1 January – 31 August 2020 and 1 January – 30 June 2020 periods, including comparative figures for the corresponding periods in 2019, is presented below.

The financial information for the 2019, 2018 and 2017 financial years has been retained from the Company's audited consolidated financial statements, which were prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as adopted by the EU, the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 1 (Supplementary Accounting Rules for Groups), and audited by Nordic Paper's auditor in accordance with the audit report (RevR 5). The interim information for the 1 January – 31 August 2020 period, with financial comparative figures for the corresponding period in 2019, has been retained from the Company's internal reporting system and is unreviewed. The interim information for the 1 January – 30 June 2020 period, with financial comparative figures for the corresponding period in 2019, retained from the Company's interim report, has been prepared in accordance with IAS 34 Interim Financial Reporting and is reviewed and unaudited.

The information in this section should be read together with the sections "*Operating and financial review*", "*Capitalization, indebtedness and other financial information*", as well as the Company's audited consolidated financial statements as per and for the three years ending 31 December 2019, 2018 and 2017, the unreviewed interim financial information retained from the Company's internal reporting system as per and for the eight-month period ending 31 August 2020 (with comparative figures as per and for the corresponding period in 2019) and the reviewed and unaudited interim report as per and for the six-month period ending 30 June 2020 (with comparative figures as per and for the corresponding period in 2019) which can be found in the section "*Selected financial information*".

The amounts stated in the tables below have been rounded, while the calculations have been performed with a larger number of decimals. Hence, some tables may appear to sum incorrectly due to rounding.

Consolidated income statement

	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
<i>SEK million</i>			IAS 34	IAS 34	IFRS	IFRS	IFRS
Net sales	2,008.7	2,207.8	1,593.5	1,702.1	3,231.0	3,035.3	2,777.1
Other operating income	11.6	15.6	8.0	12.2	20.7	6.0	12.3
Changes in inventories of finished goods	-25.4	-56.6	-5.4	7.1	-30.0	37.5	-13.2
Raw materials, energy and consumables used	-826.4	-910.1	-646.9	-739.2	-1,368.1	-1,373.3	-1,176.3
Other external expenses	-483.9	-445.6	-350.3	-313.1	-712.9	-674.8	-627.8
Personnel expenses	-320.9	-311.4	-252.9	-241.9	-477.4	-471.2	-444.3
Depreciation and amortisation	-70.1	-65.1	-51.9	-48.8	-98.7	-89.1	-90.3
Other operating expenses	-14.6	-18.0	-17.9	-16.8	-34.3	-50.0	-5.7
Operating profit	279.0	416.6	276.2	361.6	530.3	420.4	431.8
Financial income	3.2	9.3	3.1	3.1	3.0	44.2	15.6
Financial expenses	-13.9	-7.7	-4.3	-5.3	-14.1	-53.6	-40.8
Profit before tax	268.3	418.2	275.0	359.4	519.1	410.9	406.7
Income tax expense	-57.6	-90.8	-59.7	-78.5	-104.8	-92.4	-91.3
Net profit for the period	210.7	327.4	215.3	280.9	414.3	318.6	315.3
Profit is attributable to:							
Equity holders of the parent	210.7	327.4	215.3	280.9	414.3	318.6	315.3
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings per share before dilution, SEK	3.15*	4.89*	3.22*	4.20*	6.19*	4.76*	4.71*
Earnings per share after dilution, SEK	3.15*	4.89*	3.22*	4.20*	6.19*	4.76*	4.71*

*The amounts for all periods are recalculated for the 1,400:1 split of the Company's ordinary shares, which was resolved by the extraordinary general meeting held on 1 October 2020. For further information, see Note 16 and Note 38 under section "Historical financial information – Financial information for the 2017–2019 financial years – Notes".

Consolidated balance sheet

SEK million	On 31 August		On 30 June		On 31 December		
	2020	2019	2020	2019	2019	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
ASSETS							
Non-current assets							
Goodwill	343.4	343.4	343.4	343.4	343.4	343.4	343.4
Other intangible assets	1.2	2.1	1.3	2.3	1.7	2.9	2.7
Land and buildings	59.1	71.7	60.7	73.1	68.1	77.4	88.1
Machinery and plant	488.3	482.4	495.5	495.0	497.8	509.2	467.2
Equipment, tools, fixtures and fittings	4.6	4.4	4.7	4.6	5.7	4.9	4.8
Lease assets	15.0	14.0	15.1	15.4	12.5	–	–
Construction in progress	65.9	67.9	50.2	43.9	62.4	29.7	60.3
Deferred tax assets	2.8	3.8	7.7	3.8	6.5	4.4	6.1
Total non-current assets	980.3	989.7	978.6	981.5	998.2	971.7	972.7
Current assets							
Inventories	457.2	469.8	472.3	515.5	469.7	468.7	403.6
Accounts receivable	385.2	454.7	469.3	503.7	402.0	464.3	395.9
Income tax receivable	–	–	–	–	13.8	16.0	11.7
Derivatives	28.3	0.6	17.2	5.0	16.7	8.5	7.4
Other receivables	59.1	59.8	62.9	63.6	73.6	87.4	58.5
Prepaid expenses and accrued income	11.3	10.8	10.4	10.9	15.2	10.2	11.7
Cash and cash equivalents	411.6	224.7	324.4	138.2	247.2	0.0	88.6
Total current assets	1,352.7	1,220.3	1,356.5	1,236.9	1,238.1	1,055.0	977.3
Total assets	2,333.0	2,210.1	2,335.1	2,218.4	2,236.3	2,026.8	1,950.0
EQUITY AND LIABILITIES							
Equity attributable to equity holders of the parent							
	1,349.6	1,202.3	1,345.5	1,176.1	1,288.3	892.1	577.3
Non-current liabilities							
Liabilities to credit institutions	–	–	–	–	–	–	413.0
Lease liabilities	8.4	7.5	9.3	8.5	6.6	–	–
Provisions for pensions	0.3	11.8	0.3	12.9	2.4	13.4	12.7
Deferred tax liabilities	165.0	140.9	168.3	146.4	169.0	153.0	147.3
Other provisions	25.3	11.0	25.5	9.9	21.9	9.9	8.9
Total non-current liabilities	199.1	171.2	203.4	177.7	199.9	176.3	581.9
Current liabilities							
Liabilities to credit institutions	–	–	–	–	–	65.4	105.0
Factoring credit line	157.4	194.8	149.0	214.6	184.4	202.7	186.4
Liabilities to parent company	150.0	76.0	150.0	83.3	41.0	106.4	–
Accounts payable	249.0	252.7	235.5	262.1	262.2	282.3	252.5
Liabilities to associated companies	1.3	5.2	0.6	4.9	2.5	6.3	4.3
Income tax liability	1.8	52.6	14.6	52.8	48.8	49.1	38.5
Lease liabilities	6.5	6.5	6.1	6.9	6.0	–	–
Derivatives	0.1	40.9	0.4	16.3	6.5	11.6	15.3
Other liabilities	13.8	14.1	13.0	11.1	14.3	8.8	15.1
Accrued expenses and deferred revenue	204.4	193.9	217.0	212.4	182.3	225.7	173.6
Total current liabilities	784.3	836.7	786.2	864.6	748.1	958.3	790.8
Total equity and liabilities	2,333.0	2,210.1	2,335.1	2,218.4	2,236.3	2,026.8	1,950.0

Consolidated cash flow

SEK million	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
	Unaudited	Unaudited	Unaudited	Unaudited	Audited	Audited	Audited
Operating profit	279.0	416.5	276.1	361.6	530.3	420.4	431.8
Interest received	0.1	0.4	0.1	0.4	0.5	8.0	0.4
Interest paid	-4.0	-7.7	-3.1	-5.3	-11.7	-16.5	-28.1
Adjustments to reconcile profit before tax to net cash flows	62.6	81.8	50.3	47.5	120.7	87.4	95.9
Income tax paid	-89.4	-83.9	-79.6	-66.0	-89.5	-77.6	-67.0
Cash flow from operating activities before changes in working capital	248.3	407.1	243.8	338.2	550.3	421.7	432.9
Cash flow from changes in working capital							
Changes in inventories	5.2	4.1	-12.5	-40.1	2.7	-63.0	9.3
Changes in short term receivables	29.1	39.9	-60.3	-12.8	73.1	-93.8	-58.1
Changes in short term debts	17.8	-94.7	19.5	-60.4	-175.4	73.0	11.8
Cash flow from operating activities	300.4	356.4	190.5	224.9	450.7	337.9	396.0
Investments in intangible assets	-	-	-	-	-	-1.2	-1.1
Investments in tangible assets	-55.1	-62.0	-33.8	-31.9	-100.4	-89.3	-80.7
Investments in financial assets	-	-	-	-	-	-0.2	-0.1
Cash flow from investing activities	-55.1	-62.0	-33.8	-31.9	-100.4	-90.8	-81.8
Repayment of borrowings	-	-	-	-	-	-420.0	-301.1
Repayment of lease liabilities	-6.3	-5.3	-4.8	-4.0	-7.9	-	-4.4
Net change of factoring credit line	-26.9	-7.9	-35.4	11.9	-18.3	16.2	9.0
Net change overdraft facilities	-	-65.4	-	-65.3	-65.4	65.4	-
Group contributions paid	-41.0	-	-41.0	-	-11.4	-	-
Dividends paid to equity holders of the parent	-	-	-	-	-	-	-100.0
Cash flow from financing activities	-74.2	-78.6	-81.2	-57.4	-103.1	-338.3	-396.5
Cash flow for the period	171.2	215.8	75.5	135.6	247.2	-91.2	-82.3
Cash and cash equivalents at the beginning of the period	247.2	0.0	247.2	0.0	0.0	88.6	168.4
Exchange rate differences in cash and cash equivalents	-6.8	8.9	1.7	2.6	0.0	2.6	2.5
Cash and cash equivalents at the end of the period	411.6	224.7	324.4	138.2	247.2	0.0	88.6

Key ratios for the Group

The Company applies the European Securities and Markets Authority's (ESMA) guidelines on alternative performance measures regarding this Offering Circular. The guidelines aim to make alternative performance measures in financial statements more comprehensible, reliable and comparable, and thereby promote their usability. According to these guidelines, an alternative performance measure (APM) is a financial measure of historic or projected earnings development, financial position, financial performance or cash flows that is neither defined nor specified in the applicable rules for financial reporting: the IFRS and the Swedish Annual Accounts Act. These guidelines are mandatory for financial statements published after 3 July 2016.

Nordic Paper assesses that the below APMs, together with measurements defined in accordance with IFRS, facilitates the understanding of the Group's financial trends. Furthermore, the APMs are widely used by Nordic Paper's management team, investors, securities analysts and other stakeholders as supplementary measures for earnings development. The APMs, as defined by Nordic Paper, should not be compared with other key ratios with similar names that are used by other companies. This is because above mentioned key ratios have not always been defined in the same way and because other companies may not calculate them in the same way as Nordic Paper. Refer to "Definitions of alternative performance measures not defined in accordance with IFRS" for definitions and description of the reason for the use of financial APMs.

IFRS key performance measures

	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
<i>SEK million</i> <i>(unless otherwise stated)</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Unaudited</i>	<i>Audited</i>	<i>Audited</i>	<i>Audited</i>
Net sales	2,008.7	2,207.8	1,593.5	1,702.1	3,231.0	3,035.3	2,777.1
Net profit for the period	210.7	327.3	215.3	280.9	414.3	318.6	315.3
Earnings per share before dilution, SEK	3.15*	4.89*	3.22*	4.20*	6.19*	4.76*	4.71*
Earnings per share after dilution, SEK	3.15*	4.89*	3.22*	4.20*	6.19*	4.76*	4.71*

*The amounts for all periods are recalculated for the 1,400:1 split of the Company's ordinary shares, which was resolved by the extraordinary general meeting held on 1 October 2020. For further information, see Note 16 and Note 38 under section "Historical financial information – Financial information for the 2017–2019 financial years – Notes".

Alternative performance measures not defined in accordance with IFRS

<i>SEK million</i> <i>(unless otherwise stated)</i>	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net sales growth, %	–9.0%	–	–6.4%	7.2%	6.4%	9.3%	9.9%
Sales volume, ktonnes***	176	181	136	138	264	256	257
EBITDA	349.0	481.6	328.1	410.4	629.0	509.5	522.0
EBITDA margin, %	17.4%	21.8%	20.6%	24.1%	19.5%	16.8%	18.8%
Operating profit (EBIT)	279.0	416.5	276.2	361.6	530.3	420.4	431.8
Operating profit margin, %	13.9%	18.9%	17.3%	21.2%	16.4%	13.8%	15.5%
Cash flow from operating activities	300.4	356.4	190.5	224.9	450.7	337.9	396.0
Net working capital	417.2	465.6	508.7	540.3	442.1	464.3	388.4
Net working capital as a percentage of net sales, LTM, %	13.8%**	–	16.3%*	–	13.7%	15.3%	14.0%
Operating capital	1,232.5	1,314.5	1,319.0	1,375.4	1,271.4	1,283.1	1,213.8
Return on average operating capital, LTM, %	30.8%**	–	33.0%*	–	41.5%	33.7%	35.5%
Cash conversion, %	91.4%	86.8%	69.4%	73.7%	87.6%	67.3%	79.5%
Return on average equity, LTM, %	23.3%**	–	27.7%*	–	38.0%	43.4%	66.6%
Investments	–55.1	–62.0	–33.8	–31.9	–100.4	–90.6	–81.7
Interest-bearing debt	322.6	296.6	314.7	325.1	238.0	387.9	717.1
Net debt	–88.9	71.9	–9.7	186.9	–9.2	387.9	628.5
Net debt/EBITDA, LTM	–0.2**	–	0.0*	0.3*	0.0	0.8	1.2
Debt/Equity ratio, %	–6.6%	6.0%	–0.7%	15.9%	–0.7%	43.5%	108.9%
Equity ratio, %	57.8%	54.4%	57.6%	53.0%	57.6%	44.0%	29.6%
Kraft Paper							
Sales volume, ktonnes***	131	137	101	104	197	188	187
Net sales before eliminations	1,137.2	1,308.4	891.0	1,002.1	1,854.7	1,727.8	1,527.3
EBITDA	239.9	432.3	203.3	336.0	504.1	425.4	348.4
EBITDA margin, %	21.1%	33.0%	22.8%	33.5%	27.2%	24.6%	22.8%
Operating profit (EBIT)	205.3	399.5	178.1	311.5	454.9	379.1	299.7
Operating profit margin, %	18.1%	30.5%	20.0%	31.1%	24.5%	21.9%	19.6%
Natural Greaseproof							
Sales volume, ktonnes***	45	44	36	34	68	68	70
Net sales before eliminations	892.9	922.2	722.7	719.3	1,412.3	1,346.9	1,280.0
EBITDA	118.8	84.9	141.7	101.3	170.6	149.6	189.1
EBITDA margin, %	13.3%	9.2%	19.6%	14.1%	12.1%	11.1%	14.8%
Operating profit (EBIT)	94.3	62.6	123.4	84.5	136.2	113.8	154.6
Operating profit margin, %	10.6%	6.8%	17.1%	11.7%	9.6%	8.4%	12.1%

*The information for the twelve-month period ended 30 June 2020, with comparable figures for the twelve-month period ended 30 June 2019.

**The information for the twelve-month period ended 31 August 2020.

***Refers to the volume of sold paper.

Definitions of alternative performance measures not defined in accordance with IFRS

Non-IFRS measures	Definition	Reason for use
Net sales growth, %	Annual net sales growth, calculated in comparison with previous year, expressed as a percentage.	The measure allows the Company to compare its growth rate between different periods and with the overall market and competitors.
EBITDA	EBITDA (earnings before interest, taxes, depreciation and amortisation) is the operating profit plus depreciation, impairment and amortisation.	A measurement of the Company's operating profit and indication of the Company's cash generating ability.
EBITDA margin, %	EBITDA as a percentage of net sales.	A profitability measurement that is used by investors, analysts and the Company's management for evaluating the Company's profitability.
Operating profit (EBIT)	Operating income less operating expenses.	A measurement that is used by investors, analysts and the Company's management for evaluating the Company's profitability.
Operating profit margin, %	Operating profit as a percentage of net sales.	Operating profit margin provides an understanding of the profit/loss that has been generated from the operating activities.
Cash flow from operating activities	Cash flow from operating activities after changes in working capital.	A measurement of the Company's ability to generate cash flow from operating activities after net working capital requirements.
Cash conversion, %	EBITDA less changes in net working, less capital expenditures, in relation to EBITDA.	A measurement of the Company's ability to generate cash flow from operating activities after net working capital requirements and investments.
Investments	Investments in tangible assets plus investments in intangible assets.	A measurement that shows the Company's investment level.
Net working capital	Inventories, trade receivables and other operating assets less trade payables and other operating liabilities. Excludes the impact from derivatives.	A measurement of the amount of net working capital utilised in the business.
Net working capital as a percentage of net sales, LTM, %	Net working capital as a percentage of net sales for the twelve-month period.	A measurement of how efficiently the net working capital is used.
Operating capital	Net working capital, intangible assets, tangible assets and deferred tax assets less deferred tax liabilities.	A measurement of the capital utilised to conduct the operations.
Return on average operating capital, LTM, %	Operating profit in relation to the average operating capital for the twelve-month period.	Shows how efficiently the Company generates profits from the capital utilised in the operations.
Return on average equity, LTM, %	Net profit for the period in relation to the average equity for the twelve-month period.	Shows the return that is generated on the shareholders' capital that is invested in the Company.
Interest-bearing debt	Non-current and current interest-bearing liabilities and interest-bearing provisions.	A measurement of the total amount of interest-bearing liabilities for the Company.
Net debt	Interest-bearing debt less cash and cash equivalents.	A measurement of the Company's financial position.
Net debt/EBITDA, LTM	Net debt in relation to EBITDA for the twelve-month period.	A measure of financial risk which puts interest-bearing debt in relation to EBITDA and is an indication of repayment capacity.
Debt/Equity ratio, %	Net debt in relation to equity.	A measurement that shows the relation between externally financed capital and equity.
Equity ratio, %	Equity in relation to total assets.	A measurement that shows the proportion of the Company's total assets that are financed with equity.

Reconciliation of alternative performance measures not defined in accordance with IFRS

Net sales growth, %

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net sales	2,008.7	2,207.8	1,593.5	1,702.1	3,231.0	3,035.3	2,777.1
Net sales growth, %	-9.0%	-	-6.4%	7.2%	6.4%	9.3%	9.9%

Operating profit, operating profit margin, EBITDA and EBITDA margin

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net sales	2,008.7	2,207.8	1,593.5	1,702.1	3,231.0	3,035.3	2,777.1
Operating profit (EBIT)	279.0	416.5	276.2	361.6	530.3	420.4	431.8
Operating profit margin, %	13.9%	18.9%	17.3%	21.2%	16.4%	13.8%	15.5%
Depreciation and amortisation	70.0	65.1	51.9	48.8	98.7	89.1	90.3
EBITDA	349.0	481.6	328.1	410.4	629.0	509.5	522.0
EBITDA margin, %	17.4%	21.8%	20.6%	24.1%	19.5%	16.8%	18.8%
Kraft Paper							
Net sales before eliminations	1,137.2	1,308.4	891.0	1,002.1	1,854.7	1,727.8	1,527.3
Operating profit (EBIT)	205.3	399.5	178.1	311.5	454.9	379.1	299.7
Operating profit margin, %	18.1%	30.5%	20.0%	31.1%	24.5%	21.9%	19.6%
Depreciation and amortisation	34.6	32.8	25.2	24.6	49.2	46.3	48.7
EBITDA	239.9	432.3	203.3	336.0	504.1	425.4	348.4
EBITDA margin, %	21.1%	33.0%	22.8%	33.5%	27.2%	24.6%	22.8%
Natural Greaseproof							
Net sales before eliminations	892.9	922.2	722.7	719.3	1,412.3	1,346.9	1,280.0
Operating profit (EBIT)	94.3	62.6	123.4	84.5	136.2	113.8	154.6
Operating profit margin, %	10.6%	6.8%	17.1%	11.7%	9.6%	8.4%	12.1%
Depreciation and amortisation	24.5	22.3	18.3	16.8	34.4	35.9	34.5
EBITDA	118.8	84.9	141.7	101.3	170.6	149.6	189.1
EBITDA margin, %	13.3%	9.2%	19.6%	14.1%	12.1%	11.1%	14.8%

Reconciliation of net working capital

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Inventories	457.2	469.8	472.3	515.5	469.7	468.7	403.6
Accounts receivable	385.2	454.7	469.3	503.7	402.0	464.3	395.9
Other receivables	59.1	59.8	62.9	63.6	73.6	87.4	58.5
Prepaid expenses and accrued income	11.3	10.8	10.4	10.9	15.2	10.2	11.7
Income tax receivable	–	–	–	–	13.8	16.0	11.7
Accounts payable	–249.0	–252.7	–235.5	–262.1	–262.2	–282.3	–252.5
Accrued expenses and deferred revenue	–204.4	–193.9	–217.0	–212.4	–182.3	–225.7	–173.6
Income tax liability	–1.8	–52.6	–14.6	–52.8	–48.8	–49.1	–38.5
Other provisions	–25.3	–11.0	–25.5	–9.9	–21.9	–9.9	–8.9
Other liabilities	–13.8	–14.1	–13.0	–11.1	–14.3	–8.8	–15.1
Liabilities to associated companies	–1.3	–5.2	–0.6	–4.9	–2.5	–6.3	–4.3
Net working capital	417.2	465.6	508.7	540.3	442.1	464.3	388.4

Net working capital as a percentage of net sales, LTM, %

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net working capital	417.2	465.6	508.7	540.3	442.1	464.3	388.4
Net sales LTM	3,031.9**	–	3,122.4*	3,149.4*	3,231.0	3,035.3	2,777.1
Net working capital as a percentage of net sales LTM, %	13.8%**	–	16.3%*	17.2%*	13.7%	15.3%	14.0%

*The information for the twelve-month period ended 30 June 2020, with comparable figures for the twelve-month period ended 30 June 2019.

**The information for the twelve-month period ended 31 August 2020.

Reconciliation of investments

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Investments in intangible assets	–	–	–	–	–	–1.2	–1.1
Investments in tangible assets	–55.1	–62.0	–33.8	–31.9	–100.4	–89.3	–80.7
Investments	–55.1	–62.0	–33.8	–31.9	–100.4	–90.6	–81.7

Cash conversion, %

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
EBITDA	349.0	481.6	328.1	410.4	629.0	509.5	522.0
Change in net working capital	24.9	–1.4	–66.6	–76.0	22.1	–75.9	–25.5
Investments	–55.1	–62.0	–33.8	–31.9	–100.4	–90.6	–81.7
Total	318.9	418.2	227.7	302.5	550.7	343.1	414.9
Cash conversion, %	91.4%	86.8%	69.4%	73.7%	87.6%	67.3%	79.5%

Reconciliation of operating capital

<i>SEK million (unless otherwise stated)</i>	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net working capital	417.2	465.6	508.7	540.3	442.1	464.3	388.4
Goodwill	343.4	343.4	343.4	343.4	343.4	343.4	343.4
Other intangible assets	1.2	2.1	1.3	2.3	1.7	2.9	2.7
Land and buildings	59.1	71.7	60.7	73.1	68.1	77.4	88.1
Machinery and plant	488.3	482.4	495.5	495.0	497.8	509.2	467.2
Equipment, tools, fixtures and fittings	4.6	4.4	4.7	4.6	5.7	4.9	4.8
Lease assets	15.0	14.0	15.1	15.4	12.5	–	–
Construction in progress	65.9	67.9	50.2	43.9	62.4	29.7	60.3
Deferred tax assets	2.8	3.8	7.7	3.8	6.5	4.4	6.1
Deferred tax liabilities	–165.0	–140.9	–168.3	–146.4	–169.0	–153.0	–147.3
Operating capital	1,232.5	1,314.5	1,319.0	1,375.4	1,271.4	1,283.1	1,213.8

Reconciliation of return on average operating capital, LTM, %

<i>SEK million (unless otherwise stated)</i>	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Operating capital – opening balance	1,314.5	–	1,375.4	–	1,283.1	1,213.8	1,219.5
Operating capital – closing balance	1,232.5	1,314.5	1,319.0	1,375.4	1,271.4	1,283.1	1,213.8
Operating capital average	1,273.5	–	1,347.2	–	1,277.2	1,248.4	1,216.6
Operating profit, LTM	392.8**	–	444.8*	476.3	530.3	420.4	431.8
Return on average operating capital, LTM, %	30.8%**	–	33.0%*	–	41.5%	33.7%	35.5%

*The information for the twelve-month period ended 30 June 2020, with comparable figures for the twelve-month period ended 30 June 2019.

**The information for the twelve-month period ended 31 August 2020.

Reconciliation of return on average equity, LTM, %

<i>SEK million (unless otherwise stated)</i>	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Equity – opening balance	1,202.3	–	1,176.1	–	892.1	577.3	370.1
Equity – closing balance	1,349.6	1,202.3	1,345.5	1,176.1	1,288.3	892.1	577.3
Equity average	1,275.9	–	1,260.8	–	1,090.2	734.7	473.7
Net profit for the period, LTM	297.6**	–	348.6*	–	414.3	318.6	315.3
Return on average equity, %	23.3%**	–	27.7%*	–	38.0%	43.4%	66.6%

*The information for the twelve-month period ended 30 June 2020.

**The information for the twelve-month period ended 31 August 2020.

Reconciliation of interest-bearing debt

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Liabilities to credit institutions	–	–	–	–	–	–	413.0
Lease liabilities	8.4	7.5	9.3	8.5	6.6	–	–
Provisions for pensions	0.3	11.8	0.3	12.9	2.4	13.4	12.7
– Deducted, Non interest-bearing provisions	–	–	–	–1.1	–2.4	–	–
Factoring credit line	157.4	194.8	149.0	214.6	184.4	202.7	186.4
Liabilities to parent company	150.0	76.0	150.0	83.3	41.0	106.4	–
Liabilities to credit institutions	–	–	–	–	–	65.4	105.0
Lease liabilities	6.5	6.5	6.1	6.9	6.0	–	–
Interest-bearing debt	322.6	296.6	314.7	325.1	238.0	387.9	717.1

Reconciliation of net debt

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Interest-bearing debt	322.6	296.6	314.7	325.1	238.0	387.9	717.1
Cash and cash equivalents	–411.6	–224.7	–324.4	–138.2	–247.2	0.0	–88.6
Net debt	–88.9	71.9	–9.7	186.9	–9.2	387.9	628.5

Reconciliation of net debt / EBITDA, LTM

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net debt	–88.9	71.9	–9.7	186.9	–9.2	387.9	628.5
EBITDA, LTM	496.4**	–	546.5*	570.0*	629.0	509.5	522.0
Net debt/EBITDA, LTM	–0.2**	–	0.0*	0.3*	0.0	0.8	1.2

*The information for the twelve-month period ended 30 June 2020, with comparable figures for the twelve-month period ended 30 June 2019.

**The information for the twelve-month period ended 31 August 2020.

Reconciliation of debt / equity ratio

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Net debt	–88.9	71.9	–9.7	186.9	–9.2	387.9	628.5
Equity	1,349.6	1,202.3	1,345.5	1,176.1	1,288.3	892.1	577.3
Debt/Equity ratio	–6.6%	6.0%	–0.7%	15.9%	–0.7%	43.5%	108.9%

Reconciliation of equity ratio

SEK million (unless otherwise stated)	January–August		January–June		Full-year		
	2020	2019	2020	2019	2019	2018	2017
Group							
Equity	1,349.6	1,202.3	1,345.5	1,176.1	1,288.3	892.1	577.3
Assets	2,333.0	2,210.1	2,335.1	2,218.4	2,236.3	2,026.8	1,950.0
Equity ratio	57.8%	54.4%	57.6%	53.0%	57.6%	44.0%	29.6%

Quarterly financial information

The board of directors and senior management of Nordic Paper believes that the information provided below is of material importance to investors. Note however that the table below is based on financial information collected from the Group's internal accounting system and is unaudited. For a definition of the items presented below, refer to "Definitions of alternative performance measures not defined in accordance with IFRS".

	2020	2020	2019	2019	2019	2019	2018	2018	2018	2018	2017	2017	2017	2017
<i>SEK million</i> <i>(unless otherwise stated)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Net sales	766.8	826.6	737.9	791.0	821.0	881.2	725.4	721.9	801.1	787.1	714.9	652.3	705.0	704.9
Other operating income	6.7	4.9	4.0	4.4	6.5	5.7	1.7	0.5	1.4	2.4	2.8	1.2	4.3	4.0
Changes in inventories of finished goods	2.7	-8.2	19.5	-56.6	14.7	-7.6	71.9	-24.5	1.5	-11.3	35.0	-49.5	14.8	-13.6
Raw materials, energy and consumables used	-307.6	-339.9	-337.8	-291.1	-350.2	-389.0	-378.2	-316.9	-344.4	-333.9	-316.6	-253.7	-308.8	-297.2
Other external expenses	-174.7	-175.6	-212.9	-187.0	-161.3	-151.8	-167.0	-201.0	-149.9	-156.9	-181.3	-176.3	-134.4	-135.9
Personnel expenses	-127.1	-125.9	-130.1	-105.3	-126.1	-115.9	-134.1	-101.7	-119.7	-115.8	-115.8	-101.9	-113.9	-112.7
Depreciation and amortisation	-26.1	-25.8	-25.5	-24.4	-24.6	-24.2	-23.0	-22.0	-22.0	-22.1	-21.6	-22.4	-22.0	-24.3
Other operating expenses	-13.0	-8.0	-15.6	-1.9	-11.2	-5.6	-15.9	-22.5	-20.2	8.5	-1.6	2.1	-8.1	1.8
Operating profit	127.8	148.3	39.6	129.1	168.9	192.7	80.9	33.7	147.9	157.9	116.0	51.9	136.9	127.0

	2020	2020	2019	2019	2019	2019	2018	2018	2018	2018	2017	2017	2017	2017
<i>SEK million</i> <i>(unless otherwise stated)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Group														
Sales volume, ktonnes*	65	71	60	66	66	73	59	59	67	71	63	60	66	68
Net sales	766.8	826.6	737.9	791.0	821.0	881.2	725.4	721.9	801.1	787.1	714.9	652.3	705.0	704.9
EBITDA	154.0	174.1	65.0	153.5	193.5	216.9	103.9	55.8	169.9	180.0	137.6	74.3	158.8	151.3
EBITDA margin, %	20.1%	21.1%	8.8%	19.4%	23.6%	24.6%	14.3%	7.7%	21.2%	22.9%	19.2%	11.4%	22.5%	21.5%
Operating profit	127.8	148.3	39.6	129.1	168.9	192.7	80.9	33.7	147.9	157.9	116.0	51.9	136.9	127.0
Operating profit margin, %	16.7%	17.9%	5.4%	16.3%	20.6%	21.9%	11.2%	4.7%	18.5%	20.1%	16.2%	8.0%	19.4%	18.0%
Net working capital	508.7	580.1	442.1	442.4	540.3	598.4	464.3	751.0	712.0	472.6	388.4	332.6	436.7	411.0
Kraft Paper														
Sales volume, ktonnes*	49	52	43	50	49	55	42	44	49	53	45	44	48	50
Net sales before eliminations	436.4	454.6	383.5	469.1	484.1	518.0	385.9	416.7	463.9	461.2	393.3	369.6	391.4	373.0
EBITDA	92.7	110.6	20.2	147.8	158.1	177.9	73.7	62.3	148.6	140.9	88.6	55.1	111.0	93.7
EBITDA margin, %	21.2%	24.3%	5.3%	31.5%	32.7%	34.3%	19.1%	14.9%	32.0%	30.5%	22.5%	14.9%	28.4%	25.1%
Operating profit	80.0	98.1	7.9	135.5	145.8	165.7	61.3	51.2	137.4	129.2	76.9	43.3	99.2	80.2
Operating profit margin, %	18.3%	21.6%	2.1%	28.9%	30.1%	32.0%	15.9%	12.3%	29.6%	28.0%	19.6%	11.7%	25.3%	21.5%
Natural Greaseproof														
Sales volume, ktonnes*	17	19	17	16	16	18	17	15	18	18	18	16	17	18
Net sales before eliminations	342.0	380.7	363.1	329.8	344.9	374.4	349.6	312.7	347.4	337.3	331.2	289.2	320.5	339.1
EBITDA	65.7	76.0	54.7	14.7	50.5	50.7	45.2	13.6	46.2	44.7	58.8	17.0	57.3	55.9
EBITDA margin, %	19.2%	20.0%	15.1%	4.4%	14.7%	13.5%	12.9%	4.3%	13.3%	13.3%	17.8%	5.9%	17.9%	16.5%
Operating profit	56.6	66.8	45.4	6.3	42.0	42.5	36.4	4.4	37.1	36.0	50.7	8.2	48.8	46.8
Operating profit margin, %	16.5%	17.5%	12.5%	1.9%	12.2%	11.3%	10.4%	1.4%	10.7%	10.7%	15.3%	2.8%	15.2%	13.8%

*Refers to the volume of sold paper.

Reconciliation of alternative performance measures not defined in accordance with IFRS

Operating profit (EBIT), operating profit margin, EBITDA and EBITDA margin

	2020	2020	2019	2019	2019	2019	2018	2018	2018	2018	2017	2017	2017	2017
<i>SEK million</i> <i>(unless otherwise stated)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Group														
Net sales	766.8	826.6	737.9	791.0	821.0	881.2	725.4	721.9	801.1	787.1	714.9	652.3	705.0	704.9
Operating profit (EBIT)	127.8	148.3	39.6	129.1	168.9	192.7	80.9	33.7	147.9	157.9	116.0	51.9	136.9	127.0
<i>Operating profit margin, %</i>	16.7%	17.9%	5.4%	16.3%	20.6%	21.9%	11.2%	4.7%	18.5%	20.1%	16.2%	8.0%	19.4%	18.0%
Depreciation and amortisation	26.1	25.8	25.5	24.4	24.6	24.2	23.0	22.0	22.0	22.1	21.6	22.4	22.0	24.3
EBITDA	154.0	174.1	65.0	153.5	193.5	216.9	103.9	55.8	169.9	180.0	137.6	74.3	158.8	151.3
<i>EBITDA margin, %</i>	20.1%	21.1%	8.8%	19.4%	23.6%	24.6%	14.3%	7.7%	21.2%	22.9%	19.2%	11.4%	22.5%	21.5%
Kraft Paper														
Net sales before eliminations	436.4	454.6	383.5	469.1	484.1	518.0	385.9	416.7	463.9	461.2	393.3	369.6	391.4	373.0
Operating profit (EBIT)	80.0	98.1	7.9	135.5	145.8	165.7	61.3	51.2	137.4	129.2	76.9	43.3	99.2	80.2
<i>Operating profit margin, %</i>	18.3%	21.6%	2.1%	28.9%	30.1%	32.0%	15.9%	12.3%	29.6%	28.0%	19.6%	11.7%	25.3%	21.5%
Depreciation and amortisation	12.7	12.5	12.3	12.3	12.3	12.2	12.4	11.1	11.1	11.7	11.7	11.8	11.8	13.5
EBITDA	92.7	110.6	20.2	147.8	158.1	177.9	73.7	62.3	148.6	140.9	88.6	55.1	111.0	93.7
<i>EBITDA margin, %</i>	21.2%	24.3%	5.3%	31.5%	32.7%	34.3%	19.1%	14.9%	32.0%	30.5%	22.5%	14.9%	28.4%	25.1%
Natural Greaseproof														
Net sales before eliminations	342.0	380.7	363.1	329.8	344.9	374.4	349.6	312.7	347.4	337.3	331.2	289.2	320.5	339.1
Operating profit (EBIT)	56.6	66.8	45.4	6.3	42.0	42.5	36.4	4.4	37.1	36.0	50.7	8.2	48.8	46.8
<i>Operating profit margin, %</i>	16.5%	17.5%	12.5%	1.9%	12.2%	11.3%	10.4%	1.4%	10.7%	10.7%	15.3%	2.8%	15.2%	13.8%
Depreciation and amortisation	9.1	9.2	9.3	8.4	8.5	8.3	8.9	9.2	9.1	8.7	8.2	8.8	8.5	9.0
EBITDA	65.7	76.0	54.7	14.7	50.5	50.7	45.2	13.6	46.2	44.7	58.8	17.0	57.3	55.9
<i>EBITDA margin, %</i>	19.2%	20.0%	15.1%	4.4%	14.7%	13.5%	12.9%	4.3%	13.3%	13.3%	17.8%	5.9%	17.9%	16.5%

Reconciliation of net working capital

	2020	2020	2019	2019	2019	2019	2018	2018	2018	2018	2017	2017	2017	2017
<i>SEK million</i> <i>(unless otherwise stated)</i>	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Group														
Inventories	472.3	471.6	469.7	460.0	515.5	488.6	468.7	397.8	416.3	401.2	403.6	365.7	416.6	405.6
Accounts receivable	469.3	532.0	402.0	503.4	503.7	573.0	464.3	441.1	493.9	484.0	395.9	358.2	386.3	347.6
Other receivables	62.9	67.4	73.6	54.4	63.6	64.4	87.4	467.0	458.7	82.5	58.5	55.1	59.8	46.2
Prepaid expenses and accrued income	10.4	13.3	15.2	8.9	10.9	17.7	10.2	17.3	20.4	20.5	11.7	16.3	19.7	20.0
Income tax receivable	-	-	13.8	-	-	-	16.0	-	-	-	11.7	-	-	-
Accounts payable	-235.5	-259.1	-262.3	-308.0	-262.1	-277.7	-282.3	-325.4	-295.1	-269.5	-252.5	-261.7	-228.1	-205.1
Accrued expenses and deferred revenue	-217.0	-196.7	-182.6	-192.9	-212.4	-199.9	-225.7	-199.2	-325.7	-197.2	-173.6	-167.5	-173.4	-163.4
Income tax liability	-14.6	-14.9	-48.8	-63.2	-52.8	-39.0	-49.1	-34.5	-42.1	-37.5	-38.5	-23.9	-26.0	-18.2
Other provisions	-25.5	-22.8	-21.9	-9.9	-9.9	-9.9	-9.9	-	-	-	-8.9	-	-	-
Other liabilities	-13.0	-10.7	-14.3	-10.3	-11.1	-14.5	-8.8	-10.2	-11.9	-9.3	-15.1	-8.6	-17.5	-20.3
Liabilities to associated companies	-0.6	-	-2.5	-	-4.9	-4.1	-6.3	-2.9	-2.4	-2.0	-4.3	-1.1	-0.7	-1.5
Net working capital	508.7	580.1	442.1	442.4	540.3	598.4	464.3	751.0	712.0	472.6	388.4	332.6	436.7	411.0
<i>Net working capital % of net sales</i>	16.3%	18.3%	13.7%	13.7%	17.2%	19.1%	15.3%	24.8%	24.1%	16.5%	14.0%			

Operating and financial review

The information below should be read together with the sections “*Selected financial information*” and “*Capitalization, indebtedness and other financial information*” as well as the Company’s audited consolidated financial statements as per and for the three years ending 31 December 2019, 2018 and 2017 with accompanying notes, the unreviewed interim financial information retained from the Company’s internal reporting system as per and for the eight-month period ending 31 August 2020 (with comparative figures as per and for the corresponding period in 2019) and the reviewed and unaudited interim report as per and for the six-month period ending 30 June 2020 (with comparative figures as per and for the corresponding period in 2019) that can be found in the section “*Historical financial information*”. The information below contains forward-looking statements that are subject to a variety of risks and uncertainties. The Company’s actual results may differ materially from the expectations of these forward-looking statements due to many different factors, including but not limited to what is stated in this Offering Circular, including what is stated in the section “*Risk factors*” and elsewhere in the Offering Circular.

Overview

Nordic Paper is a producer of specialty paper with a leading¹⁾ position within kraft paper and natural greaseproof paper. The Company operates through four production sites located in Säffle, Greåker, Bäckhammar and Åmotfors, which manufacture high quality pulp and paper with an annual total production capacity of 286²⁾ ktonnes of paper, whereas the volume of paper sold amounted to 264 ktonnes in 2019. The production mills are strategically located in the heart of Scandinavia, in close proximity to favourable wood sourcing dynamics and with access to virgin long-fibre, which is suitable for manufacturing of strong paper. Nordic Paper has approximately 700 customers located in approximately 70 countries and approximately 95 per cent of the Company’s manufactured paper is exported.

Two segments – Kraft Paper and Natural Greaseproof

Nordic Paper has two operating segments, Kraft Paper and Natural Greaseproof. Kraft Paper encompasses end-use applications including sacks, interleaving, absorbent and other speciality grades, and Natural Greaseproof comprises baking/cooking paper, baking cups, food containers, barrier papers and building laminates. For the 2019 financial year, net sales before eliminations³⁾ amounted to SEK 1,854.7 million for the Kraft Paper segment and SEK 1,412.3 million for the Natural Greaseproof segment.

During the period 2017 to 2019, net sales in the Kraft Paper segment posted a CAGR of 10.2 per cent and the

Natural Greaseproof segment a CAGR of 5.0 per cent. The growth in 2018 was mainly attributable to higher market prices and favourable currency effects affecting the Kraft Paper and Natural Greaseproof segments. The growth in 2019 was primarily attributable to increased sales volumes and higher market prices for the Kraft Paper segment, and favourable development of exchange rates affecting both the Kraft Paper and Natural Greaseproof Paper segment. In 2019, the Kraft Paper segment had an EBITDA margin before eliminations⁴⁾ of 27.2 per cent and the Natural Greaseproof segment had an EBITDA margin before eliminations⁵⁾ of 12.1 per cent compared to 22.8 per cent and 14.8 per cent in 2017, respectively. Between 2017 and 2019, EBITDA was mainly improved by increasing market prices and favourable development of exchange rates, although partly offset by increasing costs of raw materials, in particular during 2018.

Factors affecting Nordic Paper’s results of operations and financial condition

From a historical perspective, Nordic Paper’s financial position, cash flow and operating profit have been affected and are expected to continue to be affected by a number of key factors. The factors deemed critical by the Company for earnings and cash flow are listed below.

- Demand and market conditions
- Production volume and investments in production capacity

1) Fisher International Market Study. For further information, please refer to sections “*Market Overview – Competitive landscape*” and “*Business Overview – Key strengths and competitive advantages – Leading market positions within attractive key niche markets*”.

2) Refers to the production capacity as per the year ended 2019.

3) Net sales including internal sales before eliminations.

4) Kraft Paper EBITDA margin including internal sales before eliminations.

5) Natural Greaseproof EBITDA margin including internal sales before eliminations.

- Sales volume, pricing and product mix
- Variable costs
- Exchange rate fluctuations
- Operational and environmental issues
- Seasonality

Please see section “*Risk factors*” for a more detailed description of the risks associated with the Company’s operations.

Demand and market conditions

Nordic Paper’s earnings and cash flow are affected by the demand for the Company’s products, consisting of kraft paper and natural greaseproof paper.

The demand and market conditions for Nordic Paper’s products has been strong for the period 2017 to 2019, with sales volume increasing gradually from 257 ktonnes to 264 ktonnes coupled with EBITDA margin expansion, from 18.8 per cent to 19.5 per cent. During the same period, Nordic Paper’s geographical distribution of net sales has been relatively stable. In terms of products, MG paper experienced a particularly favourable price development from 2017 to 2019.

The Covid-19 pandemic, along with the global economic uncertainty and actions related to it, has so far had a moderate effect on the pulp and paper industry as a whole. Demand for niche products within personal hygiene, food packaging, corrugated packaging and paper-based materials/devices/parts have experienced an uptick, whereas demand for copier paper and printing paper has decreased. For Nordic Paper, the financial impact from Covid-19 can mostly be derived from lower market prices for Kraft Paper. A decrease in demand, on especially sack paper, has led to a decrease in market price something that has been more evident in countries that have imposed strict lock-downs, such as Italy, the UK and the US. During the Covid-19 pandemic, the specialised retail segment in Natural Greaseproof has experienced an increase in demand that can be derived from a boost in home-made cooking, while the demand from the food-service sector has decreased due to the closing of many restaurants and hotels. However, recently a decline in order intake has been noticed for Natural Greaseproof, especially from countries in lock-down. Going forward, the degree of uncertainty is significant and the Covid-19 pandemic can severely affect Nordic Paper’s business and future result of operation. Precautions have been implemented to mitigate health risks for Nordic Paper’s employees, and so far, Nordic Paper has not experienced abnormal levels of employees taking the

sick leave. Nordic Paper’s production has been unaffected by Covid-19, and the volume produced is on the same level as before the virus outbreak.

Key market drivers and trends affecting both the kraft and greaseproof paper market include changing demographics, urbanisation and greater sustainability awareness. A growing middle class, population growth, increasing share of the population living in urban areas, and a willingness to pay more for eco-friendly materials are trends that are expected to drive demand for various types of paper.¹⁾ There are several environmental benefits with paper compared to plastics, including that paper is based on renewable raw materials²⁾, production of paper can be made with lower climate impact than plastic³⁾, and the relatively high recycling rate for paper packaging.⁴⁾

Key market drivers affecting the demand for the kraft paper market includes environmental regulations targeting plastics, development of the construction industry and the development of the industrial cycle. Restrictions or regulations on use of plastics, plastic materials and specific types of plastic products are driving demand for paper types that can compete with plastics, such as kraft paper. Furthermore, the use of kraft paper sacks for packaging of building materials in the growing construction industry⁵⁾, and the use of kraft paper for a wide range of industrial applications, including interleaving paper in the stainless steel industry, drive demand for kraft paper.⁶⁾

Key market drivers and trends affecting the greaseproof paper market are the growing food service industry that is expected to drive demand for greaseproof paper, and increased restrictions regarding certain flourchemicals in food contact materials. For example, the flourchemical PFAS can be found in some non-natural greaseproof papers, which is anticipated to drive demand for natural greaseproof paper when the restrictions become effective.⁷⁾ The food service sector is expected to continue to deliver stable growth going forward.⁸⁾ Please see section “*Market overview – General market drivers and trends*” for a more detailed description regarding the Company’s market and the global megatrends.

Production volume and investments in production capacity

Nordic Paper’s earnings and cash flow are affected by the Company’s production volume. Nordic Paper strives to have a cost efficient and agile production setup with flexible and effective paper machines that can adjust to changes in demand for the Company’s products, product mix and

1) Fisher International Market Study.

2) Plastic Europe, Bio-Based Plastics.

3) The Swedish Environmental Research Institute, Comparative study if virgin fibre based packaging products with competing plastic materials. The studies were based on the BillerudKorsnäs Skärblacka pulp and paper mill. Climate impact was measured as global warming potential (GWP): GWP is a measure of how much a unit mass of gas contributes to global warming, measured in kg CO₂ equivalents (CO₂e).

4) Fisher International Market Study.

5) Deloitte, Global Powers of Construction.

6) Fisher International Market Study.

7) Fisher International Market Study.

8) Fisher International Market Study.

timing of customers' orders. Nordic Paper's investments are reviewed by mill management and corporate management on a mill-by-mill and Group basis. Investments are mainly related to production and capability improvements, capacity increases providing volume and sales growth, environment and safety, and have historically been an important driver for Nordic Paper's strategic objective to maximise each machines' production output at reduced production costs, in turn leading to expanding margins.

From the beginning of 2017 until 30 June 2020, the Company completed or has made ongoing investments totalling approximately SEK 306.5 million, corresponding to an average capital expenditure to net sales of 2.9 per cent for the period, underscoring Nordic Paper's systematic and determined capital expenditure strategy. The kraft paper volume produced has increased from 185 ktonnes in 2017 to 194¹⁾ ktonnes as of 30 June 2020. During this period, the natural greaseproof paper volume produced has decreased slightly from 70 ktonnes to 69²⁾ ktonnes.

During 2019, Nordic Paper planned on several investment opportunities, both of smaller and larger character, in order to strengthen its market position and drive further growth. The ongoing and decided investments amounts to SEK 104.1 million. Other planned investments amounts approximately SEK 1,200 million, which are related to the expansion of Bäckhammar.

In Bäckhammar, the expansion plan is estimated to result in increased production capacity of approximately 5 ktonnes of kraft paper by late 2024. For pulp production in Bäckhammar, the expansion plan is estimated to result in a gradual ramp-up of approximately 50 ktonnes during the three to four subsequent years following 2024. In Åmotfors, 5 ktonnes of additional paper capacity will be added by late 2024. The expansion is dependent on Nordic Paper receiving a new permit issued by the relevant authority, which is needed to expand the production. Nordic Paper filed for such a permit in Q3 2020, and expects to receive the new permit within approximately two years.

The paper volume produced is limited by permits issued by the Land and Environment Court (Sw. *Mark- och miljöödomstolen*), in regard to production in Sweden, and the Norwegian Environment Agency (Nw. *Miljødirektoratet*), in regard to production in Norway. Nordic Paper will be required to apply for new permits in order to increase its production. The new permit at the Bäckhammar mill will, if granted by the Land and Environment Court, allows an increase in pulp and paper production of 50 ktonnes and 20 ktonnes, respectively. In Greåker, the new permit will, if granted by the Norwegian Environment Agency, allows an increase of paper production of 13 ktonnes.

Currently, Nordic Paper's permits allow for production of 230 ktonnes of pulp and 160 ktonnes of paper in Bäckhammar, 56 ktonnes of paper in Åmotfors, 50 ktonnes of pulp and 50 ktonnes of paper in Säffle, and 42 ktonnes of paper

in Greåker. If Nordic Paper's application for new permits in Bäckhammar and Greåker is successful the Company will have permits that allow production of pulp and paper of 330 ktonnes and 341 ktonnes, respectively. The Company continuously monitors its permits to ensure that the outlined expansion plans and production increases are congruent with the production volume allowed.

Please see section "Operating and financial review – ongoing and decided investments" and section "Operating and financial review – planned investments" for more information regarding the Company's ongoing and decided investments, and planned investments.

Pricing, sales volume and product mix

Pricing

Nordic Paper continuously conducts strategic reviews of its prices, which also have an effect on net sales, earnings and cash flow, in order to determine the right pricing policy. The prices are predominantly market based and Nordic Paper's sales and cash flow is thus affected by market price fluctuations. From 2017 to 2018, the price has increased for both kraft paper and natural greaseproof paper by approximately 14.0 per cent and 7.9 per cent, respectively. Pricing had a positive effect on net sales of SEK 186.4 million during the period 2017 to 2018, equivalent to 6.7 per cent of net sales in 2017. For the period 2018 to 2019, the price increased for kraft paper and natural greaseproof paper by approximately 4.9 per cent and 5.8 per cent, respectively. Pricing had a positive effect on net sales of SEK 73.9 million during the period 2018 to 2019, equivalent to 2.4 per cent of net sales in 2018. The market prices have during the period 1 January – 30 June 2020 decreased for both kraft paper and natural greaseproof paper with approximately 7.5 per cent respective 3.3 per cent compared to the corresponding period previous year. Pricing affected net sales negatively with SEK 152.5 million during the period 1 January – 30 June 2020, which corresponds to 9.0 per cent of net sales for the period 1 January – 30 June 2019.

Sales volume and product mix

The sales volume is affected by the market conditions described in the section "Market overview", Nordic Paper's production volume as well as regulatory output limits. From 2017 to 2018, the total volume of paper sold experienced a marginal decrease from 257 ktonnes to 256 ktonnes. From 2018 to 2019, the total volume of paper sold increased from 256 ktonnes to 264 ktonnes.

Nordic Paper's results of operation are also affected by the mix of products sold, since the underlying profitability of Nordic Paper's two segments differ materially, in addition to the varying profitability of products within the same segment. In 2019, the Kraft Paper segment had an EBITDA margin before eliminations³⁾ of 27.2 per cent while the

1) Refers to volume during the last twelve months.

2) Refers to volume during the last twelve months.

3) Kraft Paper EBITDA margin including internal sales before eliminations.

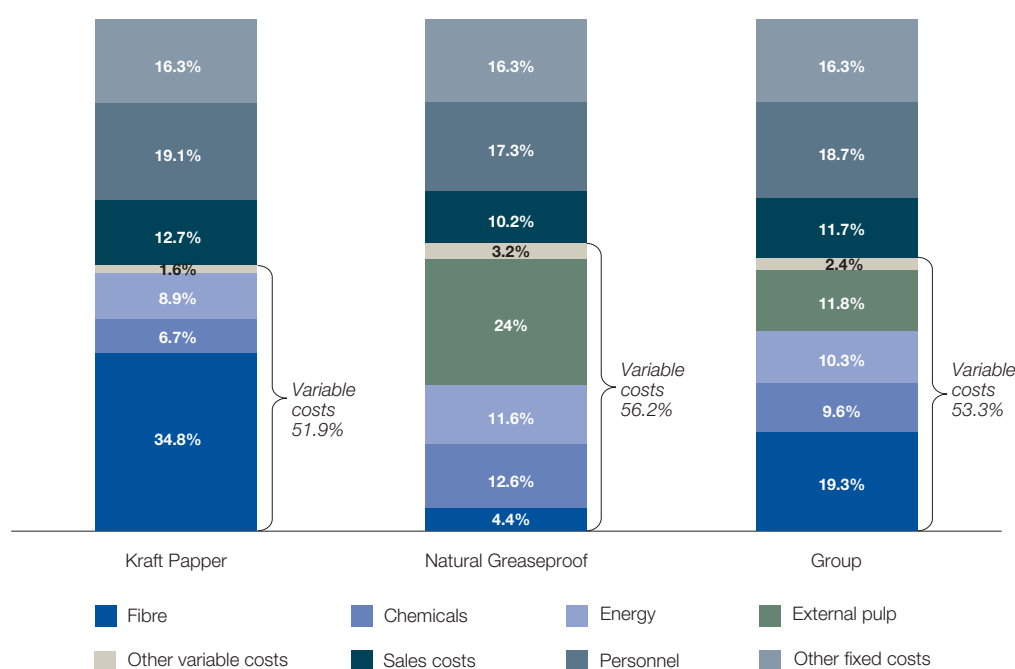
Natural Greaseproof segment had an EBITDA margin before eliminations¹⁾ of 12.1 per cent. The percentage of total volume of paper sold between the Kraft Paper and Natural Greaseproof segments has changed from 72.8 per cent and 27.2 per cent in 2017, 73.4 per cent and 26.6 per cent in 2018, to 74.4 per cent and 25.6 per cent in 2019, respectively.

The sales volume and product mix had a combined negative effect on net sales between 2017 and 2018 of SEK 58.3 million, equivalent to 2.1 per cent of net sales in 2017. For the period 2018 to 2019, the effect of sales volume and product mix had a minor combined negative effect on net sales of SEK 8.2 million, equivalent to 0.3 per cent of net

sales in 2018. For the first six months of 2020, the effect of sales volume and product mix had a positive effect on net sales of SEK 15.7 million, equivalent to 0.9 per cent of net sales for the first six months of 2019.

Variable costs

Nordic Paper's variable costs mainly consist of input goods such as fibre, external pulp, chemicals and energy. Nordic Paper has an integrated pulp production, which decreases the Company's exposure to fluctuating pulp prices. The integrated set-up also increases energy efficiency, lowering Nordic Paper's energy cost.



Fibre

In 2019, Nordic Paper consumed 1 million m³sub of pulp-wood and sawmill chips, representing 19.3 per cent of total costs. Fibre material is used for the production of pulp, mainly sulphate pulp at the Bäckhammar mill. The Company has access to high quality fibre material at competitive price levels due to its strategical geographical position in mid Sweden, where wood prices are relatively low. From 2017 to 2018, Nordic Paper's cost of fibre per produced tonne paper, increased for both the Kraft Paper and Natural Greaseproof segments, with 10.0 per cent and 17.7 per cent, respectively. From 2018 to 2019, Nordic Paper's cost of fibre per produced tonne paper increased by 4.8 per cent for Kraft Paper and 2.5 per cent for Natural Greaseproof.

Chemicals

Chemicals constitute 9.6 per cent of the total cost base in 2019. The main input chemicals include silicon emulsion used for e.g. natural greaseproof paper coatings and lime and liquid caustic soda used for pulp production. From 2017 to 2018, Nordic Paper's cost of chemicals per produced tonne paper, increased for the Kraft Paper segment with 12.0 per cent and decreased for the Natural Greaseproof segment with 1.0 per cent. From 2018 to 2019, Nordic Paper's cost of chemicals per produced tonne paper increased with 1.9 per cent for Kraft Paper and decreased by 0.8 per cent for Natural Greaseproof.

1) Natural Greaseproof EBITDA margin including internal sales before eliminations.

Energy

Production of paper is an energy intensive process. Nordic Paper's energy consumption is mainly composed of electricity, steam, heating and fuels such as oil, gas and biofuels, where some of the energy consumption is sourced from external providers, and some is produced in-house, which reduces the Group's energy costs. Åmotfors Energi AB is an associated company to Nordic Paper and delivers steam and electricity to Nordic Paper's plant in Åmotfors. The geographical placement of Nordic Paper also provides access to renewable and relatively low cost energy sources. The Company has entered into long-term contracts for supply of electricity at several of the mills, but is still exposed to the spot market, which could be highly fluctuating.

The energy cost has decreased from 8.4 per cent to 8.2 per cent in relation to sales, for the period 2017 to 2019. The total energy cost for 2019 amounted to SEK 263.6 million, of which SEK 137.6 million relates to electricity, representing 52.2 per cent of the total energy cost. Electricity supply equivalent to a value of SEK 52.8 million is coming from internal electricity production.

External pulp

Because Nordic Paper has integrated pulp production in the Bäckhammar and Säfte mills, external pulp price exposure is limited. Nordic Paper's integrated mills increase competitiveness over time to mills that purchase all their pulp externally. Only 38 ktonnes of external pulp was purchased in 2019, representing 13.8 per cent of the total pulp consumed. The majority of the external pulp is sourced from nearby producers. While purchasing pulp for parts of its paper production, Nordic Paper also sells excess pulp from the Bäckhammar mill meaning that the net exposure to pulp markets is small. The exposure to external pulp prices could also be affected as a result of future measures in the internal production, for example the planned, but not yet decided, investment in Bäckhammar, which would increase the internal production of pulp, or the planned, but not yet decided, closure of the Säfte pulp mill, which would decrease the internal production of pulp.

Other variable costs

Nordic Paper's other variable costs mainly consist of sheeting, packaging and pallets to protect the products during delivery.

Exchange rate fluctuations

As a consequence of the Group's manufacturing in multiple countries, including Sweden and Norway, and the Group selling its products all over the world, the Company is exposed to exchange rate fluctuations. For example, operating revenues and operating expenses are denominated in different currencies (for example, the majority of operating revenues from sales of natural greaseproof paper and kraft paper are denominated in EUR, GBP and USD, whereas the costs are denominated in SEK and NOK, with liabilities

denominated in SEK). The Company engages in hedging arrangements to minimise volatility in its financial statements. A minimum of 50 per cent and maximum of 75 per cent of net exposure to the Company's major currencies is secured for the coming six months, and a minimum of 25 per cent and maximum of 50 per cent for the subsequent six months. The exchange rate fluctuations, excluding hedging arrangements, had a positive effect on net sales between 2017 and 2018 of SEK 130.1 million, equivalent to 4.7 per cent of net sales in 2017. For the period 2018 to 2019, the exchange rate fluctuations, excluding hedging arrangements, had a positive effect on net sales of SEK 130.0 million, equivalent to 4.3 per cent of net sales in 2018. For the first six months of 2020, exchange rate fluctuations, excluding hedging arrangements, had a positive effect on net sales of SEK 28.2 million, equivalent to 1.7 per cent of net sales for the first six months of 2019. For more information regarding the impact of hedging agreements, see Note 12 of section "Historical financial information – Financial information for the 2017 – 2019 financial years – Notes".

The table below shows a sensitivity analysis of Nordic Paper's exchange rate risk for the financial year 2019, based on the transactions during the period and excluding the Company's use of hedging arrangements.

<i>SEK million</i>	Effect on profit after tax
	2019
USD/SEK +/-5%	10.5
EUR/SEK +/-5%	45.9
GBP/SEK +/-5%	9.2

Operational and environmental issues

Nordic Paper is exposed to risks related to the production processes at the Group's mills. Damage to production equipment or other disruptions could result in interruptions in one or multiple of the Group's production units and thereby affect the Company's operating profit. To minimise this effect, the Group continuously engages in maintenance of production equipment and carry out the management's investment plans. Nevertheless, significant machinery breakdowns or accidents can result in that the production partially or completely needs to be halted. An example of this is the equipment failure in Bäckhammar in the autumn of 2018, whereby the consequences of such event lead to an unanticipated production stop of two weeks.

Seasonality

Nordic Paper experience, to some extent, seasonal fluctuations during their financial year. The seasonal fluctuations occur in conjunction with the planned production stop, summer stop in Geåker, Säfte and Åmotfors in accordance with trade union agreements, and maintenance stop in Bäckhammar.

The yearly maintenance stop in Bäckhammar, which is planned to occur during September or adjacent months, has the most significant effect on the business. The inven-

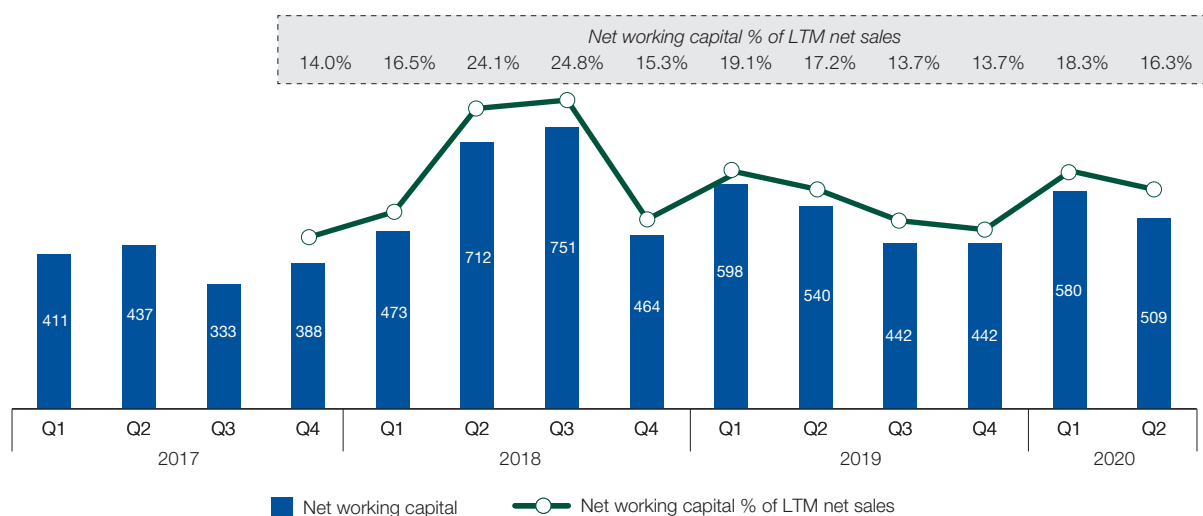
tory levels is hence increased during the second quarter to be able to restrict the effects on deliveries to customers during the shutdown.

The yearly maintenance stops at Nordic Paper's other facilities occur during the planned summer stops. Jointly, they have an effect on the business, although less significant than the effect of the yearly maintenance stop in Bäckhammar. The yearly maintenance stops at Nordic Paper's other facilities is usually planned to occur the same weeks as previous year. The impact on operating profit of planned production and maintenance stops amounted to SEK 6 million in second quarter 2019, SEK 27 million in third quarter 2019 and SEK 58 million in fourth quarter 2019. The impact on operating profit of production and maintenance stops during 2020 were estimated to amount to SEK 105 million and

occur during third quarter 2020, but due to a longer maintenance stop than planned in Bäckhammar in September 2020, the actual impact on operating profit of production and maintenance stops is now estimated to approximately SEK 130–140 million, of which the majority falls during third quarter 2020.

Net sales in December is usually negatively affected as a consequence of limited access to transportation in conjunction with Christmas and New Year holidays, resulting in higher inventory levels at the years end and deferred net sales to the first quarter of the succeeding year.

For more information regarding the estimated effects of the yearly maintenance stops, see Note 4 of section "Historical financial information – Financial information for the period January – June 2020 – Notes".



Significant changes in the Company's financial position after 30 June 2020 up to and including the date of the Offering Circular

In July and August 2020, net sales were negatively affected by mainly lower sales volumes and lower Kraft Paper market prices compared to the same period last year. Demand in Natural Greaseproof was weaker in countries with comprehensive lockdowns due to Covid-19. Demand in Kraft Paper was stable, but production levels in the period were lower. EBITDA was negatively impacted by the lower sales volumes and market prices, partly offset by lower pulp, energy and wood costs.

In September 2020, the Company entered into a credit facility agreement with DNB Bank ASA, DNB Bank ASA, Sweden Branch, DNB Sweden AB and Aktiebolaget Svensk Exportkredit for a total amount of SEK 1,800 million, which is intended to be Nordic Paper's main financing after the listing.

The annual maintenance stop at the Bäckhammar mill was carried out during the latter part of September 2020 under special safety measures taken by Nordic Paper due to Covid-19. The duration of the stop became somewhat longer than planned, and towards the end of the stop, it was identified that a maintenance activity originally planned for 2022 had to be carried out ahead of time in connection with this year's stop. The total negative impact on operating profit resulting from the stop and the extended maintenance activity has been estimated to approximately SEK 85–95 million, an SEK 25–35 million increase compared with the originally expected negative impact on operating profit of approximately SEK 60 million. Among the SEK 25–35 million increase, approximately SEK 17–22 million will affect the third quarter and SEK 8–13 million will affect the fourth quarter. The increased negative impact on the operating profit is mainly related to reduced sales.

At the extraordinary general meeting held in October 2020, it was decided to split the Company's ordinary shares by 1,400:1, and to pay an additional dividend of SEK 800 million to Sutriv Holding. A total of SEK 950 million will thus be paid to Sutriv Holding before the listing.

Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key judgments

The Company has identified purchase agreements regarding electric power as a significant accounting judgement made in applying the Group's accounting policies. The Company signs agreements with electricity suppliers on an ongoing basis for consumption in the Group's plants. From the current agreements, Nordic Paper is always supplied with the underlying physical supply of electricity. The agreements contain price clauses which gives the Group possibility to secure the price of electricity, i.e. "fixed price agreements". The Company has assessed the current purchase agreements for electricity as "executory contracts" and the cost according to the agreements is accounted for in line with the consumption of electricity.

The Company has not identified any other significant accounting judgments made in applying the Group's accounting policies.

Accounting estimates

Preparing the financial reports in compliance with IFRS requires management to make accounting estimates that affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Accounting estimates are reviewed regularly. Changes to estimates are reported in the period in which the change is made if the change has only affected this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Goodwill impairment testing

Each year the Group performs goodwill impairment testing in accordance with the accounting policy described in Note 2 of section "*Historical financial information – Financial information for the 2017 – 2019 financial years – Notes*". The recoverable amount for the cash-generating unit is established by calculating value in use. These calculations require certain estimates to be made, see Note 17 of section "*Historical financial information – Financial information for the 2017 – 2019 financial years – Notes*".

Key items in the income statement

Net sales

Net sales refer to the remuneration received from the sale of goods and services sold within Nordic Paper's ordinary activities, and mainly from kraft paper and natural greaseproof paper after deduction of discounts and returns.

Other operating income

Other operating income consists of capital gains for sale of fixed assets, compensation for CO₂ tax, net currency exchange rate gains arising from derivatives and other.

Changes in inventories of finished goods

Refers to the Company's changes in inventories of finished goods.

Raw materials, energy and consumables used

Raw materials consist primarily of expenses related to purchased fibres, particularly pulpwood, wood chips and the chemicals used in the production process. Consumables mainly consist of packaging and pallets. Energy costs are primarily attributable to expenses related to electricity, gas, oil and purchased steam.

Other external expenses

Other external expenses mainly constitute of maintenance expenses and operating expenses relating to the Company's production plants.

Personnel expenses

Personnel expenses includes salaries, pension, and social charges for Nordic Paper's employees and costs associated with Nordic Paper's incentive program.

Depreciation and amortisation

Depreciation of tangible assets primarily relate to buildings and land, machinery and equipment, fixtures, tools and installations. Amortisation of intangible assets primarily relate to software.

Other operating expenses

Other operating expenses relate to other expenses relating to the operations of the Company, including net currency exchange rate losses arising from derivatives.

Operating profit

Operating profit is the Company's total sales less cost of raw materials, energy and consumables, other external expenses, personnel expenses, depreciation and amortisation, and other operating expenses.

Financial income

Financial income primarily relates to exchange rate differences attributable to financial items and interest income.

Financial expenses

Financial expenses primarily relate to exchange rate differences attributable to financial items and interest expenses.

Profit before tax

Profit before tax is the Company's operating profit plus financial income less financial expenses.

Income tax expense

Income tax expense pertains to current and deferred tax. Current tax is income tax that is to be paid or received for the current year, with the application of the tax rates that have been decided or estimated on the balance-sheet date. Deferred tax is calculated based on temporary differences between the carrying amounts and the taxable values of assets and liabilities and for tax loss carryforwards, insofar as it is probable that these can be utilised against future taxable profits.

Net profit for the period

Net profit for the period is the Company's net profit after income tax expense.

Comparison between the period January – June 2020 and January – June 2019

<i>SEK million</i>	For the six months ended 30 June			
	2020	2019	+/-	+/- %
Net sales	1,593.5	1,702.1	-108.6	-6.4%
Other operating income	8.0	12.2	-4.2	-34.4%
Changes in inventories of finished goods	-5.4	7.1	-12.5	-176.1%
Raw materials, energy and consumables used	-646.9	-739.2	92.3	-12.5%
Other external expenses	-350.3	-313.1	-37.2	11.9%
Personnel expenses	-252.9	-241.9	-11.0	4.5%
Depreciation and amortisation	-51.9	-48.8	-3.1	6.4%
Other operating expenses	-17.9	-16.8	-1.1	6.5%
Operating profit	276.2	361.6	-85.4	-23.6%
Financial income	3.1	3.1	0.0	0.0%
Financial expenses	-4.3	-5.3	1.0	-18.9%
Profit before tax	275.0	359.4	-84.4	-23.5%
Income tax expense	-59.7	-78.5	18.8	-23.9%
Net profit for the period	215.3	280.9	-65.6	-23.4%

Net sales

Net sales decreased with SEK 108.6 million, or 6.4 per cent, from SEK 1,702.1 million for the first six months of 2019 to SEK 1,593.5 million in the corresponding period in 2020. The decrease was mainly due to a decrease in selling price.

Other operating income

Other operating income decreased with SEK 4.2 million, or 34.4 per cent, from SEK 12.2 million for the first six months of 2019 to SEK 8.0 million in the corresponding period in 2020. The decrease was primarily driven by a decrease in revenue from by-products.

Changes in inventories of finished goods

Company's changes in inventories of finished goods for the first six months of 2020 amounted to SEK -5.4 million compared to SEK 7.1 million for the first six months of 2019, which represents an decrease of SEK 12.5 million or 176.1 per cent.

Raw materials, energy and consumables used

Raw materials, energy and consumables used for the first six months of 2020 amounted to SEK -646.9 million compared to SEK -739.2 million for the first six months of 2019, which represents an decrease of SEK 92.3 million or 12.5 per cent. The decrease in raw materials, energy and consumables used was primarily driven by decreasing cost of raw materials, energy and consumables used.

Other external expenses

Other external expenses increased by SEK 37.2 million, or 11.9 per cent, from SEK -313.1 million for the first six months of 2019 to SEK -350.3 million for the first six months of 2020.

Personnel expenses

Personnel expenses increased by SEK 11.0 million, or 4.5 per cent, from SEK -241.9 million for the first six months of 2019 to SEK -252.9 million for the first six months of 2020. The increase was mainly due to contractual increase in salaries, increased number of employees and additional employee coverage due to succession.

EBITDA

EBITDA decreased by SEK 82.3 million, or 20.1 per cent, from SEK 410.4 million for the first six months of 2019 to SEK 328.1 million for the first six months of 2020. The change corresponds to a decrease in EBITDA margin from 24.1 per cent for the first six months of 2019 to 20.6 per cent for the first six months of 2020. The decrease was mainly due to a decrease in market prices within Kraft Paper. EBITDA for the first six months of 2020 was also affected by the initial public offering costs which amounted to SEK 12.3 million, and a negative impact on operating profit relating to a malfunction in Bäckhammar amounted to SEK 20 million.

Depreciation and amortisation

Depreciation and amortisation increased by SEK 3.1 million, or 6.4 per cent, from SEK -48.8 million for the first six months of 2019 to SEK -51.9 million for the first six months of 2020. The increase was mainly due to increased investments in 2019.

Other operating expenses

Other operating expenses increased by SEK 1.1 million, or 6.5 per cent, from SEK -16.8 million for the first six months of 2019 to SEK -17.9 million for the first six months of 2020. The increase was mainly due to net currency exchange rate losses arising from derivatives and revaluation of accounts receivables and accounts payable.

Operating profit

The operating profit decreased by SEK 85.4 million, or 23.6 per cent, from SEK 361.6 million for the first six months of 2019 to SEK 276.2 million for the first six months of 2020. The decrease was mainly due to lower market prices for Kraft Paper.

Financial income

Financial income amounted to SEK 3.1 million for the first six months of 2019 and SEK 3.1 million for the first six months of 2020, respectively.

Financial expenses

Financial expenses decreased by SEK 1.0 million, or 18.9 per cent, from SEK -5.3 million for the first six months of 2019 to SEK -4.3 million for the first six months of 2020. The decrease was mainly due to lower interest expenses of used credit line. In the beginning of 2019 the credit line was partly utilised.

Profit before tax

Profit before tax decreased by SEK 84.4 million, or 23.5 per cent, from SEK 359.4 million for the first six months of 2019 to SEK 275.0 million for the first six months of 2020. The decrease was mainly due to lower market prices within Kraft Paper.

Income tax expense

Income tax expense decreased by SEK 18.8 million, or 23.9 per cent, from SEK 78.5 million for the first six months of 2019 to SEK 59.7 million for the first six months of 2020.

Net profit for the period

Net profit for the period decreased by SEK 65.6 million, or 23.4 per cent, from SEK 280.9 million for the first six months of 2019 to SEK 215.3 million for the first six months of 2020. The decrease was mainly due to lower market prices for Kraft Paper.

Comparison between the financial years 2019 and 2018

SEK million	For the year ending 31 December			
	2019	2018	+/-	+/- %
Net sales	3,231.0	3,035.3	195.7	6.4%
Other operating income	20.7	6.0	14.7	246.6%
Changes in inventories of finished goods	-30.0	37.5	-67.5	-180.1%
Raw materials, energy and consumables used	-1,368.1	-1,373.3	5.2	-0.4%
Other external expenses	-712.9	-674.8	-38.1	5.6%
Personnel expenses	-477.4	-471.2	-6.2	1.3%
Depreciation and amortisation	-98.7	-89.1	-9.5	10.7%
Other operating expenses	-34.3	-50.0	15.7	-31.4%
Operating profit	530.3	420.4	109.9	26.2%
Financial income	3.0	44.2	-41.2	-93.3%
Financial expenses	-14.1	-53.6	39.4	73.6%
Profit before tax	519.1	410.9	108.2	26.3%
Income tax expense	-104.8	-92.4	-12.4	13.4%
Net profit for the period	414.3	318.6	95.7	30.1%

Net sales

Net sales increased with SEK 195.7 million, or 6.4 per cent, from SEK 3,035.3 million in the 2018 financial year to SEK 3,231.0 million in the 2019 financial year. The increase was mainly due to favourable development of exchange rates, increased production volume and favourable market conditions. In particular, the investment in a shoe press for a paper machine in Bäckhammar in 2018 facilitated an 11.0 per cent increase in paper output for the paper machine between 2018 and 2019, which had a positive effect on net sales.

Other operating income

Other operating income increased with SEK 14.7 million, or 246.6 per cent, from SEK 6.0 million in the 2018 financial year to SEK 20.7 million in the corresponding period in 2019. The increase was primarily driven by an increase in compensation for CO₂ tax.

Changes in inventories of finished goods

The Company's changes in inventories of finished goods in the 2019 financial year amounted to SEK -30.0 million compared to SEK 37.5 million in the 2018 financial year, which represents a decrease of SEK 67.5 million.

Raw materials, energy and consumables used

Raw materials, energy and consumables used in the 2019 financial year amounted to SEK -1,368.1 million compared to SEK -1,373.3 million in the 2018 financial year, which represents a decrease of SEK 5.2 million or 0.4 per cent. The decrease in raw materials, energy and consumables used was primarily driven by significantly lower price of external pulp, and favourable development of energy prices.

Other external expenses

Other external expenses increased by SEK 38.1 million, or 5.6 per cent, from SEK -674.8 million in the 2018 financial year to SEK -712.9 million in the 2019 financial year. The increase was mainly due to higher costs of consumables and freight services due to exchange rate effects and increased production volume.

Personnel expenses

Personnel expenses increased by SEK 6.2 million, or 1.3 per cent, from SEK -471.2 million in the 2018 financial year to SEK -477.4 million in the 2019 financial year. The increase was mainly due to increased number of employees, recruitment of individuals with specialist competence and general wage increases.

EBITDA

EBITDA increased by SEK 119.5 million, or 23.5 per cent, from SEK 509.5 million in the 2018 financial year to SEK 629.0 million in the 2019 financial year. The change corresponds to an increase in EBITDA margin from 16.8 per cent for the 2018 financial year to 19.5 per cent for the 2019 financial year. The increase was mainly due to favourable development of exchange rates, increased production volume and a strong market.

Depreciation and amortisation

Depreciation and amortisation increased by SEK 9.5 million, or 10.7 per cent, from SEK -89.1 million in the 2018 financial year to SEK -98.7 million in the 2019 financial year. The increase was mainly due to the implementation IFRS 16, which increased depreciation and amortisation with SEK 8.1 million.

Other operating expenses

Other operating expenses decreased by SEK 15.7 million, or 31.4 per cent, from SEK –50.0 million in the 2018 financial year to SEK –34.3 million in the 2019 financial year. The decrease was mainly due to net currency exchange rate losses arising from derivatives and revaluations of accounts receivables and accounts payables.

Operating profit

Operating profit increased by SEK 109.9 million, or 26.2 per cent, from SEK 420.4 million in the 2018 financial year to SEK 530.3 million in the 2019 financial year. The increase was mainly due to favourable development of exchange rates, increased production volume and a strong market.

Financial income

Financial income decreased by SEK 41.2 million, or 93.3 per cent, from SEK 44.2 million in the 2018 financial year to SEK 3.0 million in the 2019 financial year. The decrease was mainly due to revaluation of currency accounts over the year end.

Financial expenses

Financial expenses decreased by SEK 39.4 million, or 73.6 per cent, from SEK –53.6 million in the 2018 financial year to SEK –14.1 million in the 2019 financial year. The decrease was mainly due to revaluation of currency accounts over the year, an arrangement fee of SEK 7.0 million during 2018 and pay down of debt in 2019.

Profit before tax

Profit before tax increased by SEK 108.2 million, or 26.3 per cent, from SEK 410.9 million in the 2018 financial year to SEK 519.1 million in the 2019 financial year. The increase was mainly due to favourable development of exchange rates, increased production volume and a strong underlying market.

Income tax expense

Income tax expense increased by SEK 12.4 million, or 13.4 per cent, from SEK –92.4 million in the 2018 financial year to SEK –104.8 million in the 2019 financial year. The increase was mainly due to a higher taxable profit before tax.

Net profit for the period

Net profit for the period increased by SEK 95.7 million, or 30.1 per cent, from SEK 318.6 million in the 2018 financial year to SEK 414.3 million in the 2019 financial year. The increase was mainly due to favourable development of exchange rates, increased production volume and a strong market.

Comparison between the financial years 2018 and 2017

<i>SEK million</i>	For the year ending 31 December			
	2018	2017	+/-	+/- %
Net sales	3,035.3	2,777.1	258.2	9.3%
Other operating income	6.0	12.3	-6.4	-51.6%
Changes in inventories of finished goods	37.5	-13.2	50.7	-383.4%
Raw materials, energy and consumables used	-1,373.3	-1,176.3	-196.9	16.7%
Other external expenses	-674.8	-627.8	-47.0	7.5%
Personnel expenses	-471.2	-444.3	-26.9	6.1%
Depreciation and amortisation	-89.1	-90.3	1.1	-1.2%
Other operating expenses	-50.0	-5.7	-44.3	773.7%
Operating profit	420.4	431.8	-11.4	-2.6%
Financial income	44.2	15.6	28.6	182.6%
Financial expenses	-53.6	-40.8	-12.8	31.5%
Profit before tax	410.9	406.7	4.3	1.1%
Income tax expense	-92.4	-91.3	-1.1	1.2%
Net profit for the period	318.6	315.3	3.2	1.0%

Net sales

Net sales increased with SEK 258.2 million, or 9.3 per cent, from SEK 2,777.1 million in the 2017 financial year to SEK 3,035.3 million in the 2018 financial year. The increase was mainly due to price and currency effects. The equipment failure in Bäckhammar which caused an overload in the biological treatment plant, which led to an unanticipated production stop of two weeks until the emission levels were secured in relation to the production permit level, had a negative effect on net sales in the 2018 financial year.

Other operating income

Other operating income decreased with SEK 6.4 million, or 51.6 per cent, from SEK 12.3 million in the 2017 financial year to SEK 6.0 million in the corresponding period in 2018. The decrease was primarily driven by a decrease in compensation for CO₂ tax and other.

Changes in inventories of finished goods

The Company's changes in inventories of finished goods in the 2018 financial year amounted to SEK 37.5 million compared to SEK -13.2 million in the 2017 financial year, which represents an increase of SEK 50.7 million.

Raw materials, energy and consumables used

Raw materials, energy and consumables used in the 2018 financial year amounted to SEK -1,373.3 million compared to SEK -1,176.3 million for the 2017 financial year, which represents an increase of SEK 196.9 million or 16.7 per cent. The increase in raw materials, energy and consumables was primarily driven by higher pulp and pulpwood prices. The increased cost of pulpwood had a negative impact of SEK 37.6 million on operating profit.

Other external expenses

Other external expenses increased by SEK 47.0 million, or 7.5 per cent, from SEK -627.8 million in the 2017 financial year to SEK -674.8 million in the 2018 financial year. The increase was mainly due to maintenance, repairs and other costs.

Personnel expenses

Personnel expenses increased by SEK 26.9 million, or 6.1 per cent, from SEK -444.3 million in the 2017 financial year to SEK -471.2 million in the 2018 financial year. The increase was mainly due to cost for performance incentive schemes and normal salary increase.

EBITDA

EBITDA decreased by SEK 12.6 million, or 2.4 per cent, from SEK 522.0 million in the 2017 financial year to SEK 509.5 million in the 2018 financial year. The change corresponds to a decrease in EBITDA-margin from 18.8 per cent for the 2017 financial year to 16.8 per cent for the 2018

financial year. The decrease was mainly due to the equipment failure in Bäckhammar which caused an overload in the biological treatment plant, which led to an unanticipated production stop of two weeks until the emission levels were secured in relation to the production permit level.

Depreciation and amortisation

Depreciation and amortisation decreased by SEK 1.1 million, or 1.2 per cent, from SEK -90.3 million in the 2017 financial year to SEK -89.1 million in the 2018 financial year.

Other operating expenses

Other operating expenses increased by SEK 44.3 million, or 773.7 per cent, from SEK -5.7 million in the 2017 financial year to SEK -50.0 million in the 2018 financial year. The increase was mainly due to net currency exchange rate losses arising from derivatives and revaluations.

Operating profit

The operating profit decreased by SEK 11.4 million, or 2.6 per cent, from SEK 431.8 million in the 2017 financial year to SEK 420.4 million in the 2018 financial year. The decrease was mainly due to the equipment failure in Bäckhammar which caused an overload in the biological treatment plant, which led to an unanticipated production stop of two weeks until the emission levels were secured in relation to the production permit level.

Financial income

Financial income increased by SEK 28.6 million, or 182.6 per cent, from SEK 15.6 million in the 2017 financial year to SEK 44.2 million in the 2018 financial year. The increase was mainly due to revaluation of currency accounts over the year end.

Financial expenses

Financial expenses increased by SEK 12.8 million, or 31.5 per cent, from SEK -40.8 million in the 2017 financial year to SEK -53.6 million in the 2018 financial year. The increase was mainly due to revaluation of currency accounts over the year end and lower interest costs due to amortisation of interest bearing debt.

Profit before tax

Profit before tax increased by SEK 4.3 million, or 1.1 per cent, from SEK 406.7 million in the 2017 financial year to SEK 410.9 million in the 2018 financial year. The increase was mainly due to price and currency effects.

Income tax expense

Income tax expense increased by SEK 1.1 million, or 1.2 per cent, from SEK -91.3 million in the 2017 financial year to SEK -92.4 million in the 2018 financial year. The increase was mainly due to a higher taxable profit before tax.

Net profit for the period

Net profit for the period increased by SEK 3.2 million, or 1.0 per cent, from SEK 315.3 million in the 2017 financial year to SEK 318.6 million in the 2018 financial year. The increase was mainly due to price and currency effects.

Results of operations by segment

The Company discloses its result of operations by operating segments, which comprise of Kraft Paper and Natural Greaseproof.

Kraft Paper

Comparison between the period January – June 2020 and January – June 2019

Net sales before eliminations for Kraft Paper for the first six months of 2020 amounted to SEK 891.0 million, compared to SEK 1,002.1 million for the first six months of 2019, which represents a decrease of SEK 111.1 million or 11.1 per cent. The decrease was mainly due to a decrease in market prices.

EBITDA before eliminations¹⁾ for Kraft Paper for the first six months of 2020 amounted to SEK 203.3 million, compared to SEK 336.0 million for the first six months of 2019, which represents a decrease of SEK 132.7 million or 39.5 per cent. The change corresponds to a decrease in EBITDA margin before eliminations from 33.5 per cent for the first six months of 2019 to 22.8 per cent for the first six months of 2020. The decrease was mainly due to a decline in market prices in combination with increased costs associated with operations and maintenance.

Depreciation and amortisation for Kraft Paper for the first six months of 2020 amounted to SEK –25.2 million, compared to SEK –24.6 million for the first six months of 2019, which represents an increase of SEK 0.7 million or 2.8 per cent.

Operating profit for Kraft Paper for the first six months of 2020 amounted to SEK 178.1 million, compared to SEK 311.5 million for the first six months of 2019, which represents a decrease of SEK 133.4 million or 42.8 per cent. The decrease was mainly due to a decline in market prices in combination with increased costs associated with operations and maintenance.

Comparison between the financial years 2019 and 2018

Net sales before eliminations for Kraft Paper in the 2019 financial year amounted to SEK 1,854.7 million, compared to SEK 1,727.8 million in the 2018 financial year, which represents an increase of SEK 127.0 million or 7.3 per cent. The increase was mainly due to favourable market conditions and increased production volume.

EBITDA before eliminations²⁾ for Kraft Paper in the 2019 financial year amounted to SEK 504.1 million, compared to

SEK 425.4 million in the 2018 financial year, which represents an increase of SEK 78.7 million or 18.5 per cent. The change corresponds to an increase in EBITDA margin before eliminations from 24.6 per cent for the 2018 financial year to 27.2 per cent for the 2019 financial year. The increase was mainly due to favourable market conditions and increased production volume.

Depreciation and amortisation for Kraft Paper in the 2019 financial year amounted to SEK –49.2 million, compared to SEK –46.3 million in the 2018 financial year, which represents an increase of SEK 2.9 million or 6.4 per cent.

Operating profit for Kraft Paper in the 2019 financial year amounted to SEK 454.9 million, compared to SEK 379.1 million in the 2018 financial year, which represents an increase of SEK 75.8 million or 20.0 per cent. The increase was mainly due to favourable market conditions and increased production volume.

Comparison between the financial years 2018 and 2017

Net sales before eliminations for Kraft Paper in the 2018 financial year amounted to SEK 1,727.8 million, compared to SEK 1,527.3 million in the 2017 financial year, which represents an increase of SEK 200.4 million or 13.1 per cent. The increase was mainly due to price and currency effects.

EBITDA before eliminations³⁾ for Kraft Paper in the 2018 financial year amounted to SEK 425.4 million, compared to SEK 348.4 million in the 2017 financial year, which represents an increase of SEK 77.0 million or 22.1 per cent. The change corresponds to an increase in EBITDA margin before eliminations from 22.8 per cent for the 2017 financial year to 24.6 per cent for the 2018 financial year. The favourable price and currency effects during the year had a positive effect on the EBITDA before eliminations for this segment.

Depreciation and amortisation for Kraft Paper in the 2018 financial year amounted to SEK –46.3 million, compared to SEK –48.7 million in the 2017 financial year, which represents a decrease of SEK 2.5 million or 5.0 per cent. The decrease was mainly due to an investment in a shoe press for a paper machine in Bäckhammar, finalised at the end of the year.

Operating profit for Kraft Paper in the 2018 financial year amounted to SEK 379.1 million, compared to SEK 299.7 million in the 2017 financial year, which represents an increase of SEK 79.4 million or 26.5 per cent. Both the equipment failure and the increased cost of pulpwood described above had a negative effect on the operating profit for the segment Kraft Paper during the period. The favourable price and currency effects during the year had a positive effect on the operating profit for this segment.

1) Kraft Paper EBITDA including internal sales before eliminations.

2) Kraft Paper EBITDA including internal sales before eliminations.

3) Kraft Paper EBITDA including internal sales before eliminations.

Natural Greaseproof

Comparison between the period January – June 2020 and January – June 2019

Net sales before eliminations for Natural Greaseproof for the first six months of 2020 amounted to SEK 722.7 million, compared to SEK 719.3 million for the first six months of 2019, which represents an increase of SEK 3.4 million or 0.5 per cent. The increase in net sales was mainly due to favourable exchange rates in combination with an increase in volume and product mix.

EBITDA before eliminations¹⁾ for Natural Greaseproof for the first six months of 2020 amounted to SEK 141.7 million, compared to SEK 101.3 million for the first six months of 2019, which represents an increase of SEK 40.4 million or 39.9 per cent. The change corresponds to an increase in EBITDA margin before eliminations from 14.1 per cent for the first six months of 2019 to 19.6 per cent for the first six months of 2020. The increase was mainly due to lower pulp and energy costs.

Depreciation and amortisation for Natural Greaseproof for the first six months of 2020 amounted to SEK –18.3 million, compared to SEK –16.8 million for the first six months of 2019, which represents an increase of SEK 1.6 million or 9.3 per cent.

Operating profit for Natural Greaseproof for the first six months of 2020 amounted to SEK 123.4 million, compared to SEK 84.5 million for the first six months of 2019, which represents an increase of SEK 38.9 million or 46.0 per cent. The increase was mainly due to lower pulp and energy costs.

Comparison between the financial years 2019 and 2018

Net sales before eliminations for Natural Greaseproof in the 2019 financial year amounted to SEK 1,412.3 million, compared to SEK 1,346.9 million in the 2018 financial year, which represents an increase of SEK 65.3 million or 4.9 per cent. The increase was mainly due to a strong underlying market, favourable development of market prices and exchange rates.

EBITDA before eliminations²⁾ for Natural Greaseproof in the 2019 financial year amounted to SEK 170.6 million, compared to SEK 149.6 million in the 2018 financial year, which represents an increase of SEK 21.1 million or 14.1 per cent. The change corresponds to an increase in

EBITDA margin before eliminations from 11.1 per cent for the 2018 financial year to 12.1 per cent for the 2019 financial year. The increase was mainly due to a strong underlying market, favourable development of market prices and exchange rates.

Depreciation and amortisation for Natural Greaseproof in the 2019 financial year amounted to SEK –34.4 million, compared to SEK –35.9 million in the 2018 financial year, which represents a decrease of SEK 1.5 million or 4.2 per cent.

Operating profit for Natural Greaseproof in the 2019 financial year amounted to SEK 136.2 million, compared to SEK 113.8 million in the 2018 financial year, which represents an increase of SEK 22.4 million or 19.7 per cent. The increase was mainly due to a strong underlying market, favourable development of market prices and exchange rates.

Comparison between the financial years 2018 and 2017

Net sales before eliminations for Natural Greaseproof in the 2018 financial year amounted to SEK 1,346.9 million, compared to SEK 1,280.0 million in the 2017 financial year, which represents an increase of SEK 66.9 million or 5.2 per cent. The increase was mainly due to price and currency effects.

EBITDA before eliminations³⁾ for Natural Greaseproof in the 2018 financial year amounted to SEK 149.6 million, compared to SEK 189.1 million in the 2017 financial year, which represents a decrease of SEK 39.5 million or 20.9 per cent. The change corresponds to a decrease in EBITDA margin before eliminations from 14.8 per cent for the 2017 financial year to 11.1 per cent for the 2018 financial year. The decrease was mainly due to higher cost of external pulp.

Depreciation and amortisation for Natural Greaseproof in the 2018 financial year amounted to SEK –35.9 million, compared to SEK –34.5 million in the 2017 financial year, which represents an increase of SEK 1.4 million or 4.2 per cent.

Operating profit for Natural Greaseproof in the 2018 financial year amounted to SEK 113.8 million, compared to SEK 154.6 million in the 2017 financial year, which represents a decrease of SEK 40.8 million or 26.4 per cent. The decrease was mainly due to higher cost of external pulp.

1) Natural Greaseproof EBITDA including internal sales before eliminations.

2) Natural Greaseproof EBITDA including internal sales before eliminations.

3) Natural Greaseproof EBITDA including internal sales before eliminations.

Liquidity and capital resources

Cash flow

SEK million	January–June		Full-year		
	2020	2019	2019	2018	2017
	Unaudited	Unaudited	Audited	Audited	Audited
Cash flow from operating activities	190.5	224.9	450.7	337.9	396.0
Cash flow from investing activities	-33.8	-31.9	-100.4	-90.8	-81.8
Cash flow from financing activities	-81.2	-57.4	-103.1	-338.3	-396.5
Cash flow for the period	75.5	135.6	247.2	-91.2	-82.3

Cash flow from operating activities

Cash flow from operating activities during the period 1 January to 30 June 2020 gave rise to an inflow of SEK 190.5 million compared to an inflow of SEK 224.9 million in the corresponding period in 2019, which represents a decrease by SEK 34.4 million or 15.3 per cent. The decrease was mainly due to decline in EBITDA.

Cash flow from operating activities 2019 gave rise to an inflow of SEK 450.7 million compared to an inflow of SEK 337.9 million in 2018, which represents an increase by SEK 112.8 million or 33.4 per cent. The increase was mainly due to improved EBITDA.

Cash flow from operating activities 2018 gave rise to an inflow of SEK 337.9 million compared to an inflow of SEK 396.0 million in 2017, which represents a decrease by SEK 58.1 million or 14.7 per cent. The decrease was mainly due to increase of stock.

Cash flow from investing activities

Cash flow from investing activities during the period 1 January to 30 June 2020 gave rise to an outflow of SEK 33.8 million compared to an outflow of SEK 31.9 million in the corresponding period in 2019, which represents an increase by SEK 1.9 million or 6.0 per cent. The increase was mainly due to added investment projects.

Cash flow from investing activities 2019 gave rise to an outflow of SEK 100.4 million compared to an outflow of SEK 90.8 million in 2018, which represents an increase by SEK 9.6 million or 10.6 per cent. The increase was mainly due to added investment projects.

Cash flow from investing activities 2018 gave rise to an outflow of SEK 90.8 million compared to an outflow of SEK 81.8 million in 2017, which represents an increase by

SEK 9.0 million or 11.0 per cent. The increase was mainly due to that some investments from 2017 were finalised in 2018.

Cash flow from financing activities

Cash flow from financing activities during the period 1 January to 30 June 2020 gave rise to an outflow of SEK 81.2 million compared to an outflow of SEK 57.4 million in the corresponding period in 2019, which represents an increase by SEK 23.8 million or 41.5 per cent. The increase was mainly due to group contribution and decrease of used factoring credit line.

Cash flow from financing activities 2019 gave rise to an outflow of SEK 103.1 million compared to an outflow of SEK 338.3 million in 2018, which represents a decrease by SEK 235.2 million or 69.5 per cent. The decrease was mainly due to repayment of loans in 2018 that did not reoccur in 2019.

Cash flow from financing activities 2018 gave rise to an outflow of SEK 338.3 million compared to an outflow of SEK 396.5 million in 2017, which represents a decrease by SEK 58.1 million or 14.7 per cent. The decrease was mainly due to the repayment of loan in 2018.

Borrowings and contractual obligations

The table below sets forth Nordic Paper's interest-bearing liabilities as of the dates indicated. The subsidiaries Nordic Paper Bäckhammar AB and Nordic Paper Seffle AB have signed a factoring and leasing agreement with credit institutions. In accordance with terms of this agreement, the parent company guarantees up to SEK 238 million, with additions for interest and fees, relating to any future claims regarding the subsidiaries.

SEK million	On 31 December		
	2019	2018	2017
Long-term liabilities			
<i>Liabilities to credit institutions</i>	–	–	413.0
<i>Lease debts</i>	6.6	–	–
Total long-term liabilities	6.6	–	413.0
Short-term liabilities			
<i>Liabilities to credit institutions</i>	–	65.4	105.0
<i>Factoring credit line</i>	184.4	202.7	186.4
<i>Lease debts</i>	6.0	–	–
Total short-term liabilities	190.4	268.1	291.4

The following table summarizes the payments Nordic Paper is obligated to make on its financial liabilities and the timing of those payments. The amounts stated in the table are the contractual, undiscounted cash flows.

<i>SEK million</i>	Less than 3 months	3–12 months	1–2 years	3–5 years	More than 5 years	Total
On 31 December 2019						
Liabilities to credit institutions	–	–	–	–	–	–
Factoring credit line	184.4	–	–	–	–	184.4
Liabilities to parent company	41.0	–	–	–	–	41.0
Liabilities to associated companies	2.5	–	–	–	–	2.5
Accounts payable	262.3	–	–	–	–	262.3
Lease liabilities	1.5	4.6	3.9	2.7	0.1	12.9
Other liabilities	4.6	–	–	–	–	4.6
Total	496.2	4.6	3.9	2.7	0.1	507.6

Working capital

It is Nordic Paper's opinion that the working capital available is sufficient for the Group's needs for the twelve months following the date of this Offering Circular. Working capital refers to a group's ability to access cash and cash equivalents to fulfil its payment obligations as they become due.

Capital expenditure

Historical investments

Nordic Paper's investments in its normal course of business, primarily relate to investments in tangible non-current assets. Nordic Paper makes continuous investments in capacity expansion, environment, safety and maintenance. Apart from smaller investments, Nordic Paper carried out three larger investment projects during the financial years 2017 to 2019.

In 2018, Nordic Paper invested in a shoe press for a paper machine in Bäckhammar, finalised at the end of the year. The rationale for the investment in the shoe press was to increase production capacity and increase energy efficiency. Of the total investment of SEK 55.9 million for the shoe press, SEK 52.1 million was accounted for in 2018, with the residual amount accounted for in 2017 and 2019. In 2019, investments included a rebuild of the drying section at one of the paper machines in Greåker, equivalent to SEK 21.0 million, and an investment of SEK 14.3 million in primary air ports of the recovery boiler in Bäckhammar.

The table below shows Nordic Paper's main investments during the financial years 2017 to 2019 and during the period from 1 January to 30 June 2020.

<i>SEK million</i> (unless otherwise stated)	January–June	Full-year		
	2020	2019	2018	2017
	Unaudited	Audited	Audited	Audited
Investments in intangible assets	–	–	–1.2	–1.1
Investments in tangible assets	–33.8	–100.4	–89.3	–80.7
Investments in financial assets	–	–	–0.2	–0.1
Cash flow from investing activities	–33.8	–100.4	–90.8	–81.8

Ongoing and decided investments

Nordic Paper assess that yearly capital expenditures to maintain the production capacity and to carry out continuous improvements, excluding material investments in increased production will amount to approximately SEK 100 million in the medium term. Further material increases in production capacity would require additional investments. Currently, there are several ongoing and decided investment projects, of which approximately 17 investment projects have an

estimated investment cost of more than SEK 2 million. The largest of these include new pulp refiners in Säffle, new sulphate pulper in Greåker, turbine revision in Bäckhammar and mills in Greåker. The ongoing and decided investments are expected to be financed with cash flow from operations.

As of the date of this Offering Circular, SEK 5.2 million has been invested during 2020 in investment projects that have now concluded and are no longer ongoing.

Ongoing and decided investments SEK million	Plant	Gross investment amount	Gross investment paid before 2020	Gross investment paid YTD ¹⁾	Remaining gross investment amount to be paid according to the decided plan ²⁾
Refiners	Säffle	8.6	–	7.9	0.7
New sulphate pulper	Greåker	8.0	–	5.0	3.0
Turbine revision	Bäckhammar	5.8	–	0.7	5.1
Refiners	Greåker	5.5	–	4.9	0.6
Others	Multiple mills	76.2	16.5	31.3	28.4
Total		104.1	16.5	49.9	37.7

1) Gross investment paid from 1 Jan 2020 – 31 Aug 2020.

2) As of the date of this Offering Circular. The remaining gross investment amount encompasses investments during the upcoming years and not only the financial year 2020.

Planned but not decided investments

Apart from the ongoing and decided investments described above, the Company has future planned investments in regards to the expansion of Bäckhammar. The Company is also evaluating a potential closure of the Säffle pulp mill. For the avoidance of doubt and as of the date of this Offering Circular these plans have not been decided by the board of directors of the Company and no firm commitments have been made.

Expansion of Bäckhammar and increased production in Åmotfors

The largest planned, but not decided, future investment is the expansion of the Bäckhammar mill, which is estimated to amount in total to approximately SEK 1,200 million. Approximately 85 per cent of the capital expenditure related to the Bäckhammar mill is planned to be concentrated to a period of three years (2021–2023), provided that a new permit is granted. The project involves three different separate phases.

- (1) *Further improve sustainability performance.* This first phase includes investments in an effluent pipe to lake Vänern and an electrostatic precipitator for the recovery boiler. The investments will substantially reduce emission of particles to air from the Bäckhammar mill. Furthermore, this first phase will result in avoidance of impact from organic compound (chemical oxygen demand, COD) and from other emissions on local recipient, river Visman.

- (2) *Cost efficient wood and energy sourcing.* The second phase includes investments in a new wood room and rebuild of the evaporation plant. By investing in a new wood room the dependency on sawmill chips is expected to be eliminated, effectively reducing the average cost of sourcing fibre. The rebuild of the evaporation plant would make it possible to reduce the level of bark moisture, thereby facilitating the sales of bark moisture in the biofuel market. It also opens up the possibility to supply bark to Säffle and thereby reduce cost for energy. In total, this phase of the planned investment is estimated to result in annual cost savings of approximately SEK 60 million by late 2022.

- (3) *Capacity expansion.* The investment program is planned to have a comparatively steep ramp up for paper, reaching full production of approximately an additional 5 ktonnes by late 2024. For pulp production, the additional capacity of approximately 50 ktonnes is planned to increase gradually, reaching full production during the three to four subsequent years following 2024. The work performed at the Bäckhammar site relating to the expansion plans is planned to be carried out in conjunction with the yearly scheduled maintenance stop in Bäckhammar.

In Åmotfors, approximately 5 ktonnes of additional paper capacity is expected to be added by late 2024 as a result of higher quality pulp, which will be supplied from the additional pulp capacity in Bäckhammar following the expansion.

Planned investments SEK million (approximate)	Plant	Gross investment amount	Gross investment paid before 2020	Gross investment paid during 2020	Remaining gross investment amount to be paid after end of 2020
Bäckhammar expansion	Bäckhammar	1,200	–	–	1,200
Further improve sustainability performance		235	–	–	235
Cost efficient wood and energy sourcing		420	–	–	420
Capacity expansion		545	–	–	545
Total		1,200	–	–	1,200

Evaluation of a potential closing of the Säfte pulp mill

The Säfte pulp mill is one of the oldest operating sulphite pulp mills, resulting in production costs that are comparatively high in relation to sourcing external pulp. A preliminary feasibility study and an initial analysis conducted by the Company to increase efficiency and lower the production cost indicate that extensive capital expenditure would be required. In order to replace the shortfall of pulp, as a consequence of closing the Säfte pulp mill, external providers of pulp will be evaluated and selected. The initial analysis indicates that a closure of the Säfte pulp mill is estimated to reduce the fixed cost base by approximately SEK 50 million on an annual basis. One-off effects are estimated to amount to approximately SEK 90 million, primarily as a result of environmental costs related to buildings and soil. The environmental costs consist of expenses relating to remediation of soil and groundwater outside the pulp mill buildings, in addition to investigation, demolition and decontamination of buildings. The environmental costs related to building and soil are estimated to amount to approximately SEK 80 million, which will impact cash flows over a period of five to ten years after a potential closing. The estimated residual asset value of the Säfte pulp mill amount to approximately SEK 40 million, which will have no effects on cash flows.

Off-balance sheet arrangements

As of 30 June 2020, Nordic Paper has no significant following off-balance sheet arrangements.

Financial position

As of 30 June 2020, equity amounted to SEK 1,345.5 million, compared to SEK 1,288.3 million at 31 December 2019. The increase of SEK 57.1 million, or 4.4 per cent, was mainly due to net profit after tax for the period January – June 2020. During the period, equity has also been affected by a decided but not yet paid dividend of SEK 150.0 million.

As of 30 June 2020, cash and cash equivalents amounted to SEK 324.4 million, compared with SEK 247.2 million at 31 December 2019. The increase of SEK 77.2 million, or 31.2 per cent, was mainly due to the changes described under section “Operating and financial review – Liquidity and capital resources – Cash flow”.

As of 31 December 2019, equity amounted to SEK 1,288.3 million, compared to SEK 892.1 million at 31 December 2018. The increase of SEK 396.2 million, or 44.4 per cent, was mainly due to the net profit after tax in 2019. As of 31 December 2019, cash and cash equivalents amounted to SEK 247.2 million, compared with SEK 0.0 million at 31 December 2018. The increase of SEK 247.2 million was mainly due to the changes described under section “Operating and financial review – Liquidity and capital resources – Cash flow”.

As of 31 December 2018, equity amounted to SEK 892.1 million, compared to SEK 577.3 million at 31 December 2017. The increase of SEK 314.8 million, or 54.5 per cent, was mainly due to the net profit after tax in 2018. As of 31 December 2018, cash and cash equivalents amounted to SEK 0.0 million, compared with SEK 88.6 million at 31 December 2017. The decrease of SEK 88.6 million was mainly due to the changes described under section “Operating and financial review – Liquidity and capital resources – Cash flow”.

Qualitative and quantitative disclosure about market risk

For descriptions of the Group’s qualitative and quantitative disclosures about market risks, see Note 4 of section “Historical financial information – Financial information for the 2017 – 2019 financial years – Notes”. For information on the refinancing see section “Capitalization, indebtedness and other financial information”.

Capitalization, indebtedness and other financial information

The tables in this section describe the Company's capitalization and indebtedness at Group level as of 31 August 2020, as well as adjustments for events that have occurred up to the date of this Prospectus. See section "Share capital and ownership structure" for further information about the Company's share capital and shares. The tables in this section should be read in conjunction with section "Operating and financial review" and the Company's financial information, including the related notes, which may be found elsewhere in this Offering Circular.

Capitalization

SEK million	As of 31 August 2020	Adjust- ments	As of the date of this Offering Circular
Current debt			
Guaranteed	–	–	–
Secured ¹⁾	164	–	164
Unguaranteed/ unsecured ²⁾	150	–150	–
Total current debt	314	150	164
Non-current debt			
Guaranteed	–	–	–
Secured ³⁾	8	–	8
Unguaranteed/ unsecured ⁴⁾	–	950	950
Total non-current debt	8	950	958
Equity			
Share capital	19	–	19
Other reserves ⁵⁾	1,331	–800	531
Total equity	1,350	–800	550
TOTAL CAPITALIZATION	1,672	–	1,672

- 1) Secured current debt relate to utilized factoring credit of SEK 157 million and leasing debts of SEK 7 million.
- 2) Unguaranteed/unsecured current liabilities relate to a SEK 150 million debt to the shareholder. For more information, see section "– Dividends in connection with the Offering" below.
- 3) Secured non-current debt relate to leasing debts of SEK 8 million.
- 4) Unguaranteed/unsecured non-current debts relate to a long-term bank loan (with covenants). For more information, see section "– Refinancing in connection with the Offering" below.
- 5) For more information, see section "– Dividends in connection with the Offering" below.

Dividends in connection with the Offering

During the financial year 2020, two dividends have been resolved by the general meeting of the Company. The dividends amount to a total of SEK 950 million and will be paid to Sutriv Holding before the first day of trading on Nasdaq Stockholm. For further information, see "Share capital and ownership – Dividends during the 2020 financial year".

Net indebtedness

SEK million	As of 31 August 2020	Adjust- ments	As of the date of this Offering Circular
(A) Cash	–	–	–
(B) Cash equivalents ¹⁾	412	–	412
(C) Trading securities	–	–	–
(D) Liquidity (A)+(B)+(C)	412	–	412
(E) Current financial receivables	–	–	–
(F) Current bank debt	–	–	–
(G) Current portion of non-current debt	7	–	7
(H) Other current financial debt	307	–150	157
(I) Current financial debt (F)+(G)+(H)	314	–150	164
(J) Net current financial indebtedness (I)-(E)-(D)	–98	–150	–248
(K) Non-current bank loans	–	950	950
(L) Bonds issued	–	–	–
(M) Other current financial debt	8	–	8
(N) Non-current financial indebtedness (K)+(L)+(M)	8	950	958
(O) Net financial indebt- edness (J)+(N)	–89	800	711

- 1) Cash and cash equivalents relate to bank balances.

Refinancing in connection with the Offering

In connection with the Offering, the Company has entered into a facilities agreement with DNB Bank ASA, DNB Bank ASA, Sweden Branch, DNB Sweden AB and Aktiebolaget Svensk Exportkredit (the “**Facilities Agreement**”) in a total amount of SEK 1,800 million, which is intended to be Nordic Paper’s main financing after the listing in order to finance the purposes set forth below.

The Facilities Agreement gives the Company access to the following facilities:

- (i) a *term loan facility* of SEK 1,000 million with final termination date three years from its first utilisation date, with the possibility of extension by one year at a time with the lenders’ approval. The purpose of this facility is to refinance Nordic Paper’s existing indebtedness under an existing facilities agreement between Sutriv Holding and Nordic Paper on one side and DNB Bank ASA and Aktiebolaget Svensk Exportkredit on the other side, originally dated 29 October 2018, through dividends from the Company to Sutriv Holding, which have been resolved by the annual general meeting held on 12 March 2020 and an extraordinary general meeting held on 1 October 2020 and which shall be paid prior to the listing;
- (ii) a *multicurrency revolving facility* of SEK 600 million with final termination date three years from the first utilisation under the Facilities Agreement, with the possibility of extension by one year at a time with the lenders’ approval. The purpose of this facility is to finance general corporate purposes including acquisitions; and
- (iii) an *overdraft facility* of SEK 200 million with final termination date determined in accordance with a separate agreement governing this facility, but which, despite this separate agreement, cannot occur at a date later than the later of the final termination date for the term loan facility and the final termination date for the multicurrency revolving facility. The purpose of this facility is to finance general corporate purposes.

The facilities carry interest based on the applicable IBOR screen rate (with a floor at zero per cent) plus the applicable margin. According to the Facilities Agreement, the margin on the term loan facility and the multicurrency revolving facility is recalculated quarterly based on the Group’s net debt in relation to EBITDA at the end of each quarter, starting on 31 December 2020.

The Facilities Agreement contains customary representations and undertakings, subject to certain agreed exceptions and qualifications, which among other things include restrictions regarding mergers, disposals, acquisitions, additional indebtedness and providing of security in Nordic Paper’s subsidiaries. Furthermore, the Facilities Agreement contains some so called financial covenants, which set requirements regarding that the financial key performance indicators EBITDA and EBITDA/finance charges, are not allowed to breach certain, in the Facilities Agreement, specified levels.

The Company is also obliged to pay certain fees to the lenders and the agent under the Facilities Agreement including arrangement fee in relation to all facilities, commitment fee in relation to the revolving facility, facility fee in relation to the overdraft facility, and potential extension fee to be paid if the final termination date for the term loan facility or the multicurrency revolving facility is extended by the Company.

The facilities may on the lenders’ request be cancelled and demanded to be wholly or partly repaid prematurely if certain events occur, for example if anyone (other than Shanying) owns or controls 30 per cent or more of the votes or shares in the Company or, after the first day of trading in the Company’s shares on Nasdaq Stockholm, all shares in the Company cease to be listed on Nasdaq Stockholm, or if the Company otherwise does not fulfil its commitments according to the Facilities Agreement.

Furthermore, the subsidiaries Nordic Paper Bäckhammar AB and Nordic Paper Seffle AB have invoice financing under a factoring facility of SEK 223 million with DNB Bank ASA. As a part of the factoring set-up, these companies have provided security for the factoring facility in the form of pledge over the invoices and the credit insurances relating thereto.

Board of directors, senior management and auditor

Board of directors

According to Nordic Paper's articles of association, the board of directors shall comprise of not less than three (3) and not more than ten (10) members elected by the shareholders at the general meeting. In addition and by law, employee organisations are entitled to appoint employee representatives. Nordic Paper's board of directors currently consists of six (6) ordinary members elected by the general meeting, including the chairman of the board, all of whom are elected for the period up until the end of the annual

general meeting 2021, as well as two (2) ordinary members and two (2) deputy members appointed by employee organisations. Employee representatives and the terms for their appointment is governed by the Act on board representation for private employees (*Sw. lag (1987:1245) om styrelserepresentation för de privatanställda*).

The table below shows the members of the board of directors, when they were first elected and whether they are considered to be independent of the Company and/or the major shareholders.

Name	Position	Member since	Independent of			Remuneration committee
			The Company and senior management	The major shareholders	Audit committee	
Per Bjurbom	Chairman	2019	No ²⁾	No ³⁾	–	–
Arne Wallin	Board member	2020	Yes	Yes	–	Member
Helene Willberg	Board member	2020	Yes	Yes	Chairman	–
Karin Eliasson	Board member	2020	Yes	Yes	–	Chairman
Stefan Lundin	Board member	2019	No ²⁾	No ³⁾	Member	–
Ying Che	Board member	2019	Yes	No ³⁾	Member	–
Per Gustafsson ¹⁾	Board member	2013	–	–	–	–
Tommy Hedlund ¹⁾	Board member	2015	–	–	–	–
Nicklas Backelin ¹⁾	Deputy board member	2013	–	–	–	–
Tom Röd ¹⁾	Deputy board member	2019	–	–	–	–

1) Employee representative.

2) Has been employed by Nordic Paper within the last three years.

3) Employed by Sutriv Holding.



Per Bjurbom

Born 1961.

Chairman of the board since 2019.

Mr Bjurbom has held various positions in senior management within the paper industry covering responsibilities such as production management, supply chain, M&A execution and sales and marketing. He spent 12 years at Holmen Paper out of which 4 years as mill manager at the Hallsta paper mill, 5 years at Stora Enso as mill manager at the Skoghall mill and 5 years at Billerud and BillerudKorsnäs. From 2014 to 2019, he was CEO of Nordic Paper.

Education:

Master of Science in Mechanical Engineering, Paper Technology, at Royal Institute of Technology in Stockholm.

Other current assignments:

Chairman of the board and CEO of SUTRIV Holding AB. Owner and board member of Bjurbom Advisory AB and Bjurbom Invest AB.

Previous assignments (last five years):

Chairman of the board of Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB and Nordic Paper AS. Board member of O.F. Ahlmark & Co eftr. Aktiebolag. CEO of Nordic Paper Holding AB and all subsidiaries.

Shareholding in the Company: –



Arne Wallin

Born 1954.

Board member since 2020.

Member of the remuneration committee.

Mr Wallin has a background from senior technical and management roles in the paper industry including management of large investment projects and investment programs. Within the Holmen Group, where he was employed for 27 years until 2015, he held positions as manager for the Braviken mill, CEO of the business area Holmen Paper and CEO of Holmen Energy.

Education:

Master of Science in Mechanical Engineering, Royal Institute of Technology in Stockholm.

Other current assignments:

Board member of A Wallin Consulting AB.

Previous assignments (last five years):

Chairman of the board of Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB and Nordic Paper Holding AB.

Shareholding in the Company: –



Helene Willberg

Born 1967.

Board member since 2020.

Chairman of the audit committee.

Mrs Willberg has a background as authorised public accountant and worked for KPMG AB for more than 20 years in positions in audit, corporate finance and transaction services. From 2008 to 2012 she held the position of CEO of KPMG AB. During her time at KPMG, she also served on the boards of KPMG Europe, Middle East and Africa and of KPMG global board. The last three years, Mrs Willberg has been Country Leader at the business consulting firm Alvarez and Marsal Nordics.

Education:

Master of Science in Accounting and Finance, Stockholm School of Economics.

Other current assignments:

Chair of the board of Indecap Fonder AB and Footway Group AB. Board member and chairman of the audit committee of Thule Group AB, Profoto Holding AB, Infrea AB and Netlight Consulting AB. Board member of Indecap Holding AB, Profoto Invest AB, Carpe Pomum AB, Bowser Holding AB, Murus holding AB and Zenith Group AB.

Previous assignments (last five years):

Board member, CEO and Nordic Country Leader of Alvarez and Marsal Sweden AB. Board member of KPMG AB, Profoto AB and Bohlingsgruppen AB.

Shareholding in the Company: –



Karin Eliasson

Born 1961.

Board member since 2020.

Chairman of the remuneration committee.

Mrs Eliasson has many years of experience as a member of executive teams from several international companies, most recently from Autoliv Inc. Her responsibilities have mainly been in the areas of Human Resources and Sustainability. She worked for 5 years as Senior Vice President of Group Human Resources and Sustainability at SCA from 2003 to 2007 and in a similar position from 2008 to 2014 at TeliaSonera. At Autoliv, Karin Eliasson Group was Vice President of Human Resources and Sustainability from 2014 to 2019.

Education:

Bachelor of Science, Mid Sweden University.

Other current assignments:

Board member of Karolinska Universitetssjukhuset, RLS Global AB, Ruter Dam Chefsutveckling AB and Karin Eliasson Consulting AB. Vice Chairman for the Assembly of Representatives and Chairman of the Nominating Committee of Skandia.

Previous assignments (last five years):

Board member of Försäkringsbolaget PRI Pensionsgaranti, ömsesidigt. Group Vice President, HR & Sustainability of Autoliv Inc. Board member of Autoliv AB.

Shareholding in the Company: –



Stefan Lundin

Born 1957.

Board member since 2019.

Member of the audit committee.

Mr Lundin has previous experience from a number of positions in finance and senior management in industrial companies. For 12 years, from 2002 to 2014, he was Chief Financial Officer at Setra, one of the largest sawmill industries in Sweden. From 2016 to 2018 he held the position of Chief Financial Officer of Nordic Paper.

Education:

Bachelor of Science in Business Administration and Economics, Örebro University.

Other current assignments:

Board member and CFO of SUTRIV Holding AB. Owner, chairman of the board and CEO of SteLu Consulting AB.

Previous assignments (last five years):

Board member of Nordic Paper Bäckhammar AB, Nordic Paper Seffle AB, Nordic Paper Åmotfors AB and Nordic Paper A/S. CFO of Nordic Paper Holding AB.

Shareholding in the Company: –



Ying Che

Born 1983.

Board member since 2019.

Member of the audit committee.

Ms Che has worked in various roles at Shanying International since 2014, including a Vice President position at Cyclelink International from 2015 to 2016. Cyclelink is engaged in waste paper handling in Europe, USA and Asia. Before joining Sutriv Holding in 2018, she held the position of Public Relations Director and President Assistant at Shanying International.

Education:

Master of Science in Management and Operations Research Warwick Business School (WBS), University of Warwick, United Kingdom.

Other current assignments:

Vice President of SUTRIV Holding AB (Europe BU, Shanying International). Managing Director of Creative Space Holdings Ltd, UK.

Previous assignments (last five years):

Board member of Nordic Paper AS. President Assistant and Public Relations Director of Shanying International Plc. Vice President of Cyclelink International Ltd., Co (Shanying International). President Assistant of Shanying International Plc.

Shareholding in the Company: –



Per Gustafsson

Born 1959.

Board member since 2013.

Representative of Pappers Bäckhammar.

Education:

Studies in pulp and paper engineering, Karlstad University. Upper Secondary Technical School, Computer Education College in Karlstad. Union Education at Union College in Stockholm.

Other current assignments: –

Previous assignments (last five years):

Board member of Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB and Nordic Paper Åmotfors AB and Nordic Paper AS.

Shareholding in the Company: –



Tommy Hedlund

Born 1957.

Board member since 2015.

Representative of Unionen Säffle.

Education:

Natural Science Program, Karlberg Upper Secondary School, Åmål.

Other current assignments:

Chairman of the board of Billeruds Tjänstemannaorganisationer SIF-SACO, Ekonomisk förening.

Previous assignments (last five years):

Board member of Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB and Nordic Paper Åmotfors AB and Nordic Paper AS.

Shareholding in the Company: –

Nicklas Backelin

Born 1974.

Deputy board member since 2013.

Representative of Unionen Åmotfors.

Education: –

Other current assignments:

Deputy member of the board of Eda Bostads Aktiebolag.

Previous assignments (last five years):

Board member of Teknik i Väst AB, Eda Bostads Aktiebolag and Nordic Paper AB. Deputy member of the board of Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB and Nordic Paper AS.

Shareholding in the Company: –

Tom Röd

Born 1966.

Deputy board member since 2019.

Representative of GAF Greåker.

Education:

Studies in chemical engineering at Østfold fagskole in Fredrikstad, Norway, with a specialization in process. High school degree from Persbråten videregående, Oslo.

Other current assignments: –

Previous assignments (last five years):

Deputy member of the board of Nordic Paper AS, Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB and Nordic Paper Åmotfors AB.

Shareholding in the Company: –

Senior management

Name	Position	Member of the senior management team since	Employed by Nordic Paper since
Anita Sjölander	Chief Executive Officer	2019 ²⁾	2018
Niclas Eriksson	Chief Financial Officer	2018 ³⁾	2013
Peter Warren	Director of Sales & Marketing Greaseproof	2015	2015
Henrik Asp	Director of Sales & Marketing Kraft	2018	2018
Christian Persson	Director of Operations	2019	2019
Jens Otterstedt	Head of Strategic Development	2015 ⁴⁾	2015 ⁴⁾
Lars Löfquist	HR Director	2013	2004
Patric Johansson	IT Manager	2013	2011
Ingrid Östhols ¹⁾	Head of IR	2020	2020
Marie Stenquist	Communication Director	2014	2014

1) Employed as a consultant. Please refer to section "Corporate governance – Current employment agreements for the CEO and other members of the senior management" for more information.

2) Anita Sjölander joined the senior management team in 2018 as Director of Operations. In 2019, she was appointed the Chief Executive Officer.

3) Niclas Eriksson was appointed the Chief Financial Officer in 2018. Prior to such appointment, and since 2013, he was employed by the Company as the Financial Manager.

4) Jens Otterstedt joined the senior management team in 2015 as Head of Strategic Development. In January 2019, he was employed by Sutriv Holding and remained on the Company's senior management team as a consultant. Since August 2020, he is employed directly by the Company.



Anita Sjölander

Born 1965.

Chief Executive Officer since 2019.

Education:

Master of Science in Chemical Engineering, Chalmers University of Technology.

Other current assignments:

Chairman of the board and CEO of Nordic Paper AS, Nordic Paper Seffle AB, Nordic Paper Bäckhammar and Nordic Paper Åmotfors AB. Board member of The Paper Province ekonomisk förening.

Previous assignments (last five years):

Mill Director, Gruvöns Bruk, Billerud-Korsnäs.

Shareholding in the Company: –



Niclas Eriksson

Born 1967.

Chief Financial Officer since 2018.

Education:

Bachelor of Science in Business Administration and Accounting, Karlstad University.

Other current assignments:

Board member of Åmotfors Energi AB, Nordic Paper Bäckhammar AB, Nordic Paper Seffle AB, Nordic Paper Åmotfors AB, Nordic Paper AS and Ekonomistyrning Niclas Eriksson AB. Liquidator of Mattsson Patent AB.

Previous assignments (last five years): –

Shareholding in the Company: –



Peter Warren

Born 1960.

Director of Sales & Marketing Greaseproof since 2015.

Education:

Management Development Program, Cranfield Business School. Economics Degree, Business Administration, University of Leicester. Post Graduate Diploma in Marketing, Institute of Marketing, United Kingdom.

Other current assignments: –

Previous assignments (last five years):

Managing Director of W2W Management Consultants Ltd.

Shareholding in the Company: –



Henrik Asp

Born 1981.

Director of Sales & Marketing Kraft since 2018.

Education:

Master of Science in Business and Administration, specialized in Finance, Stockholm University & Korea University Business School.

Other current assignments:

Partner of Strandviks Maskin Handelsbolag.

Previous assignments (last five years):

Head of Business Development, Carton-board, BillerudKorsnäs.

Shareholding in the Company: –



Christian Persson

Born 1972.

Director of Operations since 2019.

Education:

Programme of Forest Industry, specialized in pulp and paper, Karlstad University.

Other current assignments:

Board member of Nordic Paper Seffle AB, Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB, Nordic Paper AS and Föreningen Fibernät Fagerås.

Previous assignments (last five years):

Production manager of Billerud Korsnäs Sweden AB. Quality manager of Billerud Korsnäs Sweden AB.

Shareholding in the Company: –



Jens Otterstedt

Born 1967.

Head of Strategic Development since 2015.

Education:

Executive MBA, M-gruppen, Sweden. Master of Science in Forest Industry, Swedish University of Agriculture, SLU, Sweden.

Other current assignments:

CEO of Forest Power Consulting AB.

Previous assignments (last five years):

Operational Director of SUTRIV Holding AB.

Shareholding in the Company: –



Lars Löfquist

Born 1958.

HR Director since 2013.

Education:

Studies, e.g., in labour laws and leadership, Karlstad University. Studies, e.g., in Social Science, Psychology and Social Medicine, Örebro University.

Other current assignments:

Holder of Haga industrifastigheter.

Previous assignments (last five years): –

Shareholding in the Company: –



Patric Johansson

Born 1969.

IT Manager since 2013.

Education:

Bachelor of System Sciences, Karlstad University. Courses in leadership.

Other current assignments: –

Previous assignments (last five years): –

Shareholding in the Company: –



Ingrid Östhols

Born 1966.

Head of IR since 2020.

Education:

Bachelor of Science in Economics and Business Administration, Uppsala University.

Other current assignments:

Owner, board member and CEO of Transparens AB.

Previous assignments (last five years):

Founder of Transparens (sole trader).

Shareholding in the Company: –



Marie Stenquist

Born 1978.

Communication Director since 2014.

Education:

Studies in Media and Communication, Rhetoric, Sociology, Örebro University as well as studies in Strategic Communication, Umeå University.

Other current assignments: –

Previous assignments (last five years): –

Shareholding in the Company: –

Other information about the board of directors and senior management

There are no family ties between any of the members of the board of directors or senior management.

There are no conflicts of interest or potential conflicts of interest between the obligations of members of the board of directors and senior management of the Company and their private interests and/or other undertakings, beyond what is stated.

During the last five years, none of the members of the board of directors or the members of the senior management have (i) been sentenced for fraud-related offences, (ii) represented a company which has been declared bankrupt or filed for liquidation, or been subject to administration under bankruptcy, (iii) is bound by and/or issued penalties for a crime by regulatory authorities (including recognized professional associations) or (iv) been prohibited by a court of law from being a member of an issuer's administrative, management or supervisory body or from holding a senior or overarching position of an issuer.

The business address of each member of the board of directors and the member of the senior management is the Company's head office at Bäckhammars bruk, SE-681 83 Kristinehamn, Sweden.

Auditor

Öhrlings Pricewaterhousecoopers AB has been the Company's auditor since 2017 and was, at the annual general meeting 2020, re-elected until the end of the annual general meeting 2021. Martin Johansson (born 1967) is the auditor in charge. Martin Johansson is an authorised public accountant and a member of FAR (professional institute for authorised public accountants). Öhrlings Pricewaterhousecoopers AB's office address is Torsgatan 21, SE-113 21 Stockholm, Sweden. Öhrlings Pricewaterhousecoopers AB has been auditor throughout the entire period which the historic financial information in this Offering Circular covers.

Corporate governance

Corporate governance

Nordic Paper is a Swedish public limited liability company. Prior to the listing of the shares on Nasdaq Stockholm, the Company's corporate governance was based on Swedish law and internal rules and instructions. Once the Company has been listed on Nasdaq Stockholm, the Company will also comply with Nasdaq's Nordic Main Market Rulebook for Issuers and apply the Swedish Corporate Governance Code (the "Code"). The Code applies to all Swedish companies with shares listed on a regulated market in Sweden and shall be fully applied in connection with the listing of a company. However, the Company is not obliged to comply with every rule in the Code, as the Code itself provides for the possibility to deviate from the rules, provided that any such deviations and chosen alternative solutions are described and the reasons therefore are explained in the corporate governance report (in accordance with the so-called "comply or explain principle").

The Company will apply the Code from the time of the listing of the shares on Nasdaq Stockholm. Any deviation from the Code will be reported in the Company's corporate governance report, which will be prepared for the first time for the 2020 financial year. However, in the first corporate governance report, the Company is not required to explain non-compliance with such rules that have not been relevant during the period covered by the corporate governance report. As of the date of this Offering Circular, the Company does not expect to report any deviations from the Code in the corporate governance report.

General meeting

According to the Swedish Companies Act (2005:551) (Sw. *aktiebolagslagen*), the general meeting is the Company's ultimate decision-making body. At the general meeting, the shareholders exercise their voting rights on key issues, such as the adoption of income statements and balance sheets, appropriation of the Company's results, discharge from liability of members of the board of directors and the CEO, election of members of the board of directors and auditors and remuneration to the board of directors and the auditors.

The annual general meeting must be held within six months from the end of the financial year. In addition to the annual general meeting, extraordinary general meetings may be convened. According to the articles of association, general meetings are convened by publication of the convening notice in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and on the Company's website. At the time of the notice convening the meeting, information regarding the notice shall be published in Dagens Industri.

Right to participate in general meetings

Shareholders who wish to participate in a general meeting must be included in the shareholders' register maintained by Euroclear Sweden on the day falling six banking days prior to the meeting, and notify the Company of their participation no later than on the date stipulated in the notice convening the meeting. Shareholders may attend general meetings in person or by proxy and may be accompanied by a maximum of two assistants. Typically, it is possible for a shareholder to register for the general meeting in several different ways as indicated in the notice of the meeting. A shareholder may vote for all Company shares owned or represented by the shareholder.

Shareholder initiatives

Shareholders who wish to have a matter brought before the general meeting must submit a written request to the board of directors. Such request must normally be received by the board of directors no later than seven weeks prior to the general meeting.

Nomination committee

Companies applying the Code shall have a nomination committee. According to the Code, the general meeting shall appoint the members of the nomination committee or resolve on procedures for appointing the members. The nomination committee shall, pursuant to the Code, consist of at least three members, of which a majority shall be independent in relation to the Company and the Group Management. In addition, at least one member of the nomination committee shall be independent in relation to the largest shareholder in terms of voting rights or group of shareholders who cooperates in terms of the Company's management.

At the extraordinary general meeting on 1 October 2020 it was resolved that the nomination committee for the annual general meeting 2021 shall be composed of representatives of the four largest shareholders listed in the shareholders' register maintained by Euroclear Sweden as of the last banking day in October 2020. The member representing the largest shareholder shall be appointed chairman of the nomination committee, unless the nomination committee unanimously appoints someone else. If earlier than two months prior to the annual general meeting, one or more of the shareholders having appointed a representative to the nomination committee are no longer among the four largest shareholders, the representative appointed by each such shareholder shall resign and the shareholders who then are among the four largest shareholders may appoint

their representatives. Shareholders who have appointed a representative to be a member of the nomination committee shall have the right to dismiss such member and appoint a new representative of the nomination committee. Changes to the composition of the nomination committee must be announced immediately.

The composition of the nomination committee for the annual general meeting shall normally be announced no later than six months before that meeting. Remuneration shall not be paid to the members of the nomination committee. The Company is to pay any necessary expenses that the nomination committee may incur in its work. The term of office for the nomination committee ends when the composition of the following nomination committee has been announced.

Board of directors

The board of directors is the second-highest decision-making body of the Company after the general meeting. According to the Swedish Companies Act, the board of directors is responsible for the organization of the company and the management of the company's affairs, which means that the board of directors is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the financial condition and profits as well as evaluating the operating management. The board of directors is also responsible for ensuring that annual reports and interim reports are prepared in a timely manner. Moreover, the board of directors appoints the CEO.

Members of the board of directors are normally appointed by the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the members of the board of directors elected by the general meeting shall be not less than 3 and not more than 10 members with no deputy members.

According to the Code, the chairman of the board of directors is to be elected by the general meeting and have a special responsibility for leading the work of the board of directors and for ensuring that the work of the board of directors is efficiently organised.

The board of directors applies written rules of procedure, which are revised annually and adopted at the inaugural board meeting every year. Among other things, the rules of procedure govern the practice of the board of directors, functions and the division of work between the members of the board of directors and the CEO. At the inaugural board meeting, the board of directors also adopts instructions for the CEO, including instructions for financial reporting.

The board of directors meets according to an annual predetermined schedule. In addition to these meetings, additional board meetings can be convened to handle issues which cannot be postponed until the next ordinary

board meeting. In addition to the board meetings, the chairman of the board of directors and the CEO continuously discuss the management of the Company.

As of the date of this Offering Circular, the Company's board of directors consists of six (6) ordinary members elected by the general meeting, who are presented in section "*Board of directors, senior management and auditor*".

Audit committee

Nordic Paper has an audit committee consisting of three members: Helene Willberg (chairman), Stefan Lundin and Ying Che. The audit committee shall, without it affecting the responsibilities and tasks of the board of directors, monitor the Company's financial reporting, monitor the efficiency of the Company's internal controls and risk management, keep informed of the auditing of the annual report and the consolidated accounts, review and monitor the impartiality and independence of the auditors and pay close attention to whether the auditors are providing other services besides audit services for the Company, and assist in the preparation of proposals for the general meeting's decision on election of auditors.

Remuneration committee

Nordic Paper has a remuneration committee consisting of two members: Karin Eliasson (chairman) and Arne Wallin. The remuneration committee shall prepare matters concerning remuneration principles, remuneration and other employment terms for the CEO and the senior management.

The CEO and other senior management

The CEO is subordinated to the board of directors and is responsible for the everyday management and operations of the Company. The division of work between the board of directors and the CEO is set out in the rules of procedure for the board of directors and the CEO's instructions. The CEO is also responsible for the preparation of reports and compiling information for the board meetings and for presenting such materials at the board meetings.

According to the instructions for the financial reporting, the CEO is responsible for the financial reporting in the Company and consequently must ensure that the board of directors receives adequate information for the board of directors to be able to evaluate the Company's financial condition.

The CEO must continuously keep the board of directors informed of developments in the Company's operations, the development of sales, the Company's result and financial condition, liquidity and credit status, important business events and all other events, circumstances or conditions which can be assumed to be of significance to the Company's shareholders.

The CEO and senior management are presented in section “*Board of directors, senior management and auditor*”.

Remuneration to the members of the board of directors, CEO and senior management

Guidelines for remuneration to the board of directors, CEO and other senior management

The extraordinary general meeting held on 20 August 2020 resolved to adopt the following guidelines that shall apply in relation to remuneration of the board members, CEO and the other members of the senior management.

Introduction

These guidelines concern the remuneration for the Chief Executive Officer (“CEO”) and other members of Nordic Papers Senior Management (“Management”). The guidelines are forward-looking, i.e., they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Extraordinary General Meeting held xx 2020. The guidelines do not apply to any remuneration resolved by the General Meeting such as long-term variable programs.

Principles for remuneration

Remuneration and other terms of employment of the CEO and Management shall be competitive so that Nordic Paper can attract, employ and retain competent Management, which is a prerequisite for the successful implementation of the Company’s business strategy and safeguarding of its long-term interests, including its sustainability. In addition, total remuneration offered should be market-relevant and provide a shared responsibility among members of Management for overall Company results which is aligned with the interests of the Company’s shareholders.

Total Remuneration

The total remuneration for the CEO and Management shall be market competitive in the country in which the individual is placed. The total remuneration shall consist of fixed cash base salary, variable cash remuneration under incentive schemes, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on share or share price-related remuneration as well as other forms of remuneration without limitation.

Fixed cash salaries

The fixed cash base remuneration of the CEO and Management shall be reviewed annually. In setting and reviewing fixed cash base salaries, the total remuneration, including pension and local market data from a comparison group of companies, shall be taken into consideration. Salary increases (as a percentage of existing fixed cash base remuneration) would normally be in line with the external market practices, other employees in relevant locations, positions and the performance of the individual.

Variable cash remuneration

Variable cash remuneration under annual incentive schemes shall be linked to predetermined and measurable criteria relating to the Company, devised to promote the value creation of the Company and strengthen the link between achieved performance targets and reward.

The criteria for incentive schemes shall be determined by the Board of Directors annually and shall be designed so as to contribute to the Company’s business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the individual’s long-term development. To which extent the criteria for awarding variable cash remuneration has been satisfied shall be measured over a period of one year and shall be evaluated when the measurement period has ended.

The annual variable cash remuneration shall be capped and the maximum payout may not exceed 30 percent of the fixed cash base salary for Management and 50 percent for the CEO.

The Board of Directors shall have the right in their discretion to deny, in whole or in part, the entitlement of an individual to the variable cash payout in case an individual has acted in breach of Nordic Papers Code of Conduct, to reclaim variable cash remuneration paid to an individual on incorrect grounds such as restatement of financial results due to incorrect financial reporting, noncompliance with a financial reporting requirement etc.

Pensions and Other Benefits

Nordic Paper is endeavoring to move gradually towards defined-contribution solutions, which entail that Nordic Paper pays contributions that represent a specific percentage of the employee’s salary. Pension benefits shall be defined contribution plans and entitle pension from age 65 unless the individual concerned is subject to defined benefit pension plan under mandatory collective agreement provisions or mandatory local regulations. The CEO has a defined-contribution pension with a premium capped at 40 percent of the fixed annual base salary. Variable cash remuneration shall not qualify for pension benefits, except when it follows from rules under a general pension plan (like the Swedish ITP plan).

Other benefits may include, for example, life insurance, medical insurance and company cars. Such benefits shall be capped at 15 percent of the fixed annual cash base salary.

Employment termination conditions

The period of notice of employment termination for the CEO and Management is six (6) months if employment is terminated by the company, and six (6) months if terminated by the Employee. In addition, a severance pay of maximum twelve (12) months of fixed cash base salary to the CEO and maximum six (6) months to member of Management may be paid in the event of termination of employment by the company.

The CEO and Management of the Company shall be covered by a Non-Competition clause with legal force of six (6) months after the termination of employment, as well as non-solicitation of relevant parties for the same period. The Company may unilaterally waive the Non-Competition Covenant in its sole discretion. As consideration for the non-compete restriction, the individual shall be entitled to remuneration of 60 percent of the monthly remuneration for the CEO (calculated on fixed cash base salary and variable pay) and 75 percent for the management (calculated on fixed cash base salary).

Remuneration to Board members in addition to Board fees

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties. Compensation for these services shall be paid at market terms and be approved by the Board.

The decision-making process

The Board of Directors has established a Remuneration Committee. The Committee shall prepare the Board's decision on issues concerning principles for remuneration and other terms of employment for the CEO and Management. The Committee shall also monitor and evaluate programs for variable remuneration for the Management, the applications of the guidelines for remuneration as well as the current remuneration structures and compensations levels in the Company. The Board shall prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. These guidelines shall be in force until new guidelines are adopted by the General Meeting. The members of the Remuneration Committee are independent of the Company and its Management. The CEO and other members of the Management do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

Derogation from the guidelines

The Board of Nordic Paper believe that it is their responsibility to use discretion and make informed judgments as to individual remuneration packages or pay levels that may occasionally deviate above or below the established remuneration strategy, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests,

including its sustainability, or to ensure the Company's financial viability and may be based on such factors as:

- Individual performance and potential relative to market.
- Long-term succession planning and talent management.
- Business conditions in the industry or the market overall as well as business or regulatory conditions in the senior managers area of responsibility.
- Cases where individuals are asked to step into new roles and responsibilities for specific projects or strategic initiatives.

Salary and employment conditions for employees

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been considered by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.

Remuneration to the members of the board of directors

Fees and other remuneration to the members of the board of directors, including the chairman, are resolved by the general meeting. At the annual general meeting held on 12 March 2020, it was resolved (i) that the fee to the chairman of the board of directors should be SEK 550,000 and that the fee to the other members of the board of directors elected by the general meeting should be SEK 300,000, (ii) that the fee for the chairman of the audit committee should be SEK 150,000 and that the fee for other members of the audit committee should be SEK 75,000 and (iii) that the fee for the chairman of the remuneration committee should be SEK 50,000 and that the fee for other members of the remuneration committee should be SEK 25,000. The members of the board of directors are not entitled to any benefits following termination of their assignments as directors of the board.

Remuneration to the board of directors and the senior management during the 2019 financial year

The table below presents an overview of remuneration to the board of directors elected by the shareholders, the CEO and other members of senior management for the 2019 financial year. No other remuneration to the board of directors occurred for the 2019 financial year.

SEK thousand	Board fee	Basic salary	Variable			Total
			remuneration	Pension costs	Other benefits	
Arne Wallin, former chairman of the board	88	–	–	–	–	88
Per Bjurbom, chairman of the board	–	856	–	–	–	856
Stefan Lundin, member of the board	–	–	–	–	–	–
Ying Che, member of the board	–	–	–	–	–	–
Anita Sjölander, CEO	–	2,151	30	758	–	2,939
Other members of senior management	–	10,058	284	3,129	–	13,471
Total	88	13,065	314	3,887	–	17,354

Current employment agreements for the CEO and other members of the senior management

Decisions as to the current remuneration levels and other conditions of employment for the CEO and the other members of the senior management have been resolved by the board of directors.

There is a mutual notice period of six (6) months in the CEO's employment agreement. If the employer terminates the employment, a severance pay of twelve (12) months shall be paid to the CEO, set-off against any new income that the CEO earns in new employment or from business activities. The employment agreement further contains a non-compete undertaking with legal force of six (6) months after the termination of employment, as well as non-solicitation of employees and customers for the same period. As consideration for the non-compete restriction, the CEO would be entitled to remuneration corresponding to the difference between the salary offered by the new employment opportunity and the salary she had in her employment with the Company (calculated on the basis of both fixed salary and variable remuneration). However, this remuneration shall not exceed 60 per cent of the average monthly remuneration. Severance pay will constitute such remuneration.

The majority of other members of the senior management domiciled in Sweden are entitled to a mutual period of notice of six (6) months and some members are entitled to severance pay of up to six (6) months' pay. The employment agreements further contain non-compete undertakings with legal force of six (6) months after the termination of employment, as well as non-solicitation of employees for the same period. As consideration for the non-compete restriction, the individual would be entitled to remuneration corresponding to the difference between the salary offered by the new employment opportunity and the salary she had in her employment with the Company (calculated on the basis of both fixed salary and variable remuneration). However, this remuneration shall not exceed 60 per cent of the average monthly remuneration. For persons entitled to severance

pay, the severance pay will constitute such remuneration. All members of the senior management are entitled to variable remuneration up to 25 per cent of their respective annual salary.

The CEO and other members of senior management participate in the pension scheme prescribed by applicable collective bargaining agreement. This implies that individuals who are born after 1978 participate in the defined contribution pension scheme (ITP1), with contributions of 4.5 per cent up to salary levels of approximately SEK 40,000 and contributions of 30 per cent on salary amounts above such amount. Individuals born before 1979 participate in the defined benefit pension scheme (ITP2) where the contributions increase by age and salary according to a set table.

The Head of IR-position on the senior management team is, as of the date of this Offering Circular, held by a consultant who has been engaged through a consultancy agency to provide interim solutions. The consultancy agreement is valid until 30 April 2021 and may be terminated with one months' notice. The consultancy agreement contains customary terms such as confidentiality, non-solicit and transfer of intellectual property rights.

Remuneration by reason of the listing

Following a resolution by the board of directors of Nordic Paper, the members of the senior management employed by the Company, including Anita Sjölander (CEO), Niclas Eriksson, Jens Otterstedt, Marie Stenquist, Lars Löfquist, Christian Persson, Peter Warren, Henrik Asp and Patric Johansson, are entitled to receive an additional cash remuneration for extraordinary work in relation to the listing of the Company's shares on Nasdaq Stockholm. The additional remuneration amounts to two months' salary for the CEO and 1 months' salary for other members of the senior management employed by the Company. The additional remuneration is conditional upon, and are to be paid after, the completion of the listing.

Internal Control

Internal control comprises the control of the Company's and the Group's organisation, procedures and support measures. The objective is to ensure that reliable and accurate financial reporting takes place, that the Company's and the Group's financial reporting is prepared in accordance with applicable laws and accounting standards, that the Company's assets are protected and that other requirements are fulfilled. The internal control system is also intended to monitor compliance with the Company's and the Group's policies, principles and instructions. Internal control also includes risk analysis. The Group identifies, assesses and manages risks based on the Group's vision and goals. Risk assessment of strategic, compliance, operational and financial risks shall be performed annually by CEO and presented to the audit committee and the board of directors.

The board of directors are responsible for internal control. Processes managing the business and delivering value shall be defined within the business management system. The CEO is responsible for the process structure within the Group.

A self-assessment of minimum requirements of defined controls mitigating identified risks for each business process shall annually be performed and reported to the audit committee and the board of directors. The CEO is responsible for the self-assessment process, which is facilitated by the internal controls function and the CFO. In addition, the internal controls function performs reviews of the risk and internal controls system according to plan agreed with the board of directors.

Auditing

The auditor shall review the Company's annual reports and accounting, as well as the management of the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report and a consolidated audit report to the annual general meeting.

Pursuant to the Company's articles of association, the Company shall have not less than 1 and not more than 2 auditors with or without deputy auditors. The Company's auditor is Öhrlings Pricewaterhousecoopers AB, with Martin Johansson as auditor in charge. The Company's auditor is presented in more detail in section "*Board of directors, senior management and auditor*".

In 2019, the total remuneration to the auditor amounted to SEK 1,650 thousand for the Group.

Share capital and ownership structure

General information

Pursuant to the Company's articles of association, the Company's share capital may not be less than SEK 19,116,800 and not more than SEK 76,467,200, and the number of shares may not be less than 66,908,800 and not more than 267,635,200. As of the date of this Offering Circular, the Company has issued a total of 66,908,800 shares. The shares are denominated in SEK and the quota value of each share is approximately SEK 0.285715.

All shares in the Company have been issued pursuant to Swedish law. All issued shares have been fully paid. With exception of the undertakings not to transfer shares in the Company during a certain period of time from the first day of trading of the Company's shares on Nasdaq Stockholm from, among others, the Principal Owner, the shares in the Company are freely transferable in accordance with applicable law. See further in section "*Share capital and ownership structure – Lock-up arrangements*".

The offered shares are not subject to a mandatory offering, redemption rights or a sell-out obligation. No public takeover offer has been made for the offered shares during the current or preceding financial year.

Certain rights associated with the shares

The offered shares are all of the same class. The rights associated with the shares issued by the Company, including those pursuant to the articles of association, can only be amended in accordance with the procedures set out in the Swedish Companies Act.

Voting rights

Each share in the Company entitles the holder to one vote at general meetings and each shareholder is entitled to cast votes equal in number to the number of shares held by the shareholder in the Company.

Preferential rights to new shares etc.

If the Company issues new shares, warrants or convertibles in a cash issue or a set-off issue, shareholders shall, as a general rule, have preferential rights to subscribe for such securities proportionally to the number of shares held prior to the issue.

Rights to dividends and balances in case of liquidation

All shares give equal rights to dividends and to the Company's assets and possible surpluses in the event of liquidation.

Resolutions regarding dividends are passed by shareholders at general meetings. All shareholders registered as shareholders in the share register maintained by Euroclear Sweden on the record date adopted by the general meeting shall be entitled to receive dividends. Dividends are normally distributed to shareholders as a cash payment per share through Euroclear Sweden, but may also be paid out in a manner other than cash (in-kind dividend). If shareholders cannot be reached through Euroclear Sweden, such shareholder still retains its claim to the dividend amount from the Company, subject to a statutory limitation of ten years. Upon the expiry of the statutory limitation period, the dividend amount shall pass to the company.

There are no restrictions on the right to dividends for shareholders domiciled outside Sweden. Shareholders not resident in Sweden for tax purposes must normally pay Swedish withholding tax, see also section "*Certain tax considerations in Sweden*".

Information regarding mandatory bids and redemption of minority shares

Pursuant to the Swedish Takeovers Act (2006:451) any person who (i) does not hold any shares or holds shares representing less than three tenths of the voting rights in a Swedish limited liability company whose shares are admitted to trading on a regulated market (the "**Target Company**"), and (ii) who through the acquisition of shares in the Target Company, alone or together with a closely related party, holds shares representing three tenths or more of the voting rights for all of the shares in the Target Company is obliged to immediately disclose the size of his holding in the Target Company and, within four weeks thereafter, make an offer to acquire the remaining shares in the Target Company (mandatory offer requirement).

A shareholder who personally, or through a subsidiary, holds more than 90 per cent of the shares in a Swedish limited liability company has the right to redeem the rest of the shares in the company. The owners of the rest of the shares have a corresponding right to have their shares redeemed by the majority shareholder. The formal procedure for the redemption of minority shares is regulated in the Swedish Companies Act.

Dividend policy

Approximately 50–70 per cent of net profit is to be paid as dividend.

The proposed dividend shall take Nordic Paper's financial position, liquidity position, future investment needs and general macroeconomic and business conditions into account.

Please see section "*Risk factors – Risks related to the securities – Nordic Paper's ability to pay dividends is dependent upon its future earnings, financial condition, cash flows, net working capital requirements, capital expenditures and other factors*".

Dividends during the last three financial years

	2019	2018	2017
Dividend (total) (SEK million)	–	–	100.0
Number of issued shares	47,792	47,792	47,792
Dividend per share (SEK)	–	–	2,092.4

Dividends during the 2020 financial year

At the annual general meeting held on 12 March 2020, it was resolved that SEK 150 million should be paid as dividend to Sutriv Holding. At the extraordinary general meeting on 1 October 2020 it was resolved that an additional SEK 800 million should be paid as dividend to Sutriv Holding, as part of the Company's refinancing in connection with the Offering. Thus, a total of SEK 950 million will be paid as dividend to Sutriv Holding before the first day of trading on Nasdaq Stockholm. For further information, please see section "*Capitalization, indebtedness and other financial information – Refinancing in connection with the Offering*".

Central securities register

The Company's shares are registered in a CSD register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479). This register is managed by Euroclear Sweden AB, Box 191, SE-101 23 Stockholm, Sweden. No share certificates have been issued for the Company's shares. The ISIN-code for the shares is SE0014808838.

Share capital development

The below table shows historic changes in the Company's share capital since the Company's formation.

Time	Event	Share capital (SEK)			
		Change in number of shares and votes	Number of shares and votes after the transaction	Change	Total
11/12/2012	New issue	47,792	47,792	19,116,800	19,116,800
02/10/2020	Split 1,400:1	66,861,008	66,908,800	0	19,116,800

Convertibles, warrants, etc.

As of the day of this Offering Circular, there are no outstanding warrants, convertibles or other share-related instruments in the Company.

Incentive programs

As of the day of this Offering Circular, there are no implemented or resolved share-based incentive programs in Nordic Paper. The board of directors and the remuneration committee are however continuously reviewing the remuneration structure in Nordic Paper to ensure that the remuneration, together with other terms of employment, are competitive to such a degree that Nordic paper can attract, engage and retain a competent management. The board of directors may therefore chose to propose for the general meeting to adopt such share-based incentive programs in the future.

Ownership structure

The table below sets forth Nordic Paper's ownership structure immediately before the Offering and directly after completion of the Offering.

Shareholder	Shareholding before the Offering		After the Offering (if the Offering is not increased and the Overallotment Option is not exercised)		After the Offering (if the Offering is increased in full and the Overallotment Option is not exercised)		After the Offering (if the Offering is increased in full and the Overallotment Option is exercised in full)	
	Number	Per cent	Number	Per cent	Number	Per cent	Number	Per cent
<i>Shareholders with holdings exceeding 5 per cent of the shares</i>								
SUTRIV Holding AB	66,908,800	100.0	32,785,312	49.0	22,748,992	34.0	16,125,021	24.1
New shareholders	–	–	34,123,488	51.0	44,159,808	66.0	50,783,779	75.9
Total	66,908,800	100.0	66,908,800	100.0	66,908,800	100.0	66,908,800	100.0

The Principal Owner

As of the date of the Offering Circular, the Company is owned by the Principal Owner, Shanying International Holding Co., Ltd., No. 3, Qinjian road, Maanshan City, Anhui Province, Shanghai 243021, China, LEI-code 300300189RUIO9PF4B47, through the indirectly wholly-owned subsidiary SUTRIV Holding AB, Reg. No. 559118-8429, Box 70396, SE-107 24 Stockholm, Sweden, LEI-code 984500D7905R6J95D198.

Assuming that the Offering is increased in full and that the Overallotment Option is exercised in full, the Principal Owner will, through Sutriv Holding, own in aggregate approximately 24.1 per cent of the shares and votes in the Company. While the Company will be an independent listed entity, and the Principal Owner will not have different voting rights than other shareholders, the Principal Owner will retain a material interest in the Company following completion of the Offering, see also section "*Risk factors – Risks related to the securities – The Principal Owner will continue to have substantial influence over Nordic Paper after the Offering and could delay or prevent a change in control over the Company*".

Lock-up arrangements

Under the Placing Agreement, Sutriv Holding will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced (the "**Lock-up period**"). The Lock-up period for Sutriv Holding will be 180 days, and the Lock-up period for the members of the board of directors and certain employees within the Group, including senior management, that acquire shares in connection with the Offering, will be 360 days. At the end of the respective Lock-up periods, the shares may be offered for sale, which may affect the market price of the share. The Joint Global Coordinators may make exceptions from these undertakings. Any exception from the lock-up arrangements will be considered on a case-by-case basis and may be provided for on both personal and commercial reasons. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Managers not to, e.g. resolve upon or propose to the general meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 180 days from the first day of trading of the Company's shares on Nasdaq Stockholm without a written consent from the Joint Global Coordinators. See section "*Legal considerations and supplementary information – Placing agreement*".

Articles of association

Adopted at the Extraordinary General Meeting on October 1, 2020.

1 § Company name

The name of the company is Nordic Paper Holding AB.
The company is a public limited liability company (publ).

2 § Operations

The objective of the company's operations is to be able to, directly or indirectly, conduct industry and trade operations, primarily within the pulp and paper industry and to own and manage real property and chattels and also trade in shares and other securities.

3 § Registered office

The company's Board of Directors is located in Karlstad.
General meetings shall be held in Karlstad or in Stockholm according to decision by the board.

4 § Share capital

The company's share capital is to be not less than SEK 19,116,800 and not more than SEK 76,467,200.

5 § Number of shares

The number of shares is to be not less than 66,908,800 and not more than 267,635,200.

6 § Board of directors

The Board of Directors, as elected by the general meeting, is to comprise not fewer than three (3) and not more than ten (10) members without deputies.

7 § Auditors

The company is to have one (1) or two (2) auditors with or without deputy auditors. An authorised auditor or a registered auditing company will be elected as auditor.

8 § Annual General Meeting

The following matters will be addressed at the Annual General Meeting:

1. Election of a Chairman of the Meeting.
2. Preparation and approval of the voting list.
3. Approval of the agenda.
4. Election of one or two officers to verify the minutes.
5. Determination of whether the meeting was duly convened.
6. Presentation of the Annual Report and the Auditor's Report and the Consolidated Financial Statement and Auditor's Report for the Group.
7. Decisions concerning:
 - a. Adoption of the income statement, balance sheet, consolidated income statement and consolidated balance sheet;
 - b. Appropriation of the company's profit or loss in accordance with the adopted balance sheet;
 - c. Discharge from liability of the Board members and the CEO.

8. Adoption of the number of Board members and number of auditors and deputy auditors.
9. Adoption of fees for members of the Board and the auditors.
10. Election of Board members and chair.
11. Election of auditors and deputy auditors.
12. Approval of guarantee commitments for subsidiaries.
13. Other matters to be considered at the Annual General Meeting in accordance with the Swedish Companies Act or the Articles of Association.

9 § Notice to attend General Meetings

9.1

Official notification of the general meeting of shareholders is to take the form of an announcement in the Swedish Official Gazette, "Post och Inrikes Tidningar", and on the company's website. The announcement of the notice of the General Meeting is to be advertised in "Dagens Industri".

9.2

Notice to annual general meetings and notice to extraordinary general meetings, where amendment of the articles of association shall be resolved upon, shall be published not earlier than six weeks and not later than four weeks prior to the general meeting. Notice to other extraordinary general meetings shall be published not earlier than six weeks and not later than three weeks prior to the general meeting.

9.3

Shareholders wishing to participate in the General Meeting of the Shareholders must notify the company of their intention to attend the Meeting not later than the day stipulated in the notice convening the General Meeting. This day may not be a Sunday, any other public holiday, a Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not fall earlier than the fifth weekday before the General Meeting.

9.4

At the General Meeting, shareholders may be accompanied by one or two advisors, however, only if the shareholder notifies the company of the number of advisors in the manner stated above.

10 § Financial year

The company's financial year shall be the calendar year.

11 § Record day provision

The company's shares are to be registered in a share register in accordance with the Swedish Central Securities Depositories and Financial Instruments Accounts Act (1998:1479).

Legal considerations and supplementary information

Approval from the SFSA

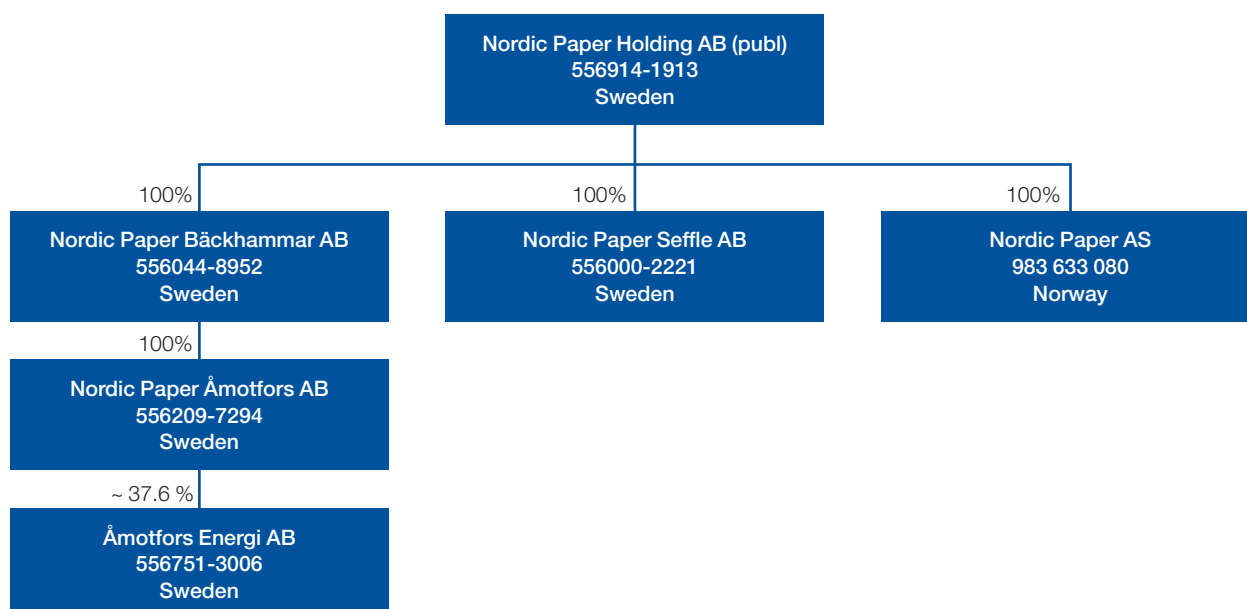
The Swedish Offering Circular has been approved by the SFSA as competent authority under Regulation (EU) 2017/1129. The SFSA only approves the Swedish Offering Circular as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/112. Such approval should not be considered as an endorsement of the issuer or the quality of the securities that are the subject of the Swedish Offering Circular. Investors should make their own assessment as to the suitability of investing in the securities.

The Swedish Offering Circular was approved by the SFSA on 12 October 2020. The validity period for the Swedish Offering Circular will expire on 12 October 2021, provided that the Swedish Offering Circular is completed with supplements when required pursuant to Regulation (EU) 2017/112, or when the Offering and admission to trading of the shares on Nasdaq Stockholm is completed. The obligation to supplement the Swedish Offering Circular in the event of significant new circumstances, factual errors or material inaccuracies does not apply when the Swedish Offering Circular is no longer valid.

Legal group structure

Nordic Paper Holding AB (publ), Reg. No. 556914-1913, registered office is in Karlstad, Sweden. The Company is a Swedish public limited liability company founded in Sweden under Swedish law, incorporated on 26 November 2012 in Sweden and operating under Swedish law. The Company's form of association is governed by the Swedish Companies Act (2005:551). The Company's LEI-code is 549300IA1EP1W7DZP567.

As of the date of this Offering Circular, the Company is the parent company of four directly and indirectly wholly-owned subsidiaries in total, situated in Sweden and Norway, as well the indirect owner of approximately 37.6 per cent of the associated company Åmotfors Energi AB. The Group's operations are mainly carried out by the Company's direct and indirect subsidiaries and the Group is largely dependent on its subsidiaries in order to generate profit and cash flow. The Company is the parent company of the Group. The following chart illustrates the legal structure of the Group as of the date of this Offering Circular.



Agreements

Nordic Paper does not consider any individual agreement, entered into within the scope of its operations or otherwise, to be material to the Group. The following sections will instead provide a general description of the terms and scope of the three major type of agreements entered into by the Group, namely (i) supply agreements, governing, e.g., the supply of raw material, energy and freight services, (ii) agency agreements, governing the sales directed by agents to the Group and (iii) customer agreements, governing the sale of Nordic Paper's products to customers. In addition to the general description of the three major type of agreements, this section also encompasses a description of the material terms of the agreement with the associated company Åmotfors Energi AB.

Supply agreements

General

The Group's important suppliers consist of suppliers of raw material, energy (such as electricity and heat) and freight and storage services. A brief summary of the Group's agreements with the suppliers in the respective category follows below.

Raw material suppliers

Approximately half of the Group's larger supply agreements regard the supply of raw material, such as wood and chemicals. A majority of these agreements are entered into using the Group's standard forms, which are in line with market practice. Most of the agreements are short and mainly contain terms regarding prices, delivery, term, etc. In certain cases, the agreements contain exclusivity and/or volume undertakings. Further, a majority of the agreements have been entered into on a short-term basis (e.g. for six or twelve months), often without any right of prolongation.

Energy suppliers

The Group has entered into agreements for the supply of electricity and energy for heating. These agreements contain volume undertakings and exclusivity undertakings of varying degrees. Pursuant to the terms and conditions of the agreements, either party may terminate the agreement in case of the other party's material breach which has not been remedied in due time and the customer may, under certain circumstances, be obliged to compensate the energy supplier for its losses during the remainder of the contract term should the customer enter into an agreement with another supplier during the term of the agreement with the current supplier. In case of a prolongation of certain agreements, the prices shall be adjusted. The adjustments will vary depending on whether it is the supplier or the Group which prolongs the agreement. Furthermore, the agreements commonly contain provisions stipulating, *inter alia*, how pricing is determined and that the Group shall supply oil for the power plant free of charge during periods when waste cannot be used for the production of energy.

Freight forwarding, warehouse and stock handling services

The Group has entered into a freight forwarding agreement and agreements for the procurement of warehouse and stock handling services. The freight forwarding agreement contains an exclusivity undertaking for Nordic Paper's entire need of the services covered by the agreement. The warehouse and stock handling services agreements are typically multi-year agreements and generally include automatic prolongation unless they are terminated by written notice prior to their expiry. The agreements entered into with these suppliers stipulate, *inter alia*, that the suppliers may not exercise a right of retention in the goods covered by the agreement or for goods which otherwise are in its care.

Agency agreements

General

Approximately 90 per cent of sales to customers in the Natural Greaseproof segment, including the majority of sales to wholesalers, converters and distributors, are performed through agents. Further, approximately 55 per cent of sales in the Kraft Paper segment are performed through agents. Natural Greaseproof operates with approximately 30 agents, while Kraft Paper has around 20 agents. In total, Nordic Paper has about 40 agents, as some agents serve both business areas. Each agent covers a certain territory, whereby an agreement can encompass several countries.

Agency agreement terms

The standard form key terms in the Group's agency agreements can be summarised as follows.

The agency agreements provide an exclusive right for the agents to sell the products in the specified territory. The agent shall immediately transmit received orders to the Group, after which the Group has the right to, at its sole discretion, accept or decline the orders. The Group decides the prices and other terms and conditions under which the agents shall promote the products. The agents are not authorised to make any purchases on behalf of the Group or to conclude any agreements which are binding on behalf of the Group. The Group invoices the customers directly. As compensation for each agent's work and costs, the agent is generally entitled to a commission based on a percentage of the invoiced sales or volume sold to customers in the relevant territory.

The agreements specify that only products produced in certain mills are defined as "products" under each agreement. All agreements provide that only products produced at the mills specified in the agreements may be sold and marketed under each agreement.

All agency agreements restrict the Group from marketing or selling the products in the specified territories. Since the agreements define the products as those produced in certain mills, the Group cannot produce the same products, e.g. kraft paper, in other mills and sell said kraft paper under the agency agreement. However, the Group may,

for example, sell kraft paper produced outside of the specified mills in the same territory through other agents or through other channels, including direct sales to customers. In addition, the agency agreements include provisions obliging the agent not to produce, sell or market products which competes with the product covered by the agreements.

Termination and termination rights

The agency agreements are valid until further notice, and all but few of the agreements may be terminated by either party by giving the other party six months' written notice. Therefore, either party may, at its sole discretion, terminate the agreement in a relatively short period of time. None of the agreements contain any post-termination obligations.

Costs of terminating agency agreements

The agency agreements provide that the agent is entitled to commission during the term of the agreement. However, the agent may, in the event the agreement would be terminated, pursuant to both Swedish and Norwegian law, be entitled to severance compensation in certain situations. The amount that the agent is entitled to as severance compensation depends on how much the principals' sales have increased due to the agent's activities. The severance compensation may however, not exceed the agent's remuneration for one year, based on the average annual remuneration during the last five years or during the period in which the agent performed the agency, whichever is shorter.

In addition to severance compensation, the agent may also be entitled to commission in respect of contracts concluded after the termination of the agency (Sw. *efterprovision*) where, inter alia, such a contract is a consequence of the activities of the agent, and the contract has been concluded within a reasonable period of time after termination of the agency agreement. After an agency agreement has been terminated, the agent must as a general rule return any goods, materials or documents received from the principal for the completion of the assignment. The agent may however retain goods, materials or documents belonging to the principal, as security for the agent's right to e.g. severance compensation or commission in respect of contracts concluded after the termination of the agency agreement.

Customer agreements

General

The Group enters into agreements with customers directly, regardless of whether these are referred through agents or not. As mentioned above, agents are not authorised to conclude any agreements which are binding on behalf of the Group. The agreements entered with customers are usually short and consist of a price list with limited contractual terms. A brief summary of the Group's agreements with customers in each respective business area, Kraft Paper and Natural Greaseproof, follows below.

Kraft Paper

Agreements with individual customers in relation to Kraft Paper are usually in the form of so-called price agreements, which consist of a price list that is confirmed by the customer by e-mail and not duly signed by the parties. Furthermore, the term of the agreements is generally around six months and some of the agreements contain bonuses and minimum target volumes.

Some of the agreements contain provisions regarding payment, delivery, volume and the relevant products which have been ordered by the customer. Deliveries under the customer agreements used by the Kraft Paper segment are usually subject to the General Trade Rules for sales of paper and paperboard of 1980 and provide that the law of the country of the seller shall apply to the agreement, except for the clause about transfer of ownership of delivered paper or paperboard, where the law of the buyer applies. Further, as regards limitation of damages, the General Trade rules provide that damages shall, inter alia, not include consequential damages. In such a case, Swedish or Norwegian law (as applicable) would not necessarily apply (but possibly the law of the customer, if the customer is placed in another jurisdiction).

Natural Greaseproof

A majority of the agreements with customers in relation to Natural Greaseproof are verbal agreements which are supplemented by price specifications sent out by the Group, and subsequently confirmed by e-mail by the customer. Agreements with the largest customers may, however, consist of everything from e-mail correspondence (regarding prices) and price lists to written bonus agreements, commercial agency agreements, service agreements and supply agreements. The term of the agreements varies as they may be valid for e.g. one contractual year or until further notice (with six months termination notice).

Common for the price lists and e-mail correspondence is that they are short and mainly only contain information on general terms such as prices and volumes. Thus, these agreements are in many aspects similar with the price agreements used within Kraft Paper. The agreements within Natural Greaseproof do not refer to the General Trade Rules for sales of paper and paperboard of 1980.

Energy supply agreement with Åmotfors Energi AB

An agreement, entered into between Nordic Paper Bäckhammar AB and Nordic Paper Åmotfors AB, on one hand, and Åmotfors Energi AB, on the other hand, regards the supply of energy and is valid until 2022 with a possibility to extend until 2028. For more information on the purpose of the agreement, please refer to section "*Business overview – Description of Nordic Paper's operations – Sourcing strategy – Sourcing of energy*".

The agreement contains a volume commitment, subject to certain conditions, with regards to heat energy, whereby Nordic Paper Åmotfors AB and Nordic Paper

Bäckhammar AB are obliged to purchase an average of 115 GWh heat energy per year during the validity of the agreement, with a possible discrepancy of 5 GWh for a single year. The agreement also stipulates, *inter alia*, that the provided energy shall have a certain effect. There is no price cap of third parties' prices regarding heat energy.

Nordic Paper Åmotfors AB has pledged its shares in Åmotfors Energi AB to the other shareholders in Åmotfors Energi AB as security for its due fulfillment of the terms of the energy supply agreement.

Intellectual property

Nordic Paper is the registered holder of several trademark rights and pending trademark applications including, *inter alia*, the registered trademarks "ECO-BAKE", "NATURAL GREASEPROOF", "Silidor", "Candor", "iamKraft", "SuperPerga", and "SingleProof" which are registered within the EU, USA, South Korea and in several other jurisdictions worldwide. Nordic Paper is protected as a company name in Sweden as well as part of a figurative trademark registered in Norway. Nordic Paper is the registered holder of three domain names "nordic-paper.com", "nordic-paper.se" and "biokraft.se". Further, the Group uses two material IT systems, a content storage management system ("**CSM system**") that the Group uses for the flow from order to delivery and an enterprise resource planning system ("**ERP system**") that the Group uses for different functions such as finance, purchasing, storage of spare parts and maintenance of mills. The ERP system is a standard off-the-shelf system and the CSM system is supplied via a non-exclusive, perpetual license from ABB Power Grids Sweden AB. The Group has no knowledge of any disputes, such as violations or infringements, that may affect use of any material intellectual property rights vested in the Group.

Legal proceedings

Aside from the environmental disputes and proceedings described below, Nordic Paper is not, and has not been, a party in any governmental, legal or arbitration proceedings (including any proceedings that are pending or threatened of which Nordic Paper is aware) during the past twelve months, which have recently had or could have had a significant impact on the Group's financial standing or profitability. Aside from the environmental disputes and proceedings that are described below, Nordic Paper is not aware of any facts or circumstances that could reasonably be expected to lead to any material claims being made against the Group in the foreseeable future. See "*Risk factors – Legal and regulatory risks – Nordic Paper risks being involved in legal and administrative proceedings*".

Environmental proceedings

Water permit in Bäckhammar

In 2013, the Group's operation in Bäckhammar received a permit to extract water, which included a condition to the effect that the Group was obliged to investigate the conse-

quences downstream from the mill to ensure that agricultural land was not being flooded. The result of the investigation was provided to the Land and Environment Court in September 2019. Based on its investigation, the Group was of the opinion that the agricultural land adjacent to the water downstream from the mill had not been affected by the mill's extraction of water. In consequence, the Group claimed that the property owners of the agricultural land should not be compensated by the Group. However, the downstream property owners of the agricultural land have opposed the Group's conclusion and have submitted compensation claims, amounting to approximately SEK 3.3 million in total, to the Land and Environment Court. Any final conditions on payment will ultimately be decided by the Land and Environment Court.

Water permit in Åmotfors and Säffle

As of the date of this Offering Circular, there is an ongoing dialogue with the County Administrative Board (Sw. *Länsstyrelsen*) in Värmland regarding the need to apply for a permit in accordance with Chapter 11 of the Swedish Environmental Code (Sw. *miljöbalken (1998:808)*), for water extraction related to the operations conducted at the mills in Åmotfors and Säffle. The Company is of the opinion that they hold all necessary permits to conduct its operations. Should the County Administrative Board, or any following instance, not share the Company's view, the Company could be required to apply for a permit to extract water, which the Company believes will be obtainable. A process regarding such potential application for a permit to extract water could be associated with costs or require resources for litigation and other measures, and a permit may be subject to terms and form the basis for compensation claims from affected stakeholders.

Emission incident in Bäckhammar

During 2018, unplanned emissions from the Bäckhammar mill twice reached the Visman water course, once in August consisting of black liquor and once in September consisting of soap. The emissions resulted in a large amount of fish dying, high levels of TOC and changed values in Visman. The County Administrative Board reported both events to the Swedish Prosecution Authority. In 2019, the Swedish Prosecution Authority decided to discontinue the preliminary investigation, as they deemed that the emissions had not violated any applicable laws and regulations and that the emissions had been made in accordance with the conditions for the permit of the Company. Certain investigations have however been requested by the Country Administrative Board, which have been performed by the Group, and further investigations may be requested in the future to understand the impact and to resolve on any compensation measures such as restoration of the bottom conditions in the river and input of fish.

Emission incident in Säffle

An oil emission incident occurred at the Group's site in Säffle in August 2019. In connection with the accident and the subsequent investigations, oil was found not only in the ground but also in the ground water pipes in the area. The emission of oil is an on-going matter with the County Administrative Board. The reported emission of oil in the ground and the ground water pipes may result in e.g. an order from the supervisory authority, requiring the Group to carry out remedial actions. Potential costs attributable to the emission of oil from the Säffle mill is expected to amount to SEK 10 million and the Group has reserved such amount in the accounts.

Insurance

Through its insurance broker, the Group is covered by Property and Business Interruption Insurance, General and Products Liability Insurance, D&O Insurance, Crime Insurance, Marine Cargo Insurance and Motor Vehicles Insurance. In addition, the Group is also covered by a Business Travel Insurance and a Trade Credit Insurance, which is taken out by the Group itself.

The Property and Business Interruption-, the Liability-, the D&O-, the Marine Cargo and the Crime Insurance covers the Company and its subsidiaries. The Motor Vehicle Insurance covers the subsidiaries of the Company, however excluding the Norwegian subsidiary Nordic Paper AS which instead is covered by a separate insurance provided through a Norwegian insurance provider.

Nordic Paper believes that its insurance coverage, including the maximum coverage amounts, exclusions, limitations of liability and other terms and conditions of its policies, are both consistent with that of other companies operating in the same industry and appropriate for the operations of the Group. However, Nordic Paper could incur losses that exceed the scope of the insurance coverage, be unsuccessful in its insurance claims or be subject to deductibles in the claims. See *"Risk factors – Operational risks – Damages to production equipment and other disruptions in production could lead to cessation of one or several of Nordic Paper's production units"* and *"Risk factors – Financial risks – Nordic Paper could suffer losses due to customers and other counterparties failing to meet their payment obligations as they fall due"*.

Placing agreement

According to the terms of an agreement on placing of shares which is intended to be signed on or around 21 October 2020 between the Company, Sutriv Holding and the Managers (the **"Placing Agreement"**), Sutriv Holding undertakes to divest 51.0 per cent of the shares in the Company to the purchasers procured by the Managers, or if the Managers fail to procure purchasers, they have undertaken to themselves acquire the shares comprised by the Offering. Sutriv Holding has reserved the right to increase the Offering by up to 10,036,320 existing shares, corresponding to a maximum of 15 per cent of the total number of shares in

the Company. In addition, Sutriv Holding intends to issue an overallotment option to Joint Bookrunners, implying that Joint Bookrunners at Joint Global Coordinators' request no later than 30 days from the first date of trading in the Company's share on Nasdaq Stockholm has the right to acquire additional 6,623,971 existing shares from Sutriv Holding, at a price corresponding to the Offering Price, equal to no more than 15 per cent of the total number of shares in the Offering, including the additional shares that could be added following an increase of the Offering. The Overallotment Option may only be exercised in order to cover possible overallotments in the Offering.

Through the Placing Agreement, the Company makes customary representations and warranties to the Managers, primarily in relation to the information in the Offering Circular being correct, the Offering Circular and the Offering fulfilling requirements in laws and regulation and that there are no legal, or other, hindrances for the Company to enter into the agreement or for the completion of the Offering. Pursuant to the Placing agreement, the Managers' commitment to procure purchasers to or, if the Managers fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, among other things, that the representations and warranties provided by the Company and Sutriv Holding are correct. Under the Placing agreement, the Company will, subject to customary qualifications, undertake to indemnify the Managers against certain claims under certain conditions.

Through the Placing agreement, Sutriv Holding undertakes, with customary conditions, not to sell its shares during the lock-up period (see further in section *"Share capital and ownership structure – Lock-up arrangements"*). Under the Placing Agreement, the Company also undertakes, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with ownership of the Company to another party prior to 180 days at the earliest after the date when trading starts on Nasdaq Stockholm. The Joint Global Coordinators may, however, grant exemptions from these limitations. For details regarding lock-up undertakings made by members of the board of directors and certain employees within the Group, including senior management, see section *"Share capital and ownership structure – Lock-up arrangements"*.

Stabilization

In connection with the Offering, ABG as stabilization manager (**"Stabilization Manager"**), or its agents, on behalf of the Managers, may carry out transactions that stabilize, maintain or otherwise affect the market price of the shares at levels above those which might otherwise prevail in the open market. Such stabilization transactions may be

effected on Nasdaq Stockholm, in the over-the-counter market or otherwise, at any time during the period starting on the date of commencement of trading in the shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. The Stabilization Manager is, however, not required to undertake any stabilization and there is no assurance that stabilization will be undertaken.

Stabilization, if undertaken, may be discontinued at any time without prior notice. In no event will transactions be effected at levels above the price in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, the Stabilization Manager shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) of the Market Abuse Regulation 596/2014 (“MAR”). Within one week of the end of the stabilization period, the Stabilization Manager will make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

The Principal Owner’s ownership may amount to less than 30 percent of the shares and votes in the Company if the overallotment (and the share loan related thereto) is

exercised in whole or in part. If the Stabilization Manager conducts stabilization measures, the Principal Owner’s share of the shares and votes may increase to at least 30 per cent of the votes in the Company, which triggers the mandatory bid provisions in the Swedish Takeover Act (*Sw. lag (2006:451) om offentliga uppköpserbjudanden på aktiemarknaden*). The Principal Owner has obtained an exemption from such mandatory bid provisions from the Swedish Securities Council (*Sw. Aktiemarknadsnämnden*) according to statement AMN 2020:49.

Related party transactions

The summary below reflects the transactions made by Group with (i) the associated company, Åmotfors Energi AB (encompassing the Group’s sales and purchases of goods and/or services to/from Åmotfors Energi AB as well as outstanding receivables and liabilities as of the end of each period), as well as (ii) with the current owner Sutriv Holding (encompassing the Group’s purchases of goods and/or services from Sutriv Holding and outstanding liabilities as of the end of each period). For information on related party transactions during January – June 2020, see Note 5 of section “*Historical financial information – Financial information for the period January – June 2020 – Notes*”.

<i>SEK thousand</i> The Group	Sales of goods / services	Purchases of goods / services	Other	Receivables on balance sheet date	Liabilities on balance sheet date
Åmotfors Energi AB					
2019	6,722	39,558	–	348	2,505
2018	7,100	42,235	–	622	6,323
2017	2,556	28,572	–	–	4,265
Sutriv Holding					
2019	–	5,535	–	–	41,000
2018	–	7,150	–	–	106,409
2017	–	10,000	–	–	6,690

For additional information on the transactions with Åmotfors Energi AB, primarily encompassing the supply of energy from Åmotfors Energi AB to the Group, please refer to sections “*Business overview – Description of Nordic Paper’s operations – Sourcing strategy – Sourcing of energy*” and “*Legal considerations and complementary information – Agreements – Energy supply agreement with Åmotfors Energi AB*”. The transactions with Sutriv Holding, encompassing the supply of strategy services from Sutriv Holding to the Company, have been conducted based on an oral agreement.

Interests of advisors

The Managers provide financial advisory and other services to the Company and the Principal Owner in connection with the Offering, for which they will receive a commission from the Principal Owner equal to a certain percentage of the

gross proceeds of the existing shares sold in the Offering. In addition, the Principal Owner may choose to pay to the Managers a discretionary fee, the amount and allocation of which is to be determined after the completion of the Offering. The total compensation received by the Managers is dependent on the success of the Offering. The Company will not pay any commission to the Managers.

From time to time, the Managers provide services in the ordinary course of business to the Principal Owner and parties affiliated to the Principal Owner in connection with other transactions.

Advokatfirman Vinge KB and Shearman & Sterling (London) LLP have been legal counsel in connection with the Offering and the IPO, and may provide additional legal services to the Company.

Costs related to the Offering

In consideration of the Managers' assistance in the Offering and the listing on Nasdaq Stockholm, the Managers will, subject to certain reservations, be reimbursed by the Company for external expenses incurred by them.

Nordic Paper's costs associated with the listing on Nasdaq Stockholm and the Offering are expected to amount to approximately SEK 27 million. Such costs primarily relate to fees and expenses for auditors, attorneys, printing of the Offering Circular, costs related to management presentations, etc.

Nordic Paper will not receive any proceeds from the Offering.

Documents available for inspection

Nordic Paper's certificate of registration and Nordic Paper's and its subsidiaries' (i) articles of associations and (ii) annual reports for the financial years 2019, 2018 and 2017, including auditors' reports, as applicable, are available for inspection during office hours at the Company's head office at Bäckhammars bruk, SE-681 83 Kristinehamn, Sweden. These documents, excluding the subsidiaries' articles of associations, are also available in electronic form on Nordic Paper's website, www.nordic-paper.com. The information on Nordic Paper's website does not form part of the Offering Circular unless that information is incorporated by reference into the Offering Circular.

Important information on taxation

The tax legislation in the investor's home country and in Sweden may affect any income received from shares in Nordic Paper.

The taxation of any dividend as well as capital gains taxation and rules concerning capital losses in connection with disposal of securities, depends on the shareholder's particular circumstances. Special tax rules apply to certain categories of tax payer and certain type of investment forms. Each holder of share should therefore consult a tax advisor for information on the specific implications that may arise in an individual case, including the application and effect of foreign tax rules and tax treaties.

Regulatory overview

This section provides a regulatory overview for Nordic Paper and describes the material laws and regulations applicable to the operations of Nordic Paper, the material permits held by Nordic Paper as well as the supervision and potential sanctions Nordic Paper is subject to. For a description of the risks associated therewith, please refer to the section “*Risk factors – Legal and regulatory risks*”.

Applicable laws and regulations

General requirements on environmental permits

Pursuant to the Swedish Environmental Code (Sw. *miljöbalken* (1998:808)), the Government’s ordinance on environmentally hazardous activities and health protection (Sw. *förordning* (1998:899) *om miljöfarlig verksamhet och hälsoskydd*) and the Government’s Environmental Assessment Regulation (Sw. *Miljöprövningsförordning* (2013:251)) certain environmentally hazardous operations are required to obtain an environmental permit or to submit a notification before commencing operations. The production of pulp and paper on an industrial scale constitutes such operations that are subject to mandatory authorising procedures.

Environmental permits for the industrial production of pulp and paper are handled by the Land and Environment Court (Sw. *Mark- och miljödomstolen*) and are issued individually for each site where environmentally hazardous operations are conducted. Environmental permits may be required for the handling of waste, for example in connection with the construction, as well as the use and closure of an industrial deposit. Permits may also be required in order to extract water used in production. Such permits are issued by the Land and Environmental Court.

Similar requirements are stipulated in Norway where environmental permits for pulp and paper plants are issued by the Norwegian Environment Agency (Nw. *Miljødirektoratet*).

An environmental permit includes a stipulated production limit and several precautionary conditions which must be complied with while conducting the environmentally hazardous operations. In both Sweden and Norway, the limits and the conditions stipulated in environmental permits gain legal force and consequently an operator is, in general, protected against more stringent conditions during the operation of a facility. More stringent conditions may be stipulated if a new or amended permit is applied for and issued, or if a supervisory authority applies for a reconsideration of an existing permit. Reconsideration may only be made under certain specific circumstances and it is rather unusual that a reconsideration is made. For instance, reconsideration may be given where the permit is old or the existing stipulated permits conditions do not reflect best available technology. Instead of a reconsideration, there may also be

a discussion between the operator and the supervisory authority which result in an application for a new permit from the operator.

In addition to the precautionary conditions contained in environmental permits, Nordic Paper’s operations must also comply with certain requirements stipulated in accordance with the EU Directive on Industrial Emissions (2010/75/EU) and adopted by Swedish legislation primarily through the Government’s ordinance on industrial emissions (Sw. *industriutsläppsförordningen* (2013:250)) and to Norwegian legislation in the Pollution Regulation (2004:931) and the Waste Regulation (2004:930).

The EU Directive on Industrial Emissions prescribes certain best available techniques conclusions, BAT conclusions, which are similar to permit conditions and indicate emission levels which are not to be exceeded. BAT conclusions are listed in industry specific reference documents (BREF) The pulp and paper industry must, no later than 1 October 2018, comply with BAT conclusions decided in accordance with the EU Directive on Industrial Emissions. In addition, new BAT conclusions regarding waste handling were published in 2018. Such conclusions must be met not later than 17 August 2022.

Permits held by Nordic Paper

Nordic Paper holds permits for its operations in Sweden and Norway.

Aside from those permits obtained for Nordic Paper’s standard production operations, some of Nordic Paper’s operations have also obtained permits for the extraction of water used in the production process as well as permits for waste handling.

In addition, Nordic Paper is currently in the process of obtaining altered permits for its operations in Bäckhammar and Greåker. With regard to Bäckhammar, a new permit application was submitted to the Land and Environmental Court in August 2020, and, with regard to Greåker, an application for an amended permit was submitted in March 2020. Nordic Paper also recognizes that a renewal of the permit for the Group’s operations in Åmotfors is needed in the future.

Process of obtaining new or altered environmental permits

The process of obtaining a new environmental permit in Sweden and Norway is rather time consuming. The process follows a formal procedure described in the Swedish Environmental Code and the Norwegian Pollution Control Act (with connected regulations), respectively, for each jurisdiction.

The permit application process starts with a consultation with relevant authorities, neighbours and other stakeholders. The next step is to prepare all the documents for an application, including an environmental impact assessment, technical description and an application including applied production levels and proposed precautionary conditions.

The application process includes both written communication and an oral hearing (the latter though not being customary in Norway). Both the applicant and stakeholders may participate in the communication and oral hearing. The applications are often amended during the application process.

When the supervisory authority (i.e. respectively the Land and Environmental Court in Sweden and the Environment Agency in Norway) have assessed the application and an oral hearing (if required) has been held, a permit decision is issued. The supervisory authority may issue a permit including a stipulated production volume and precautionary conditions or dismiss the permit application completely.

Compliance with BAT conclusions

Nordic Paper's production facilities are in general compliance with current BAT conclusions. However, some of the production sites have obtained exemptions from some of the requirements. In one case, Åmotfors, the exemptions are limited in time, whereby all BAT conclusions must be complied with not later than 1 January 2021.

Nordic Paper's operations are also covered by BAT conclusions in relation to combustion facilities and the operations are in general compliance with such requirements.

Energy and CO₂-emissions

The paper and pulp industry are a part of the trading system of CO₂-emission allowances introduced in the EU Directive establishing a scheme for greenhouse gas emission allowance trading (2003/87/EC). The scheme was adopted into Swedish legislation in the Act on trading of emission rights (Sw. *lag (2004:1199) om handel med utsläppsrätter*) and to Norwegian legislation in the Act on greenhouse emission trading (Nw. *Lov 17. desember 2004 nr. 99 om kvoteplikt og handel med kvoter for utslipp av klimagasser (klimakvoteloven)*). The basic requirements of such legislation include an allocation of emission allowances, an obligation to submit the amount of allowances equivalent to sites emissions of CO₂.

The legislation imposes a cap on the total amount of CO₂-emission that can be emitted by all participating entities, with allowances for emissions auctioned or allocated for free, and freely tradable thereafter. Participating entities must monitor and report their CO₂-emission and provide

regular confirmations to the regulation that they hold sufficient allowances to cover their emissions. If an entity's emissions exceed its permitted allowance, it must either purchase or trade allowances with others, while entities with surplus allowances can benefit from the sale of additional allowances.

There is also other energy related legislation that may have an impact on Nordic Paper's production facilities, including the use of electricity certificates and energy mapping.

The system of electricity certificates in Sweden provides that the state issue certificates to renewable energy providers for each megawatt-hour of energy produced, and once issued the certificates are freely tradable. Conversely, certain entities, including entities operating in energy intensive industries, are required to meet quota obligations, and must thus either purchase certificates, or produce sufficient renewable energy to cover their quota requirements. This creates an incentive to produce renewable energy and sell the corresponding certificates, while imposing added burden on heavy consumers of electric power. Nordic Paper is defined as an energy intensive industry, which means that while all consumption of electricity related to the production of its products is exempted from the electricity certificate quota requirements, all other activities are required to meet their quotas, including electricity used in offices, warehouses and in administration functions.

Due to the Group's renewable electricity production at its turbine in Bäckhammar, Nordic Paper will be receiving electricity certificates from the state until 1 November 2022, while the Group's current excess of certificates has covered its quota required for the Group's administration purposes in Bäckhammar and Åmotfors.

There are also general requirements to pay fees for emission of certain by-products of the production process. For example, Nordic Paper is, in accordance with the Act on environmental fees for emissions of nitric oxide in energy production (Sw. *lag (1990:613) om miljöavgift på utsläpp av kväveoxider vid energiproduktion*) required to pay certain fees for any nitric oxide emissions.

Chemicals etc.

The EU Regulation regarding registration, evaluation, authorisation and restriction of chemicals (REACH EC 1907/2006) is the general legislative framework regulating the use and handling of chemicals within the EU. Nordic Paper's operations are covered by this regulation, which requires manufactures and importers to gather certain information on the properties of their chemical systems, while placing certain general restrictions on use of chemicals within certain areas.

Further, specific Swedish legislation may, in relation to the handling of chemicals or inflammable products, be relevant for Nordic Paper. For example, handling of inflammable products within Nordic Paper's operations may require a permit from the municipality. Such permits are always limited in time and must be renewed from time to time.

Work environment

In relation to the work environment the general requirements are stipulated in the Work Environment Act (Sw. *arbetsmiljölagen* and Nw. *arbetsmiljøloven*). In addition, there are a number of more detailed regulations issued by the work environment authority, including regulations designed to minimize the risk of chemical incidents, injuries from lifting and operating machinery, and other similar role-related risks.

Employers are under a general requirement to introduce a management system work environment (Sw. *systematiskt arbetsmiljöarbete* and Nw. *systematisk arbeidsmiljøarbeid*). Such system includes certain requirements based on the provision in regulations from the relevant authorities. It includes, for example, requirements to introduce routines how to comply with the requirements on work environment and allocation of the tasks to reach such compliance.

Supervision and sanctions

In relation to compliance with environmental legislation and environmental permits, the County Administrative Board (Sw. *Länsstyrelsen*) is the Swedish authority responsible for the supervision of operations. In Norway, the supervision of such environmental compliance matters are carried out partly by the Environment Agency (Nw: *Miljødirektoratet*) and partly by the County Governor (Nw: *fylkesmannen*) and the local municipality.

In Sweden, each operation that requires an environmental permit for its activities, shall not later than 31 March each year submit an annual environmental report to the supervisory authority. The annual environmental report should include information regarding the operation's compliance with the stipulated permit conditions and the environmental legislation. A similar reporting scheme applies in Norway, however, such annual reporting normally shall take place no later than 1 March each year.

According to the Swedish Environmental Code and the Norwegian Pollution Control Act (with connected regulations), each operator must supervise its own operations by means of self-monitoring, for example by implementing routines on how to comply with the environmental legislation and permit conditions. In addition, environmental permits, in most cases, include a requirement to implement and comply with a control program, e.g. including intervals of certain sampling and similar. External inspections are also carried out both during, so called period inspections carried out by an environmental consultant and reported to the supervisory authority and by the supervisory authority itself. The regularities of inspections from the supervisory authority may vary.

If an operator fails to comply with the permit conditions, the supervisory authority may order the operator to comply and also include a conditional fine in such order. It may also be a criminal offence not to comply with a stipulated permit condition. A criminal offence may lead to a penalty for an individual or a company fine. In addition, non-compliance may have an impact on the consideration of whether a permit may be issued in the future if the operator applies for a new permit.

There are also other relevant supervisory authorities in relation to Nordic Paper's operation, for example in relation to handling of inflammable goods the municipal rescue department is responsible for the supervision. Another example is supervision in relation to the work environment which rests with respectively the Swedish Work Environment Authority (Sw. *arbetsmiljöverket*) in Sweden and the Norwegian Labour Inspection Authority (Nw. *Arbeidstilsynet*) in Norway.

Certain tax considerations in Sweden

Below is a summary of certain Swedish tax issues related to the Offering and the admission for trading of the shares in the Company on Nasdaq Stockholm for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended to provide general information only regarding the shares in the Company as from the admission for trading on Nasdaq Stockholm.

The summary does not cover:

- *situations where shares are held as current assets in business operations;*
- *situations where shares are held by a limited partnership or a partnership;*
- *situations where shares are held in an investment savings account (Sw. investeringssparkonto);*
- *the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends that may be applicable when the investor holds shares in the Company that are deemed to be held for business purposes (for tax purposes);*
- *the special rules which in certain cases may be applicable to shares in companies which are or have been so-called closely held companies (Sw. fåmansföretag) or to shares acquired by means of such shares;*
- *the special rules that may be applicable to private individuals who make or reverse a so-called investor deduction (Sw. investeraravdrag);*
- *foreign companies conducting business through a permanent establishment in Sweden; or*
- *foreign companies that have been Swedish companies.*

Further, special tax rules apply to certain categories of companies. The tax consequences for each individual shareholder depend to some extent on the holder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences that could arise from the Offering and the admission for trading of the shares in the Company on Nasdaq Stockholm, including the applicability and effect of foreign tax legislation (including regulations) and provisions in tax treaties for the avoidance of double taxation.

Private individuals

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains is taxed in the capital income category. The tax rate in the capital income category is 30 per cent.

Capital losses on listed shares may be fully offset against taxable capital gains the same year on shares, as well as on listed securities taxed as shares (however not mutual funds, (Sw. värdepappersfonder), or hedge funds, (Sw. specialfonder) or containing Swedish receivables only, (Sw. räntefonder)). Capital losses not absorbed by these set-off rules are deductible at 70 per cent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as national and municipal property tax. This tax reduction is 30 per cent of the net loss that does not exceed SEK 100,000 and 21 per cent of any remaining net loss. A net loss cannot be carried forward to future tax years.

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 per cent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Limited liability companies

For limited liability companies (Sw. aktieföretag) all income, including taxable capital gains and taxable dividends, is taxed as income from business operations at a rate of 21.4 per cent.

Deductible capital losses on shares may only offset taxable capital gains on shares and other securities taxed as shares. A net capital loss on shares that cannot be utilised during the year of the loss, may be carried forward (by the limited liability company that has suffered the loss) and offset taxable capital gains on shares and other securities taxed as shares in future years, without any limitation in time. If a capital loss cannot be deducted by the company that has suffered the loss, it may be deducted from another legal entity's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through so-called group contributions) and both companies request this for a tax year having the same filing date for each company (or, if one of the companies' accounting liability ceases, would have had the same filing date). Special tax rules may apply to certain categories of companies or certain legal persons, e.g. investment companies and life-insurance companies.

Shareholders with limited tax liability in Sweden

For shareholders not resident in Sweden for tax purposes that receive dividends on shares in a Swedish limited liability company, Swedish withholding tax is normally withheld.

The same withholding tax applies to certain other payments made by a Swedish limited liability company, such as payments as a result of redemption of shares and repurchase of shares through an offer directed to all shareholders or all holders of shares of a certain class. The tax rate is 30 per cent. The tax rate is, however, generally reduced through tax treaties for the avoidance of double taxation. In Sweden, withholding tax deductions are normally carried out by Euroclear Sweden or, in respect of nominee-registered shares, by the nominee.

Shareholders not resident in Sweden for tax purposes – which are not conducting business through a permanent establishment in Sweden – are normally not liable for capital gains taxation in Sweden upon disposals of shares. Shareholders may, however, be subject to taxation in their state of residence.

According to a special rule, private individuals not resident in Sweden for tax purposes are, however, subject to Swedish capital gains taxation upon disposals of shares in the Company, if they have been residents of Sweden or have had a habitual abode in Sweden at any time during the calendar year of disposal or the ten calendar years preceding the year of disposal. In a number of cases though, the applicability of this rule is limited by tax treaties for the avoidance of double taxation.

Certain tax considerations in the United States

General

The following discussion is a summary of certain U.S. federal income tax consequences relating to the acquisition, ownership and disposition of the shares. This summary does not purport to be a comprehensive description of all of the U.S. federal income tax considerations that may be relevant to a particular person's decision to acquire the shares. This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and U.S. Treasury regulations promulgated thereunder, as well as judicial and administrative interpretations thereof and the income tax treaty between the United States and Sweden (the "**Treaty**"), in each case as in effect as of the date of this Offering Circular. All of the foregoing authorities are subject to change, which change could apply retroactively and could affect the tax consequences described below, and there can be no assurance that the U.S. Internal Revenue Service (the "**IRS**") or U.S. courts will agree with the tax consequences described in this summary. The Company undertakes no obligation to publicly update or otherwise revise this summary whether as a result of new U.S. Treasury regulations, Code Sections, judicial and administrative interpretations or otherwise.

This summary applies only to U.S. Holders (as defined below) that purchase shares in this Offering and hold the shares as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not address any U.S. federal estate and gift tax, alternative minimum tax or Medicare tax on net investment income consequences, or any U.S. state or local or non-U.S. tax consequences. This summary also does not address the tax considerations that may be relevant to certain types of investors subject to special treatment under U.S. federal income tax laws, such as:

- banks and other financial institutions;
- insurance companies;
- regulated investment companies or real estate investment trusts;
- dealers or traders in securities or currencies that use a mark-to-market method of accounting;
- tax exempt organizations, retirement plans, individual retirement accounts and other tax deferred accounts;
- persons holding the shares as part of a straddle, hedging, conversion or integrated transaction for U.S. federal income tax purposes;

- U.S. expatriates;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- any entity or arrangement classified as partnership for U.S. federal income tax purposes or investors therein;
- persons who own or are deemed to own, directly or constructively, 10% or more of Company's stock (by vote or value);
- persons holding the shares in connection with a trade or business conducted outside the United States; or
- persons who do not qualify for the benefits of the Treaty.

The summary of U.S. federal income tax consequences set out below is for general information only. Prospective investors should consult their tax advisors regarding the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the acquisition, ownership and disposition of the shares.

As used in this discussion, the term "**U.S. Holder**" means a beneficial owner of the shares that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation (or other entity treated as a corporation) created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a court within the United States and the control of one or more U.S. persons for all substantial decisions of the trust or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds shares generally will depend on the status of the partner and the activities of the partnership. Partnerships considering an investment in the shares and partners in such partnerships should consult their tax advisors regarding the specific U.S. federal income tax consequences to them of the acquisition, ownership and disposition of the shares.

Dividends and other distributions

Subject to the passive foreign investment company (“PFIC”) rules discussed below, the gross amount of any distribution made by the Company to a U.S. Holder with respect to the shares (including the amount of any Swedish taxes withheld therefrom) generally will be included in such holder’s gross income as non-U.S. source dividend income in the year actually or constructively received, but only to the extent that the distribution is paid out of the Company’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles). As a non-U.S. company, the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles. Therefore, it is expected that any distributions generally will be reported to U.S. Holders as dividends. Any dividends that the Company pays will not be eligible for the dividends-received deduction allowed to certain corporate U.S. Holders.

With respect to certain non-corporate U.S. Holders, including individual U.S. Holders, dividends may be eligible to be taxed at favourable rates applicable to “qualified dividend income,” provided that (1) the Company is eligible for the benefits of a qualifying income tax treaty with the United States that includes an exchange of information program (such as the Treaty), (2) the Company is not a PFIC (as discussed below) with respect to the relevant U.S. Holder for either its taxable year in which the dividend is paid or the preceding taxable year and (3) certain minimum holding period and other requirements are met. The Company generally should be eligible for the benefits of the Treaty if the shares are considered “regularly traded” and “primarily traded” on Nasdaq Stockholm or if the Company is considered primarily managed and controlled in Sweden. U.S. Holders should consult their tax advisors regarding the availability of the favourable rate applicable to qualified dividend income for any dividends the Company pays with respect to the shares.

The amount of any distribution paid in SEK will be included in a U.S. Holder’s income in an amount equal to the U.S. dollar value of such SEK calculated by reference to the exchange rate in effect on the date the distribution is actually or constructively received by a U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars at that time. If the distribution is converted into U.S. dollars on the date of receipt, a U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the distribution. A U.S. Holder may have foreign currency gain or loss if the distribution is converted into, or exchanged for, U.S. dollars after the date of receipt.

Any dividends the Company pays to U.S. Holders generally will constitute non-U.S. source “passive category” income for U.S. foreign tax credit limitation purposes. If any Swedish taxes are withheld with respect to dividends paid to a U.S. Holder with respect to the shares, subject to certain conditions and limitations provided in the Code and the applicable Treasury Regulations (including a minimum holding period requirement), such taxes may be treated as

non-U.S. taxes eligible for credit against such U.S. Holder’s U.S. federal income tax liability (to the extent not exceeding the withholding rate applicable to the U.S. Holder). In lieu of claiming a foreign tax credit, U.S. Holders may, at their election, deduct non-U.S. taxes, including any Swedish taxes withheld from dividends on the shares, in computing their taxable income, subject to generally applicable limitations under U.S. federal income tax law. An election to deduct non-U.S. taxes instead of claiming foreign tax credits applies to all non-U.S. taxes paid or accrued in the taxable year. If a refund of the tax withheld is available under the laws of Sweden or under an applicable income tax treaty, the amount of tax withheld that is refundable will not be eligible for such credit against a U.S. Holder’s U.S. federal income tax liability (and will not be eligible for the deduction against U.S. federal taxable income). Under the Treaty, dividends paid by the Company to a U.S. Holder that is eligible for the benefits of the Treaty generally will be subject to Swedish withholding tax at a rate of 15%. If the dividends constitute qualified dividend income as discussed above, the amount of the dividend taken into account for purposes of calculating the U.S. foreign tax credit limitation generally will be limited to the gross amount of the dividend, multiplied by the reduced rate applicable to the qualified dividend income, divided by the highest rate of tax normally applicable to dividends.

The rules relating to the determination of the U.S. foreign tax credit and the deduction of non-U.S. taxes are complex, and U.S. Holders should consult their tax advisors to determine whether and to what extent a credit or deduction may be available in their particular circumstances.

Taxable disposition of shares

Subject to the PFIC rules discussed below, a U.S. Holder generally will recognize taxable gain or loss on any sale, exchange or other taxable disposition of a share in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the holder’s tax basis in the share. The gain or loss generally will be capital gain or loss, and generally will be a long-term capital gain or loss if the U.S. Holder has held the share for more than one year at the time of disposition. For certain non-corporate taxpayers (including individuals), long term capital gains are subject to tax at favourable rates. The deductibility of capital losses is subject to limitations.

If the consideration a U.S. Holder receives for a share is paid in a currency other than the U.S. dollar, the amount realized generally will be the U.S. dollar value of the amount received determined by reference to the spot rate of exchange on the date of the sale or other disposition. However, if the shares are traded on an “established securities market” (within the meaning of the applicable Treasury regulations) and the U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer that has made a special election (which must be applied consistently from

year to year and cannot be changed without the consent of the IRS), such holder will determine the U.S. dollar value of the amount realized in the foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognize exchange gain or loss to the extent attributable to the difference between the exchange rates on the trade date and the settlement date.

The U.S. Holder's tax basis in the shares generally will equal the cost of the shares to the U.S. Holder. If a U.S. Holder uses foreign currency to acquire shares, the cost of the shares to such holder generally will be the U.S. dollar value of the foreign currency purchase price determined by reference to the spot rate of exchange on the date of purchase. However, if the shares are treated as traded on an established securities market and the U.S. Holder is either a cash basis taxpayer or an accrual basis taxpayer that has made the special election described above, such holder will determine the U.S. dollar value of the cost of such shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase. Disposition of a share generally will result in U.S. source income or loss for foreign tax credit limitation purposes. U.S. Holders should consult their tax advisors regarding the proper treatment of any gain or loss in their particular circumstances, including the effects of any applicable income tax treaties.

Passive foreign investment company considerations

The Company believes that it was not classified as a PFIC for its most recent taxable year and that, based on the Company's current gross assets and income (including the income and assets of the Group) and the manner in which the Company expects the Group to operate its business in future years, it should not be classified as a PFIC for the Company's current taxable year or in the foreseeable future. In general, a non-U.S. corporation is a PFIC for any taxable year in which, taking into account a pro rata portion of the income and assets of 25% or more owned subsidiaries, either (1) at least 75% of its gross income consists of passive income or (2) at least 50% of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For this purpose, cash is considered a passive asset and passive income generally includes, among other things, dividends, rents, royalties and gains from the disposition of investment assets (subject to various exceptions) and other property that produces passive income. Whether the Company is classified as a PFIC for any taxable year is a factual determination made annually, and the Company's status could change depending upon, among other things, changes in the composition and relative value of its gross receipts and assets, which may be dependent on the market value of the shares, and the manner in which the Company otherwise conducts its business. Accordingly, no assurance can be

given that the Company will not be a PFIC in the current or any future taxable year.

If the Company were a PFIC for any taxable year during which a U.S. Holder owned shares, gain recognized by a U.S. Holder on a sale or other taxable disposition of shares, including certain pledges, generally would be allocated ratably over the U.S. Holder's holding period for the shares disposed. The amounts allocated to the taxable year of the sale or other taxable disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest marginal rate in effect for individuals or corporations for that year, as appropriate, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on its shares exceeds 125% of the average of the annual distributions on the shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, as described immediately above.

If, contrary to current expectations, the Company were a PFIC for U.S. federal income tax purposes, a mark-to-market election may be available to U.S. Holders with respect to shares that may mitigate some of the adverse tax consequences resulting from PFIC treatment. The Company does not intend to comply with the reporting requirements necessary to permit U.S. Holders to elect to treat the Company as a "qualified electing fund."

Each U.S. Holder is encouraged to consult its own tax advisor as to the Company's possible status as a PFIC and, if the Company were a PFIC, the consequences to them and whether a mark-to-market election is available or desirable in their particular circumstances.

Information reporting and backup withholding

Dividend payments with respect to the shares and proceeds from a sale, exchange, redemption or other taxable disposition of the shares made within the United States or through certain U.S. related financial intermediaries may be subject to information reporting to the IRS and possible U.S. backup withholding. Backup withholding will not apply, however, to a U.S. Holder that furnishes a correct taxpayer identification number and makes any other required certification on IRS Form W-9 or that is otherwise exempt from backup withholding. U.S. Holders of the shares should consult their tax advisors regarding the application of the U.S. information reporting and backup withholding rules.

Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against such U.S. Holder's U.S. federal income tax liability, and such holder may obtain a refund of any excess amounts withheld under the backup withholding rules by filing an appropriate claim for refund with the IRS and furnishing any required information in a timely manner.

Certain U.S. Holders may be required to comply with certain reporting requirements relating to the shares, including filing IRS Form 8938, with respect to the holding of certain foreign financial assets, including stock of foreign issuers (such as the Company), either directly or through certain foreign financial institutions, if the aggregate value of all such assets exceeds U.S. \$50,000 on the last day of the tax year or U.S. \$75,000 at any time during the tax year. U.S. Holders who fail to report the required information could be subject to substantial penalties. U.S. Holders should consult their own tax advisors regarding the application of these rules to their ownership of the shares.

The discussion above is a general summary; it is not a substitute for tax advice. It does not cover all U.S. federal income tax matters that may be important to a U.S. Holder. Prospective investors should consult their tax advisors regarding the application of the U.S. federal tax rules to their particular circumstances as well as the state, local, non-U.S. and other tax consequences to them of the acquisition, ownership and disposition of the shares.

Plan of distribution

The Company, Sutriv Holding and the Managers named below intend to enter into the Placing Agreement on or around 21 October 2020 with respect to the newly issued shares. Subject to certain conditions set forth in the Placing Agreement, Sutriv Holding agrees to divest approximately 51.0 per cent of the shares in the Company to the purchasers procured by the Managers or, failing which, to the Managers themselves, and each of the Managers, severally and not jointly, agrees to procure purchasers for, or failing such procurement, to purchase from the Sutriv Holding the percentage of the total number of newly issued shares opposite such Manager's name below. In addition, Sutriv Holding has reserved the right to increase the Offering by up to 15 per cent of the total number of shares in the Company.

	Percentage of Shares
ABG Sundal Collier AB	32%
Nordea Bank Abp, filial i Sverige	32%
CLSA (UK)	20%
DNB Markets, a part of DNB Bank ASA, Sweden Branch	16%
Total	100.0%

Under the Placing Agreement, the Company will, subject to customary qualifications, undertake to indemnify the Managers against certain claims under certain conditions. The Managers' commitment to indicate purchasers to or, if the Managers fail to do so, themselves acquire the shares comprised by the Offering is conditional upon, among other things, the representations and warranties that the Company and Sutriv Holding are correct.

Pursuant to the Placing Agreement, Sutriv Holding will grant the Managers an Overallotment Option, which is exercisable by the Stabilization Manager, on one or more occasions in whole or in part for a period of 30 days following the first day of trading in the shares on Nasdaq Stockholm, to procure purchasers for, or failing which, to purchase up to 15 per cent of the total number of shares comprised in the Offering at the Offering Price (less agreed commissions). The Overallotment Option may only be exercised in order to cover possible over-allotments within the framework of the Offering.

The shares have been admitted to trading on Nasdaq Stockholm, subject to certain customary conditions, and trading in the shares is expected to commence on or about 22 October 2020.

The shares are expected to be delivered to investors' accounts on or about 26 October 2020. The shares will be accepted for delivery to investors' securities accounts with

Euroclear Sweden, against payment in immediately available funds. All dealing in the shares prior to settlement will be for the account and at the sole risk of the parties involved.

In connection with the Offering, the Managers and any affiliates acting as investors for their own account may take up the shares and in that capacity may retain, purchase or sell the shares, for their own account and may offer or sell such securities otherwise than in connection with the Offering, in each case, in accordance with applicable law. The Managers do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The offering and sale of the shares (a) inside the United States will be made solely by ABG Sundal Collier AB, CLSA (UK) and DNB Markets, a part of DNB Bank ASA, Sweden Branch through their respective selling agents to QIBs in reliance on Rule 144A or pursuant to another available exemption from the registration requirements of the Securities Act, (b) outside the United States will be made in offshore transactions in compliance with Regulation S and (c) within Sweden in a public offering pursuant to a separate Swedish language prospectus. Any offer or sale of shares in reliance on Rule 144A or pursuant to another exemption from the registration requirements of the Securities Act will solely be made by broker dealers registered as such under the Exchange Act. The shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S and Rules 144A under the Securities Act.

No action has been or will be taken in any jurisdiction other than Sweden that would permit a public offering of the shares, or the possession, circulation or distribution of this Offering Circular or any other material relating to the Company or the shares in any jurisdiction where action for that purpose is required. Accordingly, the shares may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any other offering material or advertisement in connection with the shares may be distributed or published, in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

Sutriv Holding will pay the Managers a base commission calculated against the proceeds of the shares to be sold by them pursuant to the Offering, including any sale of additional shares sold by them pursuant to the Overallotment Option. In addition, Sutriv Holding may, in their sole discretion, pay to the Managers a further incentive fee amount

calculated against the gross proceeds of the Offering, including from any sale of additional shares pursuant to the Overallotment Option.

The Company estimates that the total expenses of the Offering payable by the Company will be approximately SEK 27 million.

Prior to the Offering, there has been no public market for the shares. The Offering price will be determined by the Company and Sutriv Holding, following consultation with the Joint Global Coordinators, on the basis of the following factors:

- the orders, in terms of price and quantity, received from potential institutional and retail investors;
- prevailing market conditions;
- the Company's historical, operational and financial performance;
- estimates of the Company's business potential and earning prospects; and
- the market valuation of publicly traded common stock of comparable companies.

The Offering Price is expected to be announced no later than on the first trading day. There can be no assurance that an active trading market will develop for the shares or that the shares will trade in the public market after the Offering at or above the Offering Price.

The Managers and their affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

Certain Managers and/or their respective affiliates from time to time have provided in the past and may enter into in the future investment banking, financial advisory and/or lending and commercial banking transactions with, and/or may perform other services for, the Company, Sutriv Holding and/or their respective affiliates in the ordinary course of business for which they have received or may receive customary fees, commissions and reimbursement of expenses. The Company and Sutriv Holding may engage mergers and acquisition advisors and other financial advisors to assist them. Certain of the Managers and their affiliates may be currently advising the Company, Sutriv Holding or other interested parties, and the Managers and their affiliates may advise the Company, Sutriv Holding or other interested parties from time to time on other transactions in the future. In addition, certain of the Managers or their affiliates are party to certain of the Company's hedging arrangements and other financing and/or debt arrangements and may hold other proprietary positions in the Company, its current or future subsidiaries and their affiliates and/or financial intermediaries and the financial instruments issued by any of them. All services provided by the Managers, including in connection with the Offering, have been provided as an independent contractor and not as a fiduciary to the Company or Sutriv Holding.

The distribution of this Offering Circular or any offering material and the offer, sale or delivery of the shares is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. See "*Transfer Restrictions.*"

The offer period for the public offering in Sweden commences on 13 October 2020 and closes on 20 October 2020 and the offer period for the institutional offering commences on 13 October 2020 and closes on 21 October 2020, unless otherwise communicated through a press release. If the Placing Agreement is terminated, any monies received in respect of the public offering in Sweden will be returned to applicants without interest. The Swedish Offering Circular contains more details on the terms and conditions for the public offering in Sweden.

In connection with the Offering, the Stabilising Manager, or any of their agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot shares or effect other transactions with a view to supporting the market price of the shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager are not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the first day of trading in the shares on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of their agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken.

Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the shares above the Offering Price. Except as required by law or regulation, neither the Stabilising Manager nor any of their agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Offering. No later than by the end of the seventh trading day after stabilisation transactions have been undertaken, the Managers shall disclose that stabilisation transactions have been undertaken in accordance with article 5(4) of MAR. Within one week of the end of the stabilisation period, the Stabilising Managers will make public whether or not stabilisation was undertaken, the date at which stabilisation started, the date at which stabilisation last occurred and the price range within which stabilisation was carried out, for each of the dates during which stabilisation transactions were carried out.

Lock-up Arrangements

Sutriv Holding, members of the board of directors and certain employees within the Group, including senior management, that acquire shares in connection with the Offering, will undertake, with certain exceptions, not to sell their respective holdings for a certain period after trading on Nasdaq Stockholm has commenced (the “**Lock-up period**”).

Sutriv Holding undertakes, with customary conditions, not to sell its shares during the lock-up period. The Company also undertakes, not to (i) issue, offer, pledge, sell, undertake to sell or otherwise transfer or divest, directly or indirectly, any shares in the Company or any other securities which are convertible to or can be exercised or exchanged for such shares, or (ii) purchase or sell options or other instruments or enter into swap agreements or other arrangements which wholly or partly assign financial risk associated with ownership of the Company to another party prior to 180 days at the earliest after the date when trading starts on Nasdaq Stockholm. The Joint Global Coordinators may, however, grant exemptions from these limitations.

The Lock-up period for Sutriv Holding will be 180 days, and the Lock-up period for the members of the board of directors and certain employees within the Group, including senior management, will be 360 days. At the end of the respective Lock-up periods, the shares may be offered for sale, which may affect the market price of the share. The Joint Global Coordinators may make exceptions from these undertakings. Any exception from the lock-up arrangements will be considered on a case-by-case basis and may be provided for on both personal and commercial reasons. Pursuant to the agreement, the Company will undertake, with certain exceptions, towards the Managers not to, e.g. resolve upon or propose to the general meeting an increase of the share capital through issuance of shares or other financial instruments for a period of 180 days from the first day of trading of the Company’s shares on Nasdaq Stockholm without a written consent from the Joint Global Coordinators.

United States

The shares in the Offering have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of the Offering Circular. Any representation to the contrary is a criminal offence in the United States.

The shares in the Offering have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States, and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements. In the United States, the shares will be sold only to persons reasonably believed to be QIBs as defined in and in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the

requirements of the Securities Act. Any offer or sale of the shares in the United States in reliance on Rule 144A will solely be made by one or more broker-dealers who are registered as such under the Exchange Act. Nordea will not participate in the solicitation, offer or sale of any shares within or directed into the United States and will not be involved in any activities relating to the shares within or directed into the United States. All offers and sales of shares outside the United States will be made in compliance with Regulation S under the Securities Act. Prospective purchasers are hereby notified that the sellers of the shares in the Offering may be relying on the exemption from the provisions of the Securities Act provided by Rule 144A.

In the United States, the Offering Circular is being furnished on a confidential basis solely for the purpose of enabling a prospective investor to consider purchasing the particular securities described herein. The information contained in the Offering Circular has been provided by the Company and other sources identified herein. Distribution of the Offering Circular to any person other than the offeree specified by the Managers or their representatives, and those persons, if any, retained to advise such offeree with respect thereto, is unauthorised, and any disclosure of its contents, without the Company’s prior written consent, is prohibited. Any reproduction or distribution of the Offering Circular in the United States, in whole or in part, and any disclosure of its contents to any other person is prohibited. The Offering Circular is personal to each offeree and does not constitute any offer to any other person or to the general public to acquire shares in the Offering.

United Kingdom

This Offering Circular is for distribution only to persons who: (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the “**Financial Promotion Order**”), (ii) are persons falling within Article 49(2)(a) to (d) (“high net worth companies, unincorporated associations etc.”) of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as “**relevant persons**”). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to and will be engaged in only with relevant persons. In connection with the Offering, the Managers are not acting for anyone other than the Company and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for providing advice in relation to the Offering.

European Economic Area and the United Kingdom

This Offering Circular has been prepared on the basis that any offer of shares in any Relevant State (with the exception of Sweden) will be made pursuant to an exemption under Prospectus Regulation from the requirement to publish a prospectus for offers of shares.

The shares are not intended to be offered or sold to and should not be offered or sold to any retail investor in the EEA or in the United Kingdom. For these purposes, a “retail investor” means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by the PRIIPs Regulation for offering or selling any in scope instrument or otherwise making such instruments available to retail investors in the EEA or in the United Kingdom has been prepared. Offering or selling shares or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

General

No action has been or will be taken in any country or jurisdiction other than Sweden that would, or is intended to, permit a public offering of the shares, or the possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required.

Persons into whose hands this Offering Circular comes are required by the Company, the Principal Owner and the Managers to comply with all applicable laws and regulations in each country or jurisdiction in or from which they purchase, offer, sell or deliver shares or have in their possession or distribute such offering material, in all cases at their own expense. None of the Company, the Principal Owner or the Managers accept any legal responsibility for any violation by any person, whether or not a prospective subscriber or purchaser of any of the shares, of any such restrictions.

Transfer restrictions

The newly issued shares have not been, and will not be, registered under the Securities Act or the applicable laws of any state or other jurisdiction of the United States and may not be offered, sold, pledged or transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws.

Investors outside of the United States

Each purchaser of the newly issued shares outside the United States in compliance with Regulation S will be deemed to have represented, acknowledged and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorised to consummate the purchase of the newly issued shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the shares have not been and will not be registered under the Securities Act, or with any securities regulatory authority of any state of the United States, and, subject to certain exceptions, may not be offered or sold within the United States;
- (3) the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the newly issued shares, was located outside the United States at the time the buy order for the newly issued shares was originated and continues to be located outside the United States and has not purchased the newly issued shares for the account or benefit of any person in the United States or entered into any arrangement for the transfer of the newly issued shares or any economic interest therein to any person in the United States;
- (4) the purchaser is not an affiliate of the Company or a person acting on behalf of such affiliate;
- (5) the newly issued shares have not been offered to it by means of any "directed selling efforts" as defined in Regulation S;
- (6) the purchaser acknowledges that the Company and the Principal Owner shall not recognise any offer, sale, pledge or other transfer of the newly issued shares made other than in compliance with the above-stated restrictions;
- (7) if it is acquiring any of the newly issued shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (8) the purchaser acknowledges that the Company, the Principal Owner, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Investors in the United States

Each purchaser of the newly issued shares within the United States purchasing pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act will be deemed to have represented, acknowledged and agreed that it has received a copy of this Offering Circular and such other information as it deems necessary to make an informed investment decision and that:

- (1) the purchaser is authorised to consummate the purchase of the newly issued shares in compliance with all applicable laws and regulations;
- (2) the purchaser acknowledges that the newly issued shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state of the United States and are subject to restrictions on transfer;
- (3) the purchaser (i) is a QIB, (ii) is aware that the sale to it is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, and (iii) is acquiring such newly issued shares for its own account or for the account of a QIB;

- (4) the purchaser is aware that the newly issued shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- (5) if in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such newly issued shares, or any economic interest therein, such newly issued shares or any economic interest therein may be offered, sold, pledged or otherwise transferred only:
 - (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in compliance with Regulation S, or (iii) in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- (6) the purchaser acknowledges that the newly issued shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any newly issued shares;
- (7) the purchaser will not deposit or cause to be deposited such newly issued shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such newly issued shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act;
- (8) the purchaser acknowledges that the Company and the Principal Owner shall not recognise any offer, sale, pledge or other transfer of the newly issued shares made other than in compliance with the above-stated restrictions;
- (9) if it is acquiring any of the newly issued shares as a fiduciary or agent for one or more accounts, the purchaser represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account; and
- (10) the purchaser acknowledges that the Company, the Principal Owner, the Managers and their respective affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreement.

Each person in Relevant Member State, other than persons receiving offers contemplated in the Swedish Offering Circular registered with the Swedish Financial Supervisory Authority, who receives any communication in respect of, or who acquires any shares under, the offers contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Managers, the Principal Owner and the Company that:

- (1) it is a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation; and
- (2) in the case of any shares acquired by it as a financial intermediary, as that term is used in Article 5(1) of the Prospectus Regulation: (i) the shares acquired by it in the offer have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors, as that term is defined in the Prospectus Regulation, or in other circumstances falling within Article 5(1) of the Prospectus Regulation and the prior consent of the Joint Global Coordinators has been given to the offer or resale; or (ii) where shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those shares to it is not treated under the Prospectus Regulation as having been made to such persons.

For the purposes of this provision, the expression an “offer” in relation to any of the shares in any Relevant Member States means the communication in any form and by any means of sufficient information on the terms of the Offering and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares.

Definitions

The terms defined below are used in the Offering Circular:

ABG	ABG Sundal Collier AB.
CITIC CLSA	CLSA (UK).
Code	The Swedish Code of Corporate Governance.
DNB	DNB Markets, a part of DNB Bank ASA, Sweden Branch.
EUR	Euro.
Euroclear Sweden	Euroclear Sweden AB.
Joint Bookrunners or Managers	ABG, Nordea, CITIC CLSA and DNB.
Joint Global Coordinators	ABG and Nordea.
Nasdaq Stockholm	The regulated market operated by Nasdaq Stockholm Aktiebolag.
Nordic Paper, the Company or the Group	Nordic Paper Holding AB (publ), the group in which Nordic Paper Holding AB (publ) is the parent company or a subsidiary of the group, as the context may require.
Nordea	Nordea Bank Abp, filial i Sverige.
Offering	The offer of shares as set out in the Offering Circular.
Offering Circular	This Offering Circular.
Offering Price	The final offering price which is expected to be determined within the range of SEK 40–52 per share.
Placing Agreement	The agreement regarding placing of shares described in section “ <i>Legal considerations and supplementary information – Placing agreement</i> ”.
Prospectus Regulation	European Union Regulation (EU) 2017/1129, as amended.
Principal Owner, Shanying International or Shanying	Shanying International Holding Co., Ltd.
Securities Act	The U.S. Securities Act of 1933, as amended.
SEK	Swedish krona.
Stabilization Manager	ABG.
Sutriv Holding	SUTRIV Holding AB.
USD	US Dollar.



Historical financial information

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Financial information for the period January – June 2020

Consolidated income statement in summary

SEK million	2020 Q2	2019 Q2	2020 Jan–Jun	2019 Jan–Jun	2019 Full year
Net sales*	766.8	821.0	1,593.5	1,702.1	3,231.0
Change in inventories	2.7	14.7	-5.4	7.1	-30.0
Other operating income	6.7	6.5	8.0	12.2	20.7
Raw materials and consumables	-307.6	-350.2	-646.9	-739.2	-1,368.1
Other external costs	-174.7	-161.3	-350.3	-313.1	-712.9
Personnel costs	-127.1	-126.1	-252.9	-241.9	-477.4
Depreciation and amortisation	-26.1	-24.6	-51.9	-48.8	-98.7
Other operating costs	-13.0	-11.2	-17.9	-16.8	-34.3
Operating profit	127.8	168.9	276.2	361.6	530.3
Financial income	0.0	0.2	3.1	3.1	3.0
Financial costs	-10.2	-2.3	-4.3	-5.3	-14.1
	-10.2	-2.1	-1.2	-2.2	-11.2
Profit before tax	117.6	166.8	275.0	359.4	519.1
Tax	-24.6	-36.5	-59.7	-78.5	-104.8
Profit for the period	93.0	130.3	215.3	280.9	414.3
Profit attributable to:					
Owners of the parent company	93.0	130.3	215.3	280.9	414.3
Net profit for the period	93.0	130.3	215.3	280.9	414.3
Basic and diluted earnings per share, SEK	1.39**	1.95**	3.22**	4.20**	6.19**

*Net sales consist in entirety of sales of goods.

**The amounts for all periods are recalculated for the 1,400:1 split of the Company's ordinary shares, which was resolved by the extraordinary general meeting held on 1 October 2020. For more information, see Note 16 and Note 38 under section "Historical financial information – Financial information for the 2017–2019 financial years – Notes".

Consolidated statement of comprehensive income in summary

SEK million	2020 Q2	2019 Q2	2020 Jan–Jun	2019 Jan–Jun	2019 Full year
Profit for the period	93.0	130.3	215.3	280.9	414.3
<i>Items that will be reclassified to profit or loss</i>					
Change in fair value of cash flow hedges	55.6	1.9	5.6	-5.1	11.0
Exchange differences on translation of foreign operations	0.0	1.5	-13.3	6.2	3.6
Tax attributable to items that have been or may be reclassified to profit or loss	-11.9	-0.4	-0.4	1.9	-1.9
<i>Items that will not be reclassified to profit or loss</i>					
Actuarial gains and losses on defined benefit plans	-	-	-	-	1.9
Other comprehensive income for the period	43.7	3.0	-8.1	3.1	14.1
Comprehensive income for the period	136.7	133.3	207.3	284.0	428.9
Comprehensive income attributable to:					
Parent company's shareholders	136.7	133.3	207.3	284.0	428.9

Consolidated balance sheet in summary

SEK million	2020 30 Jun	2019 30 Jun	2019 31 Dec
Goodwill	343.4	343.4	343.4
Other intangible assets	1.3	2.3	1.7
Buildings and land	60.7	73.1	68.1
Machinery and plant	495.5	495.0	497.8
Equipment, tools, fixtures and fittings	4.7	4.6	5.7
Right of use assets	15.1	15.4	12.5
Construction in progress	50.2	43.9	62.4
Deferred tax assets	7.7	3.8	6.5
Total non-current assets	978.6	981.5	998.2
Inventories	472.3	515.5	469.7
Accounts receivable	469.3	503.7	402.0
Income tax receivables	–	–	13.8
Other operating receivables	62.9	63.6	73.6
Derivatives	17.2	5.0	16.7
Prepaid expenses and accrued revenue	10.4	10.9	15.2
Cash and cash equivalents	324.4	138.2	247.2
Total current assets	1,356.5	1,236.9	1,238.1
Total assets	2,335.1	2,218.4	2,236.3
Share capital	19.1	19.1	19.1
Reserves	–20.6	–22.0	–12.7
Retained earnings including profit of the year	1,347.0	1,179.0	1,281.9
Total equity	1,345.5	1,176.1	1,288.3
Lease liabilities	9.3	8.5	6.6
Provisions for pension	0.3	12.9	2.4
Deferred tax liabilities	168.3	146.4	169.0
Other liabilities and provisions	25.5	9.9	21.9
Total non-current liabilities	203.4	177.7	199.9
Factoring credit-line	149.0	214.6	184.4
Liabilities to parent	150.0	83.3	41.0
Accounts payable	235.5	262.1	262.2
Liabilities to associated companies	0.6	4.9	2.5
Income tax liability	14.6	52.8	48.8
Lease liabilities	6.1	6.9	6.0
Derivatives	0.4	16.3	6.5
Other liabilities	13.0	11.1	14.3
Accrued expenses and deferred income	217.0	212.4	182.3
Total current liabilities	786.2	864.6	748.1
Total equity and liabilities	2,335.1	2,218.4	2,236.3

Consolidated statement of changes in equity in summary

SEK million	2020 30 Jun	2019 30 Jun	2019 31 Dec
Opening balance	1,288.3	892.1	892.1
Comprehensive income for the period	215.3	280.9	414.3
Other comprehensive income for the period	-8.1	3.1	14.1
Transactions with the parent			
– Group contribution	–	–	-32.2
– Dividend	-150.0	–	–
Closing balance	1,345.5	1,176.1	1,288.3
Equity attributable to:			
Owners of the parent company	1,345.5	1,176.1	1,288.3

Consolidated cash flow statements in summary

SEK million	2020 Q2	2019 Q2	2020 Jan–Jun	2019 Jan–Jun	2019 Full year
Operating activities					
Operating profit	127.8	168.9	276.1	361.6	530.3
Interest income	0.0	0.1	0.1	0.4	0.5
Interest cost	-1.9	-1.9	-3.1	-5.3	-11.7
Adjustments for non-cash items	14.4	20.0	50.3	47.5	120.7
Paid income tax	-15.1	-22.1	-79.6	-66.0	-89.5
Cash flow from operating activities before changes in working capital	125.2	165.0	243.8	338.2	550.3
Cash flow from changes in working capital					
Changes in inventories	-0.2	-25.4	-12.5	-40.1	2.7
Change in operating receivables	68.4	77.2	-60.3	-12.8	73.1
Change in operating liabilities	0.3	-28.6	19.5	-60.4	-175.4
Cash flow from operating activities	193.7	188.2	190.5	224.9	450.7
Investing activities					
Acquisitions of non-current tangible asset	-21.3	-22.8	-33.8	-31.9	-100.4
Cash flow from investing activities	-21.3	-22.8	-33.8	-31.9	-100.4
Financing activities					
Net change in factoring credit line	-74.0	-17.0	-35.4	11.9	-18.3
Net change of credit facility	0.0	-7.7	0.0	-65.3	-65.4
Group contribution paid out	-41.0	0.0	-41.0	0.0	-11.4
Payment related to amortisation of lease liabilities	-2.8	-2.0	-4.8	-4.0	-7.9
Cash flow from financing activities	-117.8	-26.7	-81.2	-57.4	-103.1
Cash flow for the period	54.6	138.7	75.5	135.6	247.2
Opening cash and cash equivalents	278.0	0.0	247.2	0.0	0.0
Currency translation in cash and cash equivalents	-8.4	-0.4	1.7	2.6	0.0
Closing cash and cash equivalents	324.2	138.3	324.4	138.2	247.2
Adjustments for non-cash items					
Depreciations	28.4	25.0	51.9	49.0	99.0
Currency translation effects	44.6	-0.4	7.0	-6.0	20.0
Derivatives, changes in fair value	-55.7	-2.0	-6.6	8.0	-13.0
Others	-2.9	-3.0	-2.0	-3.5	15.0
Total	14.4	19.6	50.3	47.5	121.0

NOTES

Accounting policies and general information

The Group's interim report has been prepared in accordance with IAS 34 Interim Financial Reporting. The accounting principles applied when preparing the interim report are the same for all periods and corresponds to the accounting principles and conditions presented in Note 2 in the historical financial information of the financial years 2017, 2018 and 2019, which is also an integrated part of this Prospectus.

The Board's approval of this document took place on 12 October 2020.

NOTE 1 Events during the six-month period, January-June 2020

At the annual general meeting held on 12 March 2020, Helene Willberg, Karin Eliasson and Arne Wallin were elected as new members of the board and Per Bjurbom, Ying Che and Stefan Lundin were re-elected as members of the board. At the annual general meeting held on 12 March 2020, it was also decided that SEK 150 million would be paid as dividend to Sutriv Holding.

In the end of May an unplanned stop occurred in Bäckhammar due to disturbances in the mill's process. Duration of the stop was about six days and included a negative effect on the profit of about SEK 20 million, mainly in terms of lost profit contribution, but also direct costs for measures. Any environmental or other external effects did not occur.

In June it was decided that after the year-end gather a large proportion of the central businesses in a new head office in Karlstad. The presence in the producing units will continue to be high, but by having a clearer common base, the collaboration and affinity will improve between the different units and resources and personnel can be utilised in a better and more efficient way.

NOTE 2 Events after the six-month period

At the extraordinary general meeting held on 20 August 2020, it was decided, among other things, to move the Company's registered office to Karlstad, make the company public and to introduce a CSD clause in the Articles of Association and thereby connect the company's shares to a CSD register kept by Euroclear Sweden AB.

In September 2020, the Company entered into a facilities agreement with DNB Bank ASA, DNB Bank ASA, Sweden Branch, DNB Sweden AB and Aktiebolaget Svensk Exportkredit for a total amount of SEK 1,800 million, which is intended to be Nordic Paper's main financing after the listing.

The annual maintenance stop at the Bäckhammar mill was carried out during the latter part of September 2020 under special safety measures taken by Nordic Paper due to Covid-19. The duration of the stop became somewhat longer than planned, and towards the end of the stop, it was identified that a maintenance activity originally planned for 2022 had to be carried out ahead of time in connection with this year's stop. The total negative impact on operating profit resulting from the stop and the extended maintenance activity has been estimated to approximately SEK 85–95 million, an SEK 25–35 million increase compared with the originally expected negative impact on operating profit of approximately SEK 60 million. Among the SEK 25–35 million increase, approximately SEK 17–22 million will

affect the third quarter and SEK 8–13 million will affect the fourth quarter. The increased negative impact on the operating profit is mainly related to reduced sales.

At the extraordinary general meeting held in October 2020, it was decided to split the Company's ordinary shares by 1,400:1, and to pay an additional dividend of SEK 800 million to Sutriv Holding. A total of SEK 950 million will thus be paid to Sutriv Holding before the listing.

NOTE 3 Risks and risk management

Nordic Paper is exposed to strategic, operative, financial and legal and regulatory risks that may significantly affect the company. Awareness of risks and mitigation of risks is a part of the daily activities and is reviewed and reported to the management, audit committee and to the Board.

The risks and associated risk management that have been considered when preparing this interim report apply to all periods and are in accordance with what is presented in the Risk Factors section of this Prospectus.

Risks related to Covid-19

Nordic Paper has so far not seen any significant effects from Covid-19 but there is an uncertainty for the longer run. A following economic downturn could lead to Nordic Paper's result being severely impacted. Transportation of goods continue to be permitted for most regions and the production of chemicals has been considered critical and permitted to continue in countries with lockdowns. Nordic Paper is following the situation closely and has taken measures to follow the authorities' advice and to minimize the exposure to infection. Contingency plans have been created and are regularly being updated.

NOTE 4 Seasonal effects

Nordic Paper's has to a certain extent seasonal variation during the financial year. The business is impacted primarily by planned production shutdowns in the individual units when maintenance activities are carried out. The operating profit is negatively impacted by mainly external costs, but also by somewhat lower deliveries. Normally the inventory levels are increased in the second quarter to be able to deliver to the customers during the production shutdowns. Estimated effect on operating profit in a quarter with a planned production shutdown is an estimated result effect in relation to a quarter without production shutdown.

	Estimated effect on operating profit, SEK million		Effects, quarter		
	Kraft Paper	Natural Greaseproof	2020 (Plan)	2019	2018
Bäckhammar	~60		3	4	3
Åmotfors	~10		3	3	3
Säffle		~25	3	3	3
Greåker		~10	3	3	3

Net sales in December is normally somewhat negatively affected as a consequence of lower access to transportations in connection to Christmas and New Year holiday. The effect is increased inventory levels at year-end and a postponing of sales to the first quarter the following year.

NOTE 5 Transactions with related parties

During the first half of the year, Nordic Paper acquired services to an amount of SEK 4 (4) million from the parent company Sutriv Holding and acquired energy to an amount of SEK 11 (18) million and sold services and consumables to Åmotfors Energi AB to an amount of SEK 4 (3) million. The transactions were conducted on market conditions.

NOTE 6 Operating segments

Operations are divided into segments based on the Group's internal monitoring and reporting to the CEO. The segments are Kraft Paper and Greaseproof Paper. The CEO uses EBITDA to monitor the Group's performance.

EBITDA (Earnings before financial income and costs, taxes, depreciation and amortisation)

Consists of operating profit plus depreciation and amortisation.

Quarterly data per segment

Net sales

SEK million	2020		2019				2020	
	Jan-Jun	Jan-Jun	Q1	Q2	Q3	Q4	Q1	Q2
Segment Kraft Paper	891.0	1,002.1	518.0	484.1	469.1	383.5	454.6	436.4
Segment Natural Greaseproof	722.7	719.3	374.4	344.9	329.8	363.1	380.7	342.0
Eliminations	-20.2	-19.3	-11.3	-8.0	-7.9	-8.7	-8.7	-11.5
Total Group	1,593.5	1,702.1	881.2	821.0	791.0	737.9	826.6	766.8

EBITDA

SEK million	2020		2019				2020	
	Jan-Jun	Jan-Jun	Q1	Q2	Q3	Q4	Q1	Q2
Segment Kraft Paper	203.3	336.0	177.9	158.1	147.8	20.2	110.6	92.7
Segment Natural Greaseproof	141.7	101.3	50.7	50.5	14.7	54.7	76.0	65.7
Parent company and not distributed items	-16.5	-30.9	-13.7	-17.2	-11.0	0.0	-59.4	42.9
Eliminations etc	-0.5	4.0	2.0	2.0	2.0	-9.9	46.8	-47.3
EBITDA total Group	328.1	410.4	216.9	193.5	153.5	65.0	174.1	154.0
Depreciation and amortisation	-51.9	-48.8	-24.2	-24.6	-24.4	-25.5	-25.8	-26.1
Operating profit	276.2	361.6	192.7	168.9	129.1	39.6	148.3	127.8
Financial income	3.1	3.1	3.0	0.0	5.0	-8.0	10.2	0.0
Financial costs	-4.3	-5.3	-3.0	-2.0	-4.0	-3.0	-1.2	-10.2
Profit before tax	275.0	359.4	192.6	166.8	130.4	29.3	157.3	117.6

EBITDA margin

%	2020		2019				2020	
	Jan-Jun	Jan-Jun	Q1	Q2	Q3	Q4	Q1	Q2
Segment Kraft Paper	22.8	33.5	34.3	32.7	31.5	5.3	24.3	21.2
Segment Natural Greaseproof	19.6	14.1	13.5	14.7	4.4	15.1	20.0	19.2
Group	20.6	24.1	24.6	23.6	19.4	8.8	21.1	20.1

Operating profit

SEK million	2020		2019				2020	
	Jan-Jun	Jan-Jun	Q1	Q2	Q3	Q4	Q1	Q2
Segment Kraft Paper	178.1	311.5	165.7	145.8	135.5	7.9	98.1	80.0
Segment Natural Greaseproof	123.4	84.5	42.5	42.0	6.3	45.4	66.8	56.6
Parent company and not distributed items	-16.5	-30.9	-13.7	-17.2	-11.0	0.0	-59.4	42.9
Eliminations etc	-8.8	-3.5	-1.7	-1.7	-1.7	-13.7	42.8	-51.7
Total Group	276.2	361.6	192.7	168.9	129.1	39.6	148.3	127.8

Operating margin

%	2020		2019				2020	
	Jan-Jun	Jan-Jun	Q1	Q2	Q3	Q4	Q1	Q2
Segment Kraft Paper	20.0	31.1	32.0	30.1	28.9	2.1	21.6	18.3
Segment Natural Greaseproof	17.1	11.7	11.3	12.2	1.9	12.5	17.5	16.5
Group	17.3	21.2	21.9	20.6	16.3	5.4	17.9	16.7

Sales volumes

ktonnes	2020		2019				2020	
	Jan-Jun	Jan-Jun	Q1	Q2	Q3	Q4	Q1	Q2
Segment Kraft Paper	106	107	55	52	54	44	54	52
Segment Natural Greaseproof	36	34	18	16	16	17	19	17
Total Group	142	141	73	68	69	61	73	69

Kraft Paper

The Kraft Paper segment, iamKraft®, covers the Group's companies in Bäckhammar and Åmotfors that produce and sell products within iamKraft®.

Greaseproof

The Greaseproof Paper segment covers the Group's units in Säfte and in Greåker, Norway, which produce papers suitable for food preparation and baking, among other things.

Net sales

Sales between segments take place on market terms. Revenues from external customers that are reported by the segments to Group Management are measured in the same way as in the consolidated income statement.

Note 7 Fair values of financial assets and liabilities

SEK million	2020 30 Jun		2019 30 Jun		2019 31 Dec	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
Financial assets valued at cost						
Accounts receivables	469.3	469.3	503.7	503.7	402.0	402.0
Other receivables	62.9	62.9	63.6	63.6	73.6	73.6
Cash at bank and on hand	324.4	324.4	138.2	138.2	247.2	247.2
Total	856.6	856.6	705.5	705.5	722.8	722.8
Financial liabilities valued at cost						
Factoring credit line	149.0	149.0	214.6	214.6	184.4	184.4
Lease liabilities	15.4	15.4	15.4	15.4	12.6	12.6
Liabilities to associated companies	0.6	0.6	4.9	4.9	2.5	2.5
Liabilities to parent company	150.0	150.0	83.3	83.3	41.0	41.0
Accounts payable	235.5	235.5	262.1	262.1	262.2	262.2
Other liabilities	230.0	230.0	223.5	223.5	196.6	196.6
Total	780.5	780.5	803.8	803.8	699.3	699.3
Derivatives used for hedging						
Current assets						
Cash flow hedges	17.2	17.2	5.0	5.0	16.7	16.7
Current liabilities						
Cash flow hedges	0.4	0.4	16.3	16.3	6.5	6.5

Calculation of fair value

Nordic Paper Group has derivatives that is valued at fair value according to level 2 in the fair-value hierarchy. Other financial instruments have short duration and fair value is assessed to be equivalent to disclosed value. For further information, please see Note 22 in the historical financial information of the financial years 2017, 2018 and 2019, which is also an integrated part of this Prospectus.

Note 8 Currency effects, financial income and costs

SEK million	2020 Q2	2019 Q2	2020 Jan-Jun	2019 Jan-Jun	2019 Full year
Other operating income					
Compensation for CO ₂ tax	0.0	1.9	1.5	3.9	5.8
Translation effect, net from revaluation of derivatives	3.5	–	–	–	–
Sale of surplus energy, bi-products etc	1.9	4.5	5.2	8.1	14.6
Others	1.3	0.1	1.4	0.2	0.3
Total	6.7	6.5	8.0	12.2	20.7
Other operating costs					
Fair value, losses from cash flow hedges	–	–14.1	–7.1	–26.8	–49.4
Translation effect net from revaluation of operating receivables and liabilities	–13.0	2.9	–10.7	10.0	15.1
Total	–13.0	–11.2	–17.9	–16.8	–34.3
Financial income					
Interest income	0.0	0.1	0.1	0.4	0.5
Foreign realised exchange rate profits	–	0.1	3.0	–	–
Foreign unrealised exchange rate profits	–	0.0	0.0	2.7	2.5
Total	0.0	0.2	3.1	3.1	3.0
Financial costs					
Interest costs	–1.9	–1.9	–3.0	–5.3	–11.7
Foreign unrealised exchange rate losses	–8.3	–0.5	–1.3	–	–2.5
Total	–10.2	–2.3	–4.3	–5.3	–14.1

Auditor's report



Auditor's report

Nordic Paper Holding AB reg. no. 556914-1913

Introduction

We have reviewed the condensed consolidated interim financial information (included on page F-2–F-8 in this document) of Nordic Paper Holding AB as of 30 June 2020 and the six-month period then ended. The board of directors and the CEO are responsible for the preparation and presentation of the condensed consolidated interim financial information in accordance with IAS 34. Our responsibility is to express a conclusion on the condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements ISRE 2410, Review of Interim Report Performed by the Independent Auditor of the Entity. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing, ISA, and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34, regarding the Group.

Stockholm, 12 October 2020

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

Financial information for the 2017–2019 financial years

Consolidated income statement

SEK thousand	Note	Full-year		
		2019	2018	2017
Net sales	5, 6	3,231,026	3,035,301	2,777,108
Other operating income	7	20,698	5,972	12,347
Change in inventories, work in progress and finished goods		-30,029	37,492	-13,230
Raw materials, energy and consumables used		-1,368,098	-1,373,252	-1,176,340
Other external expenses	8, 9	-712,948	-674,827	-627,842
Personnel expenses	10	-477,371	-471,209	-444,279
Depreciation and amortisation	8, 11	-98,662	-89,133	-90,252
Other operating expenses	12	-34,317	-49,993	-5,722
Operating profit		530,299	420,351	431,790
Financial income	13	2,960	44,182	15,632
Financial expenses	14	-14,139	-53,586	-40,751
		-11,179	-9,404	-25,119
Profit before tax		519,120	410,947	406,671
Tax on profit for the year	15	-104,813	-92,387	-91,326
Net profit for the year		414,307	318,560	315,345
Profit for the year attributable to:				
Equity holders of the parent		414,307	318,560	315,345
Earnings per share before dilution, SEK	16	6.19*	4.76*	4.71*
Earnings per share after dilution, SEK	16	6.19*	4.76*	4.71*

*The amounts for all periods are recalculated for the 1,400:1 split of the Company's ordinary shares, which was resolved by the extraordinary general meeting held on 1 October 2020. For more information, see Note 16 and Note 38 under section "Historical financial information – Financial information for the 2017–2019 financial years – Notes".

Consolidated statement of comprehensive income

SEK thousand	Note	Full-year		
		2019	2018	2017
Net profit for the year		414,307	318,560	315,345
Other comprehensive income				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Changes in fair value of cash flow hedges	27	10,984	8,606	388
Exchange differences on translation of foreign operations	27	3,584	-1,187	-8,453
Tax related to items that may be reclassified to profit or loss	15	-1,936	-1,893	-85
		12,632	5,526	-8,150
<i>Items that will not be reclassified subsequently to profit or loss</i>				
Remeasurement of defined benefit pension plans		1,926	-450	-46
Tax related to items that will not be reclassified to profit or loss	15	-424	99	9
		1,502	-351	-37
Other comprehensive income for the year		14,134	5,175	-8,187
Comprehensive income for the year		428,441	323,735	307,158
Comprehensive income for the year attributable to:				
Equity holders of the parent		428,441	323,735	307,158

Consolidated balance sheet

<i>SEK thousand</i>	Note	As at 31 December		
		2019	2018	2017
ASSETS	2			
Non-current assets	3			
Goodwill	17	343,359	343,359	343,359
Other intangible assets	18	1,744	2,900	2,726
Land and buildings	19	68,136	77,364	88,121
Plant and machinery	20	497,839	509,180	467,246
Equipment, tools, fixtures and fittings	21	5,715	4,863	4,837
Right-of-use assets	8	12,492	–	–
Construction in progress	21	62,443	29,674	60,319
Deferred tax assets	15	6,470	4,407	6,069
Total non-current assets		998,199	971,747	972,677
Current assets	3			
Inventories	24	469,652	468,723	403,596
Accounts receivable	3	401,984	464,272	395,881
Income tax receivable		13,801	15,979	11,676
Derivatives	4	16,654	8,533	7,403
Other receivables	25, 35	73,611	87,364	58,451
Prepaid expenses and accrued income	26	15,203	10,156	11,675
Cash and cash equivalents		247,199	3	88,605
Total current assets		1,238,104	1,055,030	977,287
TOTAL ASSETS		2,236,303	2,026,777	1,949,964
EQUITY AND LIABILITIES				
Equity	27			
Share capital		19,117	19,117	19,117
Reserves		–12,673	–25,305	–30,831
Retained earnings including net profit for the year		1,281,896	898,313	588,996
Equity attributable to equity holders of the parent		1,288,341	892,125	577,282
Non-current liabilities	3			
Liabilities to credit institutions	28, 32	–	–	412,973
Non-current lease liabilities	28	6,601	–	–
Obligations related to employee benefits	29	2,367	13,403	12,747
Deferred tax liabilities	15	168,987	152,956	147,340
Other provisions	23	21,901	9,945	8,870
Total non-current liabilities		199,856	176,304	581,930
Current liabilities	3			
Liabilities to credit institutions	28, 32	–	65,430	105,000
Factoring credit line	28, 32	184,354	202,651	186,423
Liabilities to Group companies	35	41,000	106,409	0
Accounts payable	22	262,244	282,336	252,505
Liabilities to associated companies	35	2,505	6,323	4,265
Current tax liabilities		48,839	49,089	38,468
Current lease liabilities	28	6,037	–	–
Derivatives	4	6,504	11,579	15,337
Other liabilities	30	14,330	8,782	15,146
Accrued expenses and deferred income	31	182,293	225,749	173,608
Total current liabilities		748,106	958,348	790,752
TOTAL EQUITY AND LIABILITIES		2,236,303	2,026,777	1,949,964

Consolidated statement of changes in equity

<i>SEK thousand</i>	Equity attributable to equity holders of the parent				
	Share capital	Reserves			Total
		Translation reserve	Hedging reserve	Retained earnings including net profit for the year	
Opening equity 1 Jan 2017	19,117	-16,190	-6,491	373,688	370,124
Net profit for the year				315,345	315,345
Other comprehensive income for the year		-8,453	303	-37	-8,187
Comprehensive income for the year		-8,453	303	315,308	307,158
Transactions with equity holders of the parent					
Group contributions					
Tax on Group contributions					
Adjustments to retained earnings					
Issue costs					
Dividend				-100,000	-100,000
Total transactions with owners	0	0	0	-100,000	-100,000
Closing equity 31 Dec 2017	19,117	-24,643	-6,188	588,996	577,282
Opening equity 1 Jan 2018	19,117	-24,643	-6,188	588,996	577,282
Net profit for the year				318,560	318,560
Other comprehensive income for the year		-1,187	6,713	-351	5,175
Comprehensive income for the year		-1,187	6,713	318,209	323,735
Transactions with equity holders of the parent					
Group contributions				-11,400	-11,400
Tax on Group contributions				2,508	2,508
Total transactions with owners	0	0	0	-8,892	-8,892
Closing equity 31 Dec 2018	19,117	-25,830	525	898,313	892,125
Opening equity 1 Jan 2019	19,117	-25,830	525	898,313	892,125
Net profit for the year				414,307	414,307
Other comprehensive income for the year		3,584	9,048	1,502	14,134
Comprehensive income for the year		3,584	9,048	415,809	428,441
Transactions with equity holders of the parent					
Group contributions				-41,000	-41,000
Tax on Group contributions				8,774	8,774
Total transactions with owners	0	0	0	-32,226	-32,226
Closing equity 31 Dec 2019	19,117	-22,246	9,573	1,281,896	1,288,341

See also Note 27.

Consolidated statement of cash flows

<i>SEK thousand</i>	Note	Full-year		
		2019	2018	2017
Operating activities				
Operating profit		530,299	420,351	431,790
Interest received		498	8,041	384
Interest paid		-11,663	-16,525	-28,118
Adjustment for non-cash items	36	120,735	87,437	95,872
Income tax paid		-89,535	-77,648	-67,019
Cash flow from operating activities before changes in working capital		550,334	421,656	432,909
Cash flow from changes in working capital				
Change in inventories		2,661	-62,973	9,311
Change in current receivables		73,089	-93,824	-58,063
Change in current liabilities		-175,425	73,029	11,813
Cash flow from operating activities		450,659	337,888	395,970
Investing activities				
Investments in intangible assets	18	-	-1,248	-1,050
Investments in property, plant and equipment	19,20,21	-100,369	-89,323	-80,661
Investments in financial assets		-	-198	-83
Cash flow from investing activities		-100,369	-90,769	-81,794
Financing activities				
Repayment of debt	36	-	-420,000	-301,066
Repayment of lease liabilities		-7,947	-	-4,417
Net change in factoring credit line		-18,298	16,228	9,012
Net change in overdraft facilities		-65,430	65,430	-
Group contributions paid		-11,400	-	-
Dividend paid		-	-	-100 000
Cash flow from financing activities		-103,075	-338,342	-396,471
Cash flow for the year		247,215	-91,223	-82,295
Cash and cash equivalents at beginning of year		3	88,605	168,409
Exchange rate differences in cash and cash equivalents		-19	2,621	2,491
Cash and cash equivalents at year-end		247,199	3	88,605

Notes

Note 1 General information

Nordic Paper Holding AB (organisation number: 556914-1913) is a Swedish-registered limited company domiciled in Bäckhammar. The postal address of the head office is Bäckhammars bruk, SE-681 83 Kristinehamn, Sweden. The business of Nordic Paper Holding AB is, directly or indirectly through subsidiaries and associated companies, to manage real estate and personal property and to perform Group-wide services.

The Group is active within the production and sale of kraft paper and greaseproof paper. In Bäckhammar, Kristinehamn and Säffle pulp and paper are produced; the plants at Åmotfors in Arvika Municipality and Greåker in Norway produce only paper.

The consolidated financial statements for 2019 cover the parent company Nordic Paper Holding AB and its subsidiaries Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB, Nordic Paper Seffle AB and Nordic Paper AS, together known as the Group. The Group also includes the owned share of associated companies. The presentation currency is SEK and figures are presented in thousands of SEK unless otherwise stated.

The board's approval of this document was made 12 October 2020.

Note 2 Significant accounting policies

The consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as adopted by the EU and the interpretations provided by the IFRS Interpretations Committee (IFRIC). The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, together with applicable statements (UFR), have also been applied. The accounting policies have been applied consistently to all years with the following exceptions:

- 1) IFRS 16 *Leases* is applied with effect from 1 January 2019
- 2) IAS 17 *Leases* was applied for financial years 2018 and 2017
- 3) IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* are applied with effect from 1 January 2018
- 4) IAS 39 *Financial Instruments: Recognition and Measurement* and IAS 18 *Revenue* were applied for financial year 2017

New and revised standards adopted by the Group

The following standards are being applied by the Group for the first time for the financial year beginning on 1 January 2019

IFRS 16 Leases

The Group changed its accounting policies upon the application of IFRS 16. In accordance with the transitional rules in IFRS 16, the Group has applied the simplified transition approach and therefore has not restated comparative figures. Information concerning the effect of transition to IFRS can be found in Note 37.

The following standards are being applied by the Group for the first time for the financial year beginning on 1 January 2018

IFRS 9 Financial instruments and IFRS Revenue from contracts with customers

IFRS 9 and IFRS 15 has been applied by the Group from 1 January 2018. No material transition effects occurred.

New and revised standards not yet adopted by the Group

A number of new standards and interpretations enter into force for financial years starting on or after 1 January 2020 and were not applied when preparing these financial statements. None of the published standards that have not yet entered into force are expected to have a material impact on the Group when applied.

Measurement principles

Assets and liabilities are recognised at historical cost, apart from certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives as well as plan assets associated with defined benefit pension plans.

Functional and presentation currency

The functional currency is the currency of the primary economic environments in which the entities operate. The parent company's functional currency is Swedish kronor, which is also the presentation currency for the parent company and for the Group. The financial statements are therefore presented in Swedish kronor (SEK). All amounts are rounded off to the nearest thousand kronor unless otherwise stated.

Segment reporting

An operating segment is a unit in the Group with operations from which revenue can be generated and costs incurred, and for which independent financial information is available. The operating segments have been identified based on the internal structure of the Group's business operations, the results of which are regularly monitored by the Group's chief operating decision-maker to evaluate performance and to be able to allocate resources. The CEO monitors the operations based on the two operating segments of Kraft Paper and Greaseproof Paper. The CEO uses EBITDA to monitor the Group's performance.

Presentation

Non-current assets and non-current liabilities essentially consist of amounts expected to be recovered or paid after 12 months have passed since the balance sheet date. Current assets and current liabilities essentially consist of amounts expected to be recovered or paid within 12 months of the balance sheet date.

Consolidated financial statements

The consolidated financial statements aim to provide financial statements for a group in which the assets, liabilities, equity, income, expenses and cash flows of the parent and its subsidiaries are presented as those of a single economic entity. Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between Group companies are eliminated. The accounting policies for subsidiaries have been amended where necessary to ensure consistent application of Group policies.

Subsidiaries

Subsidiaries are companies in which Nordic Paper Holding AB has a controlling interest. The Group has a controlling interest over a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its controlling interest in the company.

Business combinations are reported in the Group using the acquisition method. Subsidiaries are consolidated with effect from the date that control is transferred to the Group. They are deconsolidated on the date that control ceases. The purchase consideration

Note 2 Significant accounting policies, cont.

for the acquisition of a subsidiary comprises the fair value of assets transferred, liabilities that the Group assumes in regard to the previous owners, shares issued by the Group, assets or liabilities resulting from a contingent consideration arrangement and/or any previously held equity interest in the company acquired.

Under such a method, the acquisition of a subsidiary results in the Group indirectly acquiring the subsidiary's assets and assuming its liabilities. The acquisition analysis determines the fair value on the date of acquisition of acquired identifiable assets and assumed liabilities and of any non-controlling interest. Acquisition-related costs, with the exception of transaction fees relating to any equity instruments or debt instruments issued, are recognised directly in profit or loss for the year. In the case of business combinations where the transferred consideration exceeds the fair value of the assets acquired and liabilities assumed, the difference is recognised as goodwill. When the difference is negative – a so-called low-cost acquisition – this is recognised directly in profit for the year.

Currency translation

Foreign currency transactions

Transactions in foreign currency are translated to the functional currency at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the closing day. Exchange rate differences that arise on translation are recognised in profit for the year. Exchange gains and losses on operating receivables and operating liabilities are recognised net as Other operating income or as Other operating expenses, while exchange gains and losses on financial receivables and liabilities are recognised as Financial income and Financial expenses respectively.

Translation of foreign operations

Assets and liabilities in foreign operations, including goodwill and other group related surpluses and deficits, are translated from the foreign operation's functional currency to SEK, the Group's presentation currency, at the exchange rate in effect on the balance sheet date. Income and expenses in a foreign operation are translated to SEK at an average exchange rate that constitutes an approximation of the exchange rates that applied when the transactions occurred. Translation differences arising in currency translation of foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity, called the translation reserve. When foreign operations are divested, the accumulated translation differences attributable to the operation are realised, at which point they are reclassified from the translation reserve in equity to net profit for the year.

Revenue according to IAS 18, as applied to the 2017 financial year

The Group recognises revenue when the amount of the revenue can be reliably measured, when it is probable that future economic benefits will flow to the company and specific criteria are met for each of the Group's operations. Revenue is reported at the fair value of what has been received or what is expected to be received for goods and services sold in the Group's operating activities. Revenue is reported after deducting value-added tax, returns and discounts, and after eliminating intra-group sales.

Sales of goods

Revenue from the sale of goods is recognised when the significant risks and rewards associated with ownership of the goods have been transferred in accordance with the terms of sale.

Performance of services

Revenue from the performance of services is recognised in the period when the services are performed. Revenue attributable to future performance of services is recognised in the balance sheet as deferred income and is reported as revenue as the services are performed.

Revenue according to IFRS 15, as applied with effect from 1 January 2018

The Group manufactures and sells various types of paper goods. Sales are recognised as revenue when control over the goods transfers to the customer, which normally takes place in accordance with the shipping terms. Sales take place through agreements with a customer in which each delivery is seen as an individual commitment. The revenue from the sale is reported based on the price in the agreement. The consideration may be variable, in the form of discounts associated with the commitment. In the case of volume and cash discounts, the customer receives an agreed discount provided that purchases made over a set period, usually a year, reach a certain level in total. Price reductions are calculated and provision is made for these monthly, as an accrued liability, based on historical data (see Note 31). Variable consideration is recognised as a reduction in net sales. A receivable is recognised when the goods have been delivered, since this is the time at which the consideration becomes unconditional.

The Group offers no warranties in connection with the sales other than guaranteeing that the goods are of the agreed quality.

Credit periods for customers vary, the average being around 50 days. Credit periods never exceed a year, however, and therefore no material financing component is judged to exist at the time of sale.

The Group has certain expenses for obtaining customer agreements, such as commission paid to agents. The relief in IFRS 15 is applied to these, and consequently they are expensed as they arise.

Financial income and expenses

Interest income is recognised based on the effective interest method. The effective interest rate is the interest rate that discounts the estimated future in and out payments during a financial instrument's expected lifetime to the reported net value of the financial receivable or liability. The calculation includes all charges paid or received by the parties to the agreement that form part of the effective interest, transaction costs and all other premiums and discounts. Dividends received are reported when the right to receive a dividend has been established.

Interest expense for financial instruments is reported according to the effective interest method. Financial expenses consist of interest costs on borrowings, interest costs on leases and the effects of the reversal of provisions calculated at present value.

Financial income and expenses also include realised exchange gains and losses on currency exchange within cash and cash equivalents as well as the unrealised translation effect of the currency accounts included in cash and cash equivalents.

Taxes

Income tax expense for the period consists of current tax and deferred tax. Income taxes are recognised in net profit for the year, except when the underlying transaction is recognised in other comprehensive income or in equity, in which case the accompanying tax effect is also recognised in other comprehensive income or equity.

Income tax for the period is tax to be paid or received for the year in question applying the tax rates that have been enacted or substantively enacted as of the balance sheet date. Income tax for the period also includes adjustment of current tax that is attributable to earlier periods.

Note 2 Significant accounting policies, cont.

Deferred tax is calculated according to the balance sheet method, based on temporary differences arising between the carrying amount of assets and liabilities and their value for tax purposes. Temporary differences are not taken into consideration in Group goodwill. Temporary differences attributable to interests in subsidiaries and associates that are not expected to be reversed in the foreseeable future are also not taken into consideration, nor is deferred tax. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or paid. Deferred tax is calculated applying the tax rates and tax rules that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax assets relating to deductible temporary differences are only recognised to the extent that it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

Earnings per share

Earnings per share before dilution are calculated by dividing net profit attributable to the equity holders of the parent by the weighted average number of outstanding shares during the year.

Earnings per share after dilution are calculated by dividing net profit attributable to the equity holders of the parent, adjusted where applicable, by the sum of the weighted average number of ordinary shares and potential ordinary shares that may give rise to a dilution effect. However, the Group had no potential ordinary shares that might give rise to a dilution effect in either 2018 or 2019.

Financial instruments

The Group has applied IFRS 9 retrospectively but has chosen not to restate the comparative figures for the 2017 financial year. This means that the comparative figures presented for 2017 were reported in accordance with the earlier accounting policies. See below for differences between the policies.

Initial recognition

A financial asset or liability is recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Purchases and sales of financial assets and liabilities are recognised on the trade date; that is, the date the Group commits to purchasing or selling the asset.

At initial recognition financial instruments are measured at fair value plus, in the case of an asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commission. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the income statement.

Financial assets – classification and measurement according to IFRS 9 as applied with effect from 1 January 2018

The Group classifies and measures its financial assets in the categories at amortised cost and at fair value through profit or loss. Classification of investments in debt instruments depends on the Group's business model for management of financial assets and the contractual terms of the assets' cash flows.

Financial assets at amortised cost

Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses reported (see below under *Impairment of financial assets*). The Group's financial assets measured at amortised cost consist of accounts receivable, other receivables, accrued income, and cash and cash equivalents.

Financial assets at fair value through profit or loss

Assets that do not fulfil the conditions for measurement at amortised cost are measured at fair value through profit and loss. A profit or loss for a debt instrument measured at fair value through profit or loss and that is not included in a hedging relationship is recognised net in the income statement in the period in which the profit or loss arises. Any holdings of derivatives in the form of currency forwards that do not fulfil the criteria for hedge accounting are placed in this category. The Group had no derivatives classified in this category as at 2019-12-31, nor as at 2018-12-31. Accounting principle for derivatives for hedge accounting is described under the section "*Currency derivatives and hedge accounting*" below.

Financial assets – classification and measurement according to IAS 39 as applied to the 2017 financial year

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets unless the item has a settlement date more than 12 months after the closing date, in which case they are classified as non-current assets. The Group's "loans and receivables" consist of accounts receivable, other receivables, accrued income, and cash and cash equivalents.

Financial assets at fair value through profit or loss

Financial assets measured at fair value through profit or loss are recognised after the date of acquisition at fair value. Gains and losses resulting from changes in fair value are recognised in the statement of comprehensive income as other income and expenses. Any holdings of derivatives in the form of currency forwards and interest rate swaps that do not fulfil the criteria for hedge accounting are placed in this category. The Group had no derivatives classified in this category as at 2017-12-31. Accounting principle for derivatives for hedge accounting is described under the section "*Currency derivatives and hedge accounting*" below.

Financial liabilities – classification and measurement

The Group classifies and measures its financial liabilities in the categories at amortised cost and at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through the income statement are financial liabilities held for trading. Financial liabilities at fair value through profit or loss continue to be measured at fair value in subsequent periods, with the change in value recognised in the income statement. Any holdings of derivatives in the form of currency forwards that do not fulfil the criteria for hedge accounting are placed in this category. The Group had no derivatives classified in this category as at 2019-12-31, 2018-12-31 or 2017-12-31. Accounting principle for derivatives for hedge accounting is described under the section "*Currency derivatives and hedge accounting*" below.

Financial liabilities at amortised cost

After initial recognition, the Group's other financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities consist of current liabilities to credit institutions, factoring credit, liabilities to Group companies, liabilities to associates, accounts payable and a portion of other current liabilities.

Derecognition of financial assets and financial liabilities

Financial assets are derecognised in the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred substantially all the risks and rewards associated with ownership.

Financial liabilities are derecognised in the balance sheet when

Note 2 Significant accounting policies, cont.

the contractual obligation has been discharged or otherwise terminated. When the terms of a financial liability are renegotiated, and not derecognised in the balance sheet, a gain or loss is recognised in the income statement. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

Impairment of financial assets according to IFRS 9, as applied with effect from 1 January 2018

Assets measured at amortised cost

The Group assesses future expected credit losses associated with assets measured at amortised cost. The Group reports credit loss reserves for such expected credit losses at each reporting date. For accounts receivable the Group applies the simplified approach to credit loss reserves; in other words, the reserves will equal the expected losses over the lifetime of the receivable. To measure expected credit losses, accounts receivable were allocated to groups with similar credit risk characteristics and days past due. The Group makes use of forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated income statement on the line Other external expenses.

Impairment of financial assets according to IAS 39 for the comparative period before 1 January 2018

Loans and receivables

At the end of each reporting period the Group assesses whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence of impairment includes indications of significant financial difficulties on the part of a debtor or a group of debtors, missed or late payments of interest or principal, if it is likely that the debtor or group of debtors will be declared bankrupt or undergo financial restructuring, or there is observable data indicating that there is a measurable decrease in the estimated future cash flows such as changes in liabilities due for settlement or other economic circumstances that correlate to credit losses.

For the category loans and receivables the impairment loss is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is written down and the impairment loss is recognised in the consolidated statement of comprehensive income on the line Other external expenses.

Should the impairment loss reduce in a subsequent period and the decrease can be objectively attributed to an event that has occurred since the impairment loss was recognised (such as an improvement in the debtor's creditworthiness), a reversal of the previously applied impairment loss is recognised in the consolidated statement of comprehensive income.

Accounts receivable

Accounts receivable are amounts attributable to customers relating to goods sold in operating activities. Accounts receivable are classified as current assets. Accounts receivable are initially reported at the transaction price. The Group holds the accounts receivable for the purpose of collecting the contractual cash flows. On subsequent reporting dates accounts receivable are therefore measured at amortised cost using the effective interest method. The Group's accounting policies for impairment losses and calculation of expected credit losses are described in Note 3.

The carrying amount of the accounts receivable includes receiv-

ables covered by factoring agreements. In such agreements the Group transfers receivables to a factoring company in return for cash funds, and the receivables cannot therefore be sold or pledged. However, the Group retains the credit risk and the risk of late payment. The Group therefore continues to report the transferred assets in full in the balance sheet. The amount received through the factoring agreement is recognised as current borrowing against security.

Accounts payable

Accounts payable are obligations to pay for goods and services that have been acquired from suppliers as part of operating activities. The amounts are unsecured and are generally paid within 30 days. Accounts payable are classified as current liabilities if they fall due for payment within 12 months (or during a normal operating cycle if this is longer). If not, they are reported as non-current liabilities. The liabilities are initially recognised at fair value and thereafter at amortised cost using the effective interest method.

Borrowing

New borrowing is initially recognised at fair value, net after transaction costs. Thereafter borrowing is recognised at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit or loss and distributed across the loan term, applying the effective interest method.

Borrowing is classified under current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the closing date.

Currency derivatives and hedge accounting

Derivatives are reported in the balance sheet on the date of contract at fair value, both initially and at subsequent remeasurement at the close of each reporting period. The method used to report the gain or loss arising on remeasurement depends on whether the derivative was designated as a hedging instrument, and if so, the nature of the item hedged.

The Group designates certain derivatives as hedging of a particular risk attributable to a highly probable forecast cash flow transaction (cash flow hedging). When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's objective for the risk management and the risk management strategy relating to the hedge. The Group also documents its assessment, both when the hedge is entered into and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be effective as regards countering changes in the cash flows attributable to the hedged items.

Information concerning the fair value of various derivatives used for hedging purposes can be found in Note 4. Changes in the hedging reserves in equity are shown in Note 4. The entire fair value of a derivative that is a hedging instrument is classified as a non-current asset or non-current liability if the remaining term of the hedged item is more than 12 months, and as a current asset or current liability if the remaining term of the hedged item is less than 12 months. All derivative instruments were classified as current assets and current liabilities respectively as at 2019-12-31, 2018-12-31 and 2017-12-31 since the hedged transactions were expected to occur within 12 months.

Transaction exposure – cash flow hedging

Currency exposure relating to future contracted and forecast cash flows is hedged through forward currency contracts. The currency forwards that hedge the forecast cash flow are recognised in the balance sheet at fair value. The effective portion of changes in the fair value of the forward contract is recognised in other comprehensive income and accumulated in equity as long as the hedge is effective. The ineffective portion of the change in value is recog-

Note 2 Significant accounting policies, cont.

nised immediately in the income statement within Other operating income (gain) and Other operating expenses (loss) respectively. If the hedge is not effective or if the hedged forecast transaction is no longer expected to occur, accumulated gains or losses are recognised immediately in net profit for the year. The amount that was recognised in equity via other comprehensive income is reversed to net profit for the year in the same period as that in which the hedged item affects net profit for the year and is recognised on the line Other operating income or Other operating expenses. When a hedging instrument expires or is sold, terminated or exercised, or if the company fails to designate the hedging relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the reported accumulated gain or loss remains in the hedging reserve in equity and is recognised in the same way as above when the transaction occurs.

Ineffectiveness in hedge accounting

The effectiveness of a hedge is assessed when the hedging relationship is entered into. The hedged item and the hedging instrument are assessed continually to ensure that the relationship fulfils the requirements. When the Group hedges sales of foreign currency, hedging relationships are entered into in which critical conditions of the hedging instrument exactly match the terms of the hedged item. A qualitative assessment of the effectiveness of the relationship is thereby performed. When hedging sales of foreign currency, ineffectiveness can arise if the date of the forecast transaction changes from what was initially estimated. No ineffectiveness has been recognised in the income statements for 2019, 2018 or 2017.

Property, plant and equipment

Property, plant and equipment are recognised within the Group at cost minus accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the manner intended when it was purchased.

The carrying amount of an asset is derecognised in the balance sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising from divestment or disposal of an asset consist of differences between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported as other operating income/expenses.

Further expenditures

Further expenditures are added to cost only if it is probable that the Group will enjoy future economic benefits associated with the asset and the cost can be reliably estimated. All other further expenditures are expensed in the period when they arise. Repairs are expensed as incurred.

Depreciation policies

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives are:

– Buildings	20–50 years
– Land improvements	20 years
– Plant and machinery	5–20 years
– Equipment, tools, fixtures and fittings	5–10 years

Depreciation methods used, residual values and useful lives are reviewed annually.

Intangible assets

Goodwill

Represents the difference between the cost of business combinations and the fair value of the acquired assets and the liabilities and contingent liabilities assumed. Goodwill is carried at cost less any accumulated impairment losses, and is allocated to cash-generating units and tested at least annually for impairment or if there is any indication of impairment.

Other intangible assets

Other intangible assets acquired by the Group consist of software and trademarks, and are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation policies

Amortisation is charged to profit for the year on a straight-line basis over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill and other intangible assets with an indefinite useful life or which are not yet ready for use are tested for impairment annually, and also as soon as there is any indication that the value of the asset has decreased. Intangible assets with a definite useful life are amortised from the date on which they are available for use.

The estimated useful life is:

– Software	5 years
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Useful life is reviewed annually.

Impairment testing

A number of significant assumptions and judgments must be made in goodwill impairment testing, in order to calculate the cash-generating unit's value in use. These assumptions and judgments relate to the expected future discounted cash flows. Forecasts of future cash flows are based on the best estimates of future incomes and operating expenses, based on historical development, general market conditions, developments and forecasts for the industry as well as other available information. The assumptions are developed by the Management and reviewed by the Board. For further information on goodwill impairment testing see Note 17.

Assets that are depreciated/amortised are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs or its value in use. For impairment testing, assets are grouped at the lowest levels at which there are essentially independent cash flows (cash-generating units). Assets (other than goodwill) that have previously been written down are tested on each closing day to determine whether a reversal should be made.

Leases

Accounting policy from 1 January 2019

The Group's leases largely relate to cars and work vehicles. The leases are generally signed for fixed periods of three to six years but may have an option for an extension, as described below. The terms are negotiated separately for each agreement and contain a number of different contractual terms.

Agreements may include both lease and non-lease components. The Group allocates the consideration in the agreement to lease and non-lease components based on their relative standalone prices. In the case of property leases where the Group is the lessee (tenant), however, the Group has chosen not to separate lease and non-lease components and instead reports these as a single lease component.

Note 2 Significant accounting policies, cont.

The leases are recognised as a right-of-use asset and a corresponding liability is recognised on the date that the leased asset is available for use by the Group. The lease payments are each allocated between repayment of the liability and financial expense (interest). The financial expense is to be allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life or the term of the lease.

Assets and liabilities arising from leases are recognised initially at present value. Lease liabilities include the present value of fixed payments and/or index- or interest-linked variable lease payments. The lease payments are discounted at the average incremental borrowing rate.

Right-of-use assets are measured at cost and include the initial assessment of the lease liability and payments made on or before the date on which the leased asset was made available. The Group recognises a right-of-use asset on the balance sheet as well as a lease liability at the present value of future lease payments. In the cash flow statement the main payment attributable to leases is recognised within financing activities as repayment of lease liabilities. The interest portion is presented in operating activities and is included on the line for interest paid.

In the case of leases where the underlying asset is of low value and short-term leases with a term of 12 months or less the practical exemption in IFRS 16 is applied whereby lease payments are expensed on a straight-line basis over the term of the lease in the income statement and no right-of-use asset or lease liability is recognised on the balance sheet.

Options to extend and terminate leases

Options to extend and terminate leases are included in the asset and the liability where it is reasonably certain that the option will be exercised. In the case of options to extend leases for office premises and vehicles, the majority have not been included in lease liabilities since the Group can replace the assets without significant cost to or interruption of the business.

The lease term is reviewed if an option is exercised (or not exercised) or if the Group is forced to exercise the option (or not to exercise it). The assessment of whether this is reasonably certain is reviewed only if a significant event or change in circumstances occurs that affects this assessment and the change is within the lessee's control.

Accounting policy prior to 1 January 2019

The Group was the lessee in all its leases and all were classified as operating leases.

Operating leases are where the lessor retains substantially all the risks and rewards of ownership (premises, office equipment and cars). Payments during the lease period (after deducting any incentives provided by the lessor) were charged to the income statement on a straight-line basis over the lease term.

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost is calculated according to the first-in, first-out principle and includes expenditures arising from the acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods and work in progress, cost includes a reasonable share of indirect costs based on normal capacity.

Impairment testing

Measurement of the inventory at cost is monitored regularly and any obsolescence is assessed on the basis of relevance, usability and age.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash at hand and bank balances.

Employee benefits

Short-term benefits

Short-term benefits to employees are calculated without discounting and expensed when the related services are performed. Short-term benefits relate to, among other things, reduced working hours or holiday compensation and are expected to be settled within the coming 12-month period.

Pensions

The Group has both defined contribution and defined benefit pension plans. Defined contribution pension plans are those where the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient resources to pay all the benefits to employees that are related to their service in the current or previous periods. The Group therefore has no further risk. The Group's obligations for defined contribution plans are expensed in net profit for the year as they are earned by the employees performing services for the Group over a given period.

A proportion of the pension plans in Sweden are financed by paying insurance premiums to Alecta. This arrangement represents a multi-employer defined benefit plan. Alecta is not currently able to provide the information required in order to recognise the plan as a defined benefit plan and consequently this plan is presented as a defined contribution plan in accordance with UFR 10.

The Group's net commitment in respect of defined benefit plans is calculated separately for each plan by estimating the future benefit that employees have earned through their employment over both the current and previous periods; this payment is discounted to a present value. The discount rate is the interest rate on the balance sheet date for a first-class corporate bond with a term corresponding to the Group's pension obligations. When there is no active market for such corporate bonds, the market interest rate on government bonds with an equivalent term is used instead. For Swedish plans, the interest rate for mortgage bonds is used. The calculation is carried out by a qualified actuary using what is known as the Projected Unit Credit Method.

Where the actual result deviates from earlier calculation assumptions, or where the assumptions change, what are known as actuarial gains and losses arise. These are recognised as income or expense in other comprehensive income. Remeasurements presented in other comprehensive income are not reclassified to profit or loss. Other than actuarial gains and losses, remeasurements consist of the difference between the actual return and estimated return on any plan assets.

Those items attributable to the earning of defined benefit pensions, gains and losses arising on settlement of a pension liability and net financing relating to the defined benefit plan are all recognised in net profit for the year.

Termination benefits

A cost for benefits in connection with termination of employment is reported only if the company is demonstrably obliged under a formal detailed plan to terminate employment before the normal time, with no realistic possibility of withdrawal. When benefits are offered to encourage voluntary redundancies, an expense is recognised if it is likely that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Equity

Equity in the Group consists of share capital, reserves (including exchange differences on translation of foreign operations and changes in the fair value of cash flow hedges) and retained earnings including net profit for the year.

Note 2 Significant accounting policies, cont.

In the 2019 consolidated financial statements a group contribution paid to the equity holders of the parent is presented in equity as a transaction with owners. The comparative information for 2018 has been adjusted accordingly since group contributions paid in 2018 were presented through profit or loss. The background to this is that under IFRS, group contributions are to be seen as a transaction with owners that is to be presented in equity.

Dividends

Any dividend to the equity holders of the parent is recognised as a liability in the consolidated financial statements in the period when the dividend was approved.

Provisions

A provision differs from other liabilities because of prevailing uncertainty about the payment date or the amount required to settle the provision. A provision is recognised in the balance sheet when there is an existing legal or constructive obligation due to a past event and it is probable that an outflow of financial resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are made at the amount which is the best estimate of the expenditure required to settle the present obligation on the balance sheet date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow.

Contingent liabilities

A contingent liability is recognised where there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is a commitment that is not reported as a liability or provision because it is unlikely that an outflow of resources will be required.

Note 3 Accounting estimates

Preparing the financial reports in compliance with IFRS requires management to make accounting estimates that affect the application of the accounting policies and the recognised amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Accounting estimates are reviewed regularly. Changes to estimates are reported in the period in which the change is made if the change has only affected this period, or in the period in which the change is made and future periods if the change affects both the current period and future periods.

Goodwill impairment testing

Each year the Group performs goodwill impairment testing in accordance with the accounting policy described in Note 2. The recoverable amount for the cash-generating unit is established by calculating value in use. These calculations require certain estimates to be made (see Note 17).

Note 4 Financial risk

Through its business, the Group is exposed to many different financial risks relating to accounts receivable, accounts payable, loans and derivatives: market risk (mainly comprising interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk. The Group endeavours to minimise potential unfavourable effects on the Group's earnings. The Group's financing activities aim to ensure that the Group is able to fulfil its payment commitments, manage financial risk, secure access to financing and optimise the Group's net financing.

Financial and risk management are taken care of by the finance department in accordance with principles approved by the Board, in order to benefit from economies of scale and synergies and to minimise management risk. The finance department is responsible for the Group's borrowing and for its management of foreign currency risk and interest rate risk, and also serves as treasury unit for the Group companies' financial transactions.

The finance department identifies, assesses and hedges financial risk. The Board prepares written principles both for general risk management and for specific areas such as currency and credit risk and the use of derivatives. The Group uses derivatives to hedge certain risk exposure. Where all the criteria for hedge accounting are fulfilled, hedge accounting is applied to eliminate the effect of accounting differences between the hedging instrument and the hedged item.

Derivatives

The Group has the following derivative instruments recognised on the following lines of the balance sheet:

	2019-12-31	2018-12-31	2017-12-31
Current liabilities			
Forward currency contracts – cash flow hedges	6,504	11,579	15,337
Current receivables			
Forward currency contracts – cash flow hedges	16,654	8,533	7,403
Total	10,150	-3,046	-7,934

Change in hedging reserves

	Change in cash flow reserves
Balance at 1 Jan 2017	-6,491
Change in fair value of hedging instruments	389
Deferred tax	-85
Balance at 31 Dec 2017	-6,188
Change in fair value of hedging instruments	8,606
Deferred tax	-1,893
Balance at 31 Dec 2018	525
Change in fair value of hedging instruments	10,984
Deferred tax	-1,936
Balans per 31 dec 2019	9,573

Note 4 Financial risk, cont.

Impact of hedge accounting on the Group's financial position and earnings

The effects of hedge accounting of the impact of currency risk on the Group's financial position and earnings are shown below:

Derivatives – currency forwards	2019	2018	2017
Carrying amount (current liability)	6,504	11,579	7,403
Nominal value, USD	6,875	9,000	19,940
Nominal value, EUR	12,500	21,300	13,700
Nominal value, GBP	8,295	2,465	4,110
Maturity date	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
Hedge ratio	1:1	1:1	1:1
Change in value of hedging instrument (forward currency contract)	-6,504	-11,579	-7,403
Change in value of hedged item to determine ineffectiveness	6,504	11,579	7,403
Weighted average for outstanding hedging instruments in USD (including forward points)	9.06	8.06	8.41
Weighted average for outstanding hedging instruments in EUR (including forward points)	10.41	10.09	9.91
Weighted average for outstanding hedging instruments in GBP (including forward points)	11.81	11.21	11.17

Derivatives – currency forwards	2019	2018	2017
Carrying amount (current receivable)	16,654	8,533	15,337
Nominal value, USD	11,875	9,750	5,000
Nominal value, EUR	64,375	53,700	54,150
Nominal value, GBP	3,555	9,385	5,550
Maturity date	Jan-Dec 2020	Jan-Dec 2019	Jan-Dec 2018
Hedge ratio	1:1	1:1	1:1
Change in value of hedging instrument (forward currency contract)	16,654	8,533	15,337
Change in value of hedged item to determine ineffectiveness	-16,654	-8,533	-15,337
Weighted average for outstanding hedging instruments in USD (including forward points)	9.45	8.89	7.98
Weighted average for outstanding hedging instruments in EUR (including forward points)	10.63	10.37	9.61
Weighted average for outstanding hedging instruments in GBP (including forward points)	12.37	11.58	10.68

Credit risk

Credit risk arises through holdings of cash and cash equivalents, favourable and customer credit exposure, including outstanding receivables. Credit risk is the risk that the Group's counterparty in a financial instrument is unable to fulfil its obligations, thereby causing the Group a financial loss. The Group has no significant concentrations of credit risk.

(i) Risk management

Credit risk is managed at Group level. Only banks and credit institutions with a minimum rating of A+ from an independent rating agency are accepted. Counterparties in derivative contracts and cash transactions are restricted to financial institutions with high creditworthiness. For financial credit risk the Group has entered into netting agreements with the banks that limit credit exposure in the derivatives. The credit quality of the derivative assets is assessed by reference to external credit ratings (S&P).

Derivative instruments	2019-12-31	2018-12-31	2017-12-31
AA-	100%	100%	100%
	100%	100%	100%
Cash and cash equivalents	2019-12-31	2018-12-31	2017-12-31
A+	0%	0%	100%
AA-	100%	100%	0%
	100%	100%	100%

The Group has established guidelines to ensure that products are sold to customers with a suitable credit background, taking into consideration the customer's financial position, historical experience and other factors. To minimise the risk in exposure to customers, customer credit insurance is used as far as possible. Where it is not possible to insure the customer or in the case of trade with specific regions, a Letter of Credit (LC) or advance payment are required. The average credit period for accounts receivable is around 50 days.

(ii) Security

Customers are credit-insured on an ongoing basis and only a small proportion of accounts receivable relate to customers for which there is currently no credit insurance. In the case of accounts receivable for which no credit insurance is in place, Letters of Credit (LC) are widely used to secure payment. Around 90% (2018: around 90%, 2017: 90%) of total accounts receivable are secured (through credit insurance or LC).

(iii) Impairment of financial assets

The Group's accounts receivable are within the scope of the model for expected credit losses. Cash and cash equivalents are also within the scope of impairment according to IFRS 9, but the impairment that might arise has been assessed to be immaterial.

Accounts receivable

The Group applies a simplified approach to calculating expected credit losses. This approach involves expected losses throughout the term of the receivable being used as a starting point for accounts receivable. The calculation also includes Receivables at factoring companies, reported under Other receivables.

To calculate expected credit losses, accounts receivable have been grouped based on credit risk characteristics and number of days past due. The expected credit loss levels are based on the customers' payment history for a period of 24 months prior to 31 December 2019 and 1 January 2019 respectively, along with the loss history for the same period. Historical losses are then adjusted to take account of current and forward-looking information on market factors that could affect the customers' ability to pay the receivables.

The change in loss reserves during the financial year is specified below:

	Accounts receivable		
	2019	2018	2017*
At 1 January	3,580	1,399	859
Increase in loss reserves, change recognised in the income statement	3,991	2,327	580
Reversal of earlier allocations to reserves	0	-146	-40
As at 31 December	7,571	3,580	1,399

*Calculation of expected credit losses according to IFRS 9 has been applied with effect from 1 January 2018, while reserves for doubtful receivables were calculated according to IAS 39 for the comparative period. Since the effect of transition to IFRS 9 was not significant for credit loss reserves, no adjustments were made to the opening balance.

Accounts receivable are written off when there is no reasonable expectation of repayment. Indicators that there is no reasonable expectation of repayment include failure of debt collection processes or the debtor having been declared bankrupt. Credit losses on accounts receivable are recognised as credit losses – net within Other external expenses. Amounts previously written off are reversed by crediting the same line in the income statement.

Transaction exposure

	2019-12-31				2018-12-31			2017-12-31		
	USD	EUR	GBP	NOK	USD	EUR	GBP	USD	EUR	GBP
Accounts receivable	73,636	229,829	26,195		98,779	297,738	26,501	85,613	128,423	8,860
Accounts payable	-56,173	-52,564	-224		-67,864	-57,509	-2	-77,734	-83,256	-67
Currency forwards										
Sales of foreign currency (cash flow hedges): outflow (currency above)	18,750	76,875	11,850	19,288	18,750	75,000	11,850	24,940	67,850	9,660
Sales of foreign currency (cash flow hedges): inflow (SEK)	174,696	782,520	144,742	20,405	168,206	770,648	134,476	207,689	656,055	105,205

Instruments used by the Group

The currency exposure in the Group relates primarily to the euro (EUR), British pound (GBP) and US dollar (USD) and arises through future business transactions and when reported assets and liabilities are expressed in a currency that is not the unit's functional currency. The Group uses currency derivatives to hedge part of the net exposure to currency risk arising in the subsidiaries. Under the Group's financial policy, the net exposure in EUR, GBP and USD is to be hedged using currency derivatives at the following levels: for the forthcoming six months' calculated net exposure, between 50% and 75% is to be hedged; for the subsequent six months' net exposure, between 25% and 50% is to be hedged. The Group uses currency forwards to manage its exposure to exchange rate risk.

As shown in this section, the Group is mainly exposed to changes in the USD/SEK, EUR/SEK and GBP/SEK exchange rates. The rate sensitivity is mainly due to financial instruments denominated in these currencies and the impact on items in equity arises when forward currency contracts are included in cash flow hedges.

	Impact on profit after tax		
	2019	2018	2017
USD/SEK exchange rates – +/- 5% (2018 +/- 5%, 2017 +/- 5%)	10,514	10,518	12,347
EUR/SEK exchange rates – +/- 5% (2018 +/- 5%, 2017 +/- 5%)	45,940	46,818	37,041
GBP/SEK exchange rates – +/- 5% (2018 +/- 5%, 2017 +/- 5%)	9,164	8,171	6,715

The revised version of IFRS 7 Financial Instruments: Disclosures was applied to the current year, but the earlier version of IFRS 7 was applied in the comparative periods. The disclosures below relate only to the comparative period (2017).

As at 31 December 2017 accounts receivable amounting to SEK 75.5 million were past due, but there was considered to be no need for write-offs. The past due receivables relate to a number of customers who have not previously had payment difficulties. Of these receivables, SEK 66 million were no more than 30 days past due, SEK 5.9 million were no more than 60 days past due and SEK 3.6 million were more than 60 days past due.

Market risk

(i) Currency risk

The Group operates internationally and is exposed to currency risk that arises from various kinds of currency exposure, particularly as regards US dollars (USD), British pounds (GBP), euros (EUR) and Norwegian kroner (NOK). Currency risk arises from the payment flows in foreign currency, known as transaction exposure, and from the translation of balance sheet items in foreign currency, which mainly covers transactions in the currencies USD, EUR and GBP. Currency risk also arises in the translation of foreign subsidiaries' income statements and balance sheets to the Group's presentation currency of Swedish kronor (SEK), known as translation exposure; the Group having a significant Norwegian subsidiary.

The Group's exposure to other exchange rate changes is not significant as regards transaction exposure.

Translation exposure

The Group also has translation exposure that arises on the translation of foreign subsidiaries' earnings and net assets to SEK. The main translation exposure is in respect of Norwegian kroner (NOK), where the exposure on the balance sheet date amounts to SEK 123,631 thousand (2018-12-31: SEK 96,367 thousand and 2017-12-31: SEK 204,606 thousand). The Group does not hedge this translation exposure. A change of 5% in the SEK/NOK exchange rate would impact equity by around SEK 5,843 thousand (2018-12-31: SEK 4,703 thousand and 2017-12-31: SEK 10,220 thousand) and would impact profit after tax by SEK 4,241 thousand (2018: SEK 2,314 thousand and 2017: SEK 3,454 thousand).

Interest rate risk

Interest rate risk is the risk that fair value or future cash flows from a financial instrument will vary due to changes in market interest rates. A significant factor affecting interest rate risk is the fixed interest period. The Group has only current liabilities in the form of factoring credit with a variable interest rate and the interest rate risk of this for cash flow is partly neutralised by cash funds with a variable interest rate. The Group's exposure to interest rate risk has been assessed to be insignificant and therefore no sensitivity analysis for interest rate risk is presented. Interest rate risk arises principally through long-term borrowing.

*Note 4 Financial risk, cont.***Liquidity risk**

The Group's prudent liquidity management ensures that there are sufficient cash funds to meet the needs of the operating activities. At the same time, it is ensured that the Group has sufficient cash and cash equivalents to pay its liabilities as they fall due.

Executive Management monitors rolling forecasts of the Group's cash and cash equivalents based on expected cash flows.

As at 2019-12-31 the Group has overdraft facilities amounting to SEK 200,000 thousand (2018-12-31: SEK 200,000 thousand and 2017-12-31: SEK 200,000 thousand), of which SEK 0 thousand (2018-12-31: SEK 65,430 thousand and 2017-12-31: SEK 0 thousand) has been drawn down. The overdraft facilities can be drawn on at any time and can be withdrawn by the bank without notice.

The Group has no other involvement with bank-type loans as at 2019-12-31.

Maturity analysis for financial liabilities

The table below analyses the Group's financial liabilities, classified according to the contractual term remaining at the balance sheet date, for: a) non-derivative financial liabilities and b) gross-settled derivative instruments (forward currency contracts). The amounts stated in the table are the instrument's contractual undiscounted cash flows. Amounts falling due within 12 months of the balance sheet date correspond to the items' carrying amounts since the discounting effect is insignificant. Future cash flows in foreign currency have been calculated based on the exchange rate effective on the balance sheet date.

Contractual maturities of financial liabilities as at 31 December 2019	< 3 months	3–12 months	1–2 years	3–5 years	> 5 years	Total contractual cash flows	Carrying amount
Financial liabilities (excl. derivatives)							
Liabilities to credit institutions	–	–	–	–	–	–	–
Factoring credit line	184,354	–	–	–	–	184,354	184,354
Liabilities to Group companies	41,000	–	–	–	–	41,000	41,000
Liabilities to associated companies	2,505	–	–	–	–	2,505	2,505
Accounts payable	262,263	–	–	–	–	262,263	262,263
Lease liabilities	1,542	4,593	3,945	2,740	61	12,882	12,638
Other liabilities	4,569	–	–	–	–	4,569	4,569
Total financial liabilities	496,233	4,593	3,945	2,740	61	507,572	507,328
Derivatives							
Gross-settled currency forwards							
– cash flow hedges							
inflow (SEK)	330,400	785,256	–	–	–	1,115,656	16,654
Total inflow	330,400	785,256	–	–	–	1,115,656	16,654
outflow (EUR)	234,756	547,764	–	–	–	782,520	–
outflow (USD)	52,409	122,287	–	–	–	174,696	6,504
outflow (GBP)	43,422	101,319	–	–	–	144,741	–
outflow (NOK)	–	20,405	–	–	–	20,405	–
Total outflow	330,587	791,775	–	–	–	1,122,362	6,504
Contractual maturities of financial liabilities as at 31 December 2018							
Financial liabilities (excl. derivatives)							
Liabilities to credit institutions	65,430	–	–	–	–	65,430	65,430
Factoring credit line	202,652	–	–	–	–	202,652	202,652
Liabilities to Group companies	106,409	–	–	–	–	106,409	106,409
Liabilities to associated companies	6,323	–	–	–	–	6,323	6,323
Accounts payable	282,335	–	–	–	–	282,335	282,335
Other liabilities	–	–	–	–	–	–	–
Total financial liabilities	–	–	–	–	–	–	–
Total financial liabilities	663,149	–	–	–	–	663,149	663,149
Derivatives							
Gross-settled currency forwards							
– cash flow hedges							
inflow (SEK)	314,012	752,931	–	–	–	1,066,942	8,533
Total inflow	314,012	752,931	–	–	–	1,066,942	8,533
outflow (EUR)	231,194	539,453	–	–	–	770,647	–
outflow (USD)	50,462	117,745	–	–	–	168,207	11,578
outflow (GBP)	40,343	94,133	–	–	–	134,476	–
Total outflow	321,999	751,331	–	–	–	1,073,330	11,578

Note 4 Financial risk, cont.

Contractual maturities of financial liabilities as at 31 December 2017	< 3 months	3–12 months	1–2 years	3–5 years	> 5 years	Total contractual cash flows	Carrying amount
Financial liabilities (excl. derivatives)							
Liabilities to credit institutions	32,248	105,000	105,000	315,000	–	557,248	517,973
Factoring credit line	186,423	–	–	–	–	186,423	186,423
Liabilities to Group companies	5,810	–	–	–	–	5,810	5,810
Liabilities to associated companies	1,514	–	–	–	–	1,514	1,514
Accounts payable	255,646	–	–	–	–	255,646	255,646
Total financial liabilities	481,641	105,000	105,000	315,000	–	1,006,641	967,366
Derivatives							
Gross-settled currency forwards – cash flow hedges							
inflow (SEK)	288,145	672,870	–	–	–	961,015	7,403
	288,145	672,870	–	–	–	961,015	7,403
outflow (EUR)	196,248	459,807	–	–	–	656,055	–
outflow (USD)	63,909	143,780	–	–	–	207,689	15,337
outflow (GBP)	31,376	73,830	–	–	–	105,205	–
Total outflow	291,532	677,417	–	–	–	968,949	15,337

Capital management

The Group's aim for its capital structure is to secure the Group's short- and long-term supply of capital. To maintain this, the Group endeavours to use multiple lenders for its financing and to have liabilities with varying maturities.

At present the Group has only a small amount of external financing consisting mainly of factoring credit and lease liabilities, and consequently no more detailed performance measures are presented.

Note 5 Operating segments

Operating segments

Operations are divided into segments based on the Group's internal monitoring and reporting to the CEO. The segments are Kraft Paper and Greaseproof Paper. The CEO uses EBITDA to monitor the Group's performance.

EBITDA (Earnings before financial income and costs, taxes, depreciation and amortisation)

Consists of operating profit plus depreciation and amortisation.

Kraft paper

The Kraft Paper segment, iamKraft®, covers the Group's companies in Bäckhammar and Åmotfors that produce and sell products within iamKraft®.

Greaseproof Paper

The Greaseproof Paper segment covers the Group's units in Säffle and in Greåker, Norway, which produce papers suitable for food preparation and baking, among other things.

Net sales

Sales between segments take place on market terms. Revenues from external customers that are reported by the segments to Group Management are measured in the same way as in the consolidated income statement.

	Net sales incl. intra-group sales			Eliminations			Net sales			EBITDA		
	2019	2018	2017	2019	2018	2017	2019	2018	2017	2019	2018	2017
Kraft Paper	1,854,703	1,727,751	1,527,325	–35,952	–39,389	–30,216	1,818,751	1,688,362	1,497,109	504,089	425,360	348,399
Greaseproof Paper	1,412,275	1,346,939	1,279,999				1,412,275	1,346,939	1,279,999	170,604	149,553	189,085
	3,266,978	3,074,690	2,807,324	–35,952	–39,389	–30,216	3,231,026	3,035,301	2,777,108	674,693	574,913	537,484
										2019	2018	2017
EBITDA										674,693	574,913	537,484
Depreciation and amortisation										–98,662	–89,133	–90,252
Eliminations										–3,880	198	0
Unallocated items										–41,850	–65,627	–15,443
Net financial income										–11,179	–9,404	–25,119
Profit before tax										519,122	410,947	406,670
Non-current assets												
										2019-12-31	2018-12-31	2017-12-31
Sweden										879,897	878,148	870,162
Norway										111,832	89,192	96,445
										991,729	967,340	966,607

Note 6 Breakdown of net sales

Net sales by revenue category	Group		
	2019	2018	2017
Sales of goods	3,231,026	3,035,301	2,777,108
	3,231,026	3,035,301	2,777,108

Net sales by geographic market	Group		
	2019	2018	2017
Sweden	445,824	338,957	348,738
Italy	424,329	420,566	–
Germany	357,340	382,489	–
UK	257,446	226,214	213,675
Rest of Europe	811,455	808,793	1,485,945
USA	431,194	370,790	367,667
Rest of world	503,437	487,493	361,083
	3,231,026	3,035,301	2,777,108

No single customer accounts for more than 10% of the Group's sales in 2017, 2018 or 2019.

Note 7 Other operating income

	Group		
	2019	2018	2017
Compensation for CO ₂ taxation	5,801	–796	1,444
Sales of district heating, by-products and similar	14,632	6,064	6,856
Other	265	704	4,047
	20,698	5,972	12,347

Note 8 Leases

Disclosures for 2019 financial year, according to IFRS 16 Leases:

	Closing balance 2018-12-31	Effect of transition to IFRS 16	Opening balance 2019-01-01
Right-of-use assets		16,816	16,816
Deferred tax assets		3,599	3,599
Lease liabilities, of which:			
Current		7,313	7,313
Non-current		9,503	9,503
Deferred tax liabilities		3,599	3,599

In the balance sheet the following amounts are presented relating to leases:

Right-of-use assets	Group	
	2019-12-31	2019-01-01
Company cars	1,961	2,359
Work vehicles	6,083	10,692
Machinery	4,448	3,765
Total	12,492	16,816

Lease liabilities	Group	
	2019-12-31	2019-01-01
Non-current	6,601	9,503
Current	6,037	7,313
Total	12,638	16,816

Depreciation of right-of-use assets	Group	
	2019	2018
Company cars	–1,545	–
Work vehicles	–4,757	–
Machinery	–1,784	–
Total	–8,086	–

During the year right-of-use assets with a value of SEK 3,735 thousand were added.

No significant variable lease payments have been identified that are not included in lease liabilities.

In the income statement for 2019 the following amounts are presented relating to leases (SEK thousand):

Interest expense (included in financial expenses)	384
Costs attributable to variable lease payments that are not included in lease liabilities (included in Other external expenses)	28
Costs attributable to short-term leases (included in Other external expenses)	161
Costs attributable to leases where the underlying asset is of low value, but which are not short-term leases (included in Other external expenses)	1,608

There are no contracted investments relating to right-of-use assets at the end of the reporting period that have not yet been recognised in the financial statements.

The total cash flow in respect of leases was SEK 10,100 thousand.

A maturity analysis for lease liabilities is presented in Note 4.

Disclosures relating to the comparative years 2018 and 2017, when IAS 17 Leases was applied

Lease expenses for operating leases amounted in 2018 to SEK 12,173 thousand and in 2017 to SEK 15,584 thousand. Future payment obligations as at 31 December are distributed as follows:

Future lease expenses	Group	
	2018	2017
Within 1 year	9,698	10,742
Between 1–5 years	27,492	32,228
More than 5 years	1,768	1,768
	38,958	44,738

Note 9 Remuneration to auditors

Remuneration to auditors

PwC	Group		
	2019	2018	2017
Statutory audit	1,066	959	900
Other services	584	8	–
Ernst & Young	–	–	–
Other services	–	–	291
	1,650	967	1,191

Note 10 Employees and personnel expenses

Average number of employees

	2019		2018		2017	
	Total	Of which women	Total	Of which women	Total	Of which women
Parent company						
Sweden	1	1	1	0	3	0
Subsidiaries						
Sweden	516	124	514	115	512	101
Norway	102	24	100	17	108	17
Rest of world	0	0	0	0	0	0
Total Group	619	149	615	132	623	118

Gender distribution, senior executives

Group	2019		2018		2017	
	% women	% men	% women	% men	% women	% men
Board of Directors	20%	80%	0%	100%	0%	100%
CEO and other senior executives	27%	73%	27%	73%	20%	80%

Employee benefits expense	Group		
	2019	2018	2017
Salaries and remuneration etc.	316,983	335,712	310,382
Social security contributions	107,133	97,869	97,763
Pension costs	36,819	27,343	24,324
– of which defined benefit	2,231	0	214
– of which defined contribution	34,588	27,343	27,343
Other personnel expenses	19,561	14,059	11,810
	480,496	474,983	444,279

Salaries and other remuneration	Group		
	2019	2018	2017
Board members, CEO and other senior executives	13,467	17,426	14,437
– of which bonus etc.	314	2,675	1,926
Other employees	303,516	318,286	296,355
– of which bonus etc.	0	5,667	0
	316,983	335,712	310,792
Social security costs			
Pension costs			
– Board members, CEO and other senior executives	3,887	3,662	5,133
– other employees	32,932	23,681	19,191
Other social security costs	107,133	97,869	97,763
	143,952	125,212	122,087

Senior executives includes the Board of Directors as well as the Chief Executive Officer and other senior executives. Board fees amounted to SEK 88 thousand (2018: SEK 350 thousand and 2017: SEK 410 thousand).

Decision process for remuneration

Remuneration to the Chief Executive Officer is decided by the Board of Directors. Remuneration to other senior executives is decided by the CEO, in certain cases in consultation with the Chairman of the Board.

Remuneration and other terms for senior executives

Remuneration to the Chief Executive Officer and other senior executives comprises of basic pay, variable remuneration, other benefits and pension. Other senior executives refers to the 11 (2018: 11 and 2017: 9) individuals who together with the CEO make up the executive management team.

If the CEO's employment is terminated at the request of the Group there is a notice period of six months, and in certain cases 12 months. If the CEO's employment is terminated at the CEO's own request, the notice period is six months. No severance pay has been agreed. Other senior executives has in average an notice period of six months.

Pension benefits for the CEO provide for retirement at age 65 and pension premiums are paid on this basis. For other senior executives the pension premiums basically follow the ITP plan or equivalent.

Note 10 Employees and personnel expenses, cont.

2019	Board fees	Basic salary	Variable remuneration	Pension costs	Total
Arne Wallin	88	–	–	–	88
Per Bjurbom (CEO Jan–Mar)	–	856*	–	–	856
Stefan Lundin	–	–	–	–	–
Ying Che	–	–	–	–	–
Anita Sjölander (CEO Apr–Dec)	–	2,151	30	758	2,939
Other senior executives	–	10,058	284	3,129	13,471
	88	13,065	314	3,887	17,354

2018	Board fees	Basic salary	Variable remuneration	Pension costs	Total
Arne Wallin	350	–	–	–	350
Tommy Liu	–	–	–	–	–
Lai En	–	–	–	–	–
Per Bjurbom	–	3,424*	–	–	3,424
Other senior executives	–	10,977	2,675	3,662	17,314
	350	14,401	2,675	3,662	21,088

*The amount relates to management fee invoiced from the parent company Sutriv Holding AB for a CEO position and is reported as other external costs in the income statement.

2017	Board fees	Basic salary	Variable remuneration	Pension costs	Total
Arne Wallin	300	–	–	–	300
Birger Magnus	55	–	–	–	55
Haymo Unterhauser	55	–	–	–	55
Per Bjurbom	–	2,083	–	677	2,760
Other senior executives	–	10,018	1,926	4,456	16,400
	410	12,101	1,926	5,133	19,570

Note 11 Depreciation and amortisation

	Group		
	2019	2018	2017
Other intangible assets	1,156	1,074	1,971
Buildings	11,936	11,839	11,823
Plant and machinery	75,889	74,158	74,976
Equipment, tools, fixtures and fittings	1,595	2,061	1,482
Right-of-use assets	8,086	–	–
	98,662	89,132	90,252

Note 12 Other operating expenses

	Group		
	2019	2018	2017
Fair value, losses on cash flow hedges	–49,420	–63,837	–2,426
Net exchange rate effects on remeasurement of operating receivables/liabilities	15,103	13,844	–3,296
	–34,317	–49,993	–5,722

Note 13 Financial income

Financial income	Group		
	2019	2018	2017
Interest income from associated companies	–	–	–
Interest income	498	8,041	384
Gains on translation of foreign currency accounts	2,462	36,141	15,248
	2,960	44,182	15,632

Note 14 Financial expenses

Financial expenses	Group		
	2019	2018	2017
Interest expense on debenture loan from Petek	–	–	–1,456
Interest expense	–11,274	–13,703	–19,680
Interest expense on lease liabilities	–384	–	–
Other financial expenses	–	–7,027	–6,982
Losses on translation of foreign currency accounts	–2,481	–32,856	–12,633
	–14,139	–53,586	–40,751

Note 15 Taxes

Tax on profit for the year	Group		
	2019	2018	2017
Current tax expense related to net profit for the year	–93,194	–86,903	–81,627
Adjustment of tax attributable to previous years	–11	0	2,138
	–104,813	–92,387	–91,326

Deferred tax	Group		
	2019	2018	2017
Deferred tax on temporary differences	–11,608	–5,484	–11,837
	–104,813	–92,387	–91,326

Reconciliation of effective tax rate	Group		
	2019	2018	2017
Profit before tax	519,122	410,947	406,671
Tax at effective rate for the parent (2019: 21.4%; 2018: 22%; 2017: 22%)	–111,092	–90,408	–89,468
Effect of other tax rates for foreign subsidiaries	–574	–640	–2,306
Effect of changed tax rate	0	0	1
Changed tax rate for deferred tax assets/tax liabilities*	10,654	187	289
Non-deductible costs	–1,213	–2,271	–2,147
Non-taxable income	1	0	489
Tax attributable to previous years	–11	–30	2,138
Other	–2,578	775	–322
	–104,813	–92,387	–91,326

*Recalculation was not made in the 2018 financial statements, but was made in 2019.

Note 15 Taxes, cont.

Amounts recognised directly in equity	Group		
	2019	2018	2017
Total amount of current and deferred tax during the period, relating to items not accounted for in the Consolidated income statement or Consolidated statement of comprehensive income, but recognised directly in Consolidated statement of changes in equity:			
– Current tax related to Group contributions paid	-8,774	-2,508	0
	-8,774	-2,508	0

Deferred tax assets are distributed as follows:

	Group		
	2019	2018	2017
Deferred tax assets			
– To be received after more than 12 months	5,178	4,407	4,323
– To be received within 12 months	1,292	0	1,746
	6,470	4,407	6,069

Deferred tax liabilities are distributed as follows:

	Group		
	2019	2018	2017
Deferred tax liabilities			
– To be paid after more than 12 months	167,673	152,808	147,340
– To be paid within 12 months	1,314	148	0
	168,987	152,956	147,340

Change in deferred tax 2019

The following changes in deferred tax have taken place:

Deferred tax assets	Group			Income statement	Other comprehensive income	Closing balance
	Opening balance	Group Impact of adoption of IFRS 16	Restated opening balance			
Pensions	2,459	0	2,459	0	-424	2,035
Other	1,948	3,599	5,547	-1,112	0	4,435
	4,407	3,599	8,006	-1,112	-424	6,470
Deferred tax liabilities						
Property, plant and equipment and intangible assets	-7,627	-3,599	-11,226	2,621	0	-8,605
Untaxed reserves	-141,242	0	-141,242	-8,574	0	-149,816
Financial assets	-147	0	-147	-530	-1,936	-2,613
Other	-3,940	0	-3,940	-4,013	0	-7,953
	-152,956	-3,599	-156,555	-10,496	-1,936	-168,987

Change in deferred tax 2018

Deferred tax assets	Group			Income statement	Other comprehensive income	Closing balance
	Opening balance					
Financial assets			1,746	-	-1,746	-
Pensions			2,375	-15	99	2,459
Other			1,948	0	0	1,948
			6,069	-15	-1,647	4,407
Deferred tax liabilities						
Property, plant and equipment and intangible assets			-9,151	1,524	-	-7,627
Untaxed reserves			-130,776	-10,466	-	-141,242
Financial assets			-	-	-147	-147
Other			-7,413	3,473	-	-3,940
			-147,340	-5,469	-147	-152,956

Change in deferred tax 2017

Deferred tax assets	Group			Income statement	Translation differences	Other comprehensive income	Closing balance
	Opening balance						
Financial assets			1,831	-	0	-85	1,746
Pensions			2,412	-	-46	9	2,375
Other			1,951	-	-3	-	1,948
			6,194	-	-49	-76	6,069
Deferred tax liabilities							
Property, plant and equipment and intangible assets			-10,675	1,524	-	-	-9,151
Untaxed reserves			-117,415	-13,361	-	-	-130,776
Other			-7,753	-	340	-	-7,413
			-135,843	-11,837	340	-	-147,340

Note 16 Earnings per share

	Group		
	2019	2018	2017
Profit for the year attributable to equity holders of the parent, SEK thousand	414,307	318,560	315,345
Average number of ordinary shares outstanding	66,908,800*	66,908,800*	66,908,800*
Earnings per share before and after dilution, SEK	6.19*	4.76*	4.71*

*The number of shares and the amounts for all periods are recalculated for the 1,400:1 split of the Company's ordinary shares, which was decided by the extraordinary general meeting on 1 October 2020. For further information, see Note 38.

Note 17 Goodwill

	Group		
	2019	2018	2017
Cost, opening balance	343,359	343,359	343,359
Accumulated cost, closing balance	343,359	343,359	343,359

Impairment testing

The Group's goodwill of SEK 343,359 thousand (2018-12-31: SEK 343,359 thousand and 2017-12-31: SEK 343,359 thousand) arose on the acquisition of Wermland Paper AB in January 2008. Goodwill is tested for impairment at the lowest levels for which separate cash flows can be identified (cash-generating units), which in the Group's case means the Group's operating segments Kraft Paper and Greaseproof Paper respectively. Current goodwill relates entirely to Kraft Paper.

The impairment testing consists of assessing whether the unit's recoverable amount is higher than its carrying amount. The recoverable amount has been calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without taking into account any future expansion of operations or restructuring. The calculation of value in use was based on:

- A discount rate of 8.7% before tax (2018: 10.8% and 2017: 12.1%)*
- A forecast of cash flows over the coming five years
- An annual growth rate of 1% (2018: 1% and 2017: 1%)

*The discount rate is calculated as a weighted average cost of capital (WACC) for equity and borrowings respectively.

The discounted cash flow model involves forecasting future cash flows from operations including estimates of revenue volumes and production costs. The key assumptions driving expected cash flows over the coming five years are forecasts approved by the executive management and a long-term growth rate of 1% (2018: 1% and 2017: 1%). Amounts have been estimated for these variables, mainly based on and in accordance with historical experience. The calculations do not indicate any impairment or that any reasonably possible changes in the key assumptions would result in impairment.

Sensitivity analysis

A sensitivity analysis was performed which indicates that a one percentage point increase in the discount rate, a decrease in the sustainable growth rate to zero or utilisation of only the existing cash flows would not result in impairment. The company therefore assesses that there are good margins in the impairment testing performed.

Note 18 Other intangible assets

	Group		
	2019	2018	2017
Software			
Cost, opening balance	19,465	18,217	17,167
Acquisitions during the year	–	1,248	1,050
Accumulated cost, closing balance	19,465	19,465	18,217
Amortisation, opening balance	–16,565	–15,491	–13,520
Amortisation for the year	–1,156	–1,074	–1,971
Accumulated amortisation, closing balance	–17,721	–16,565	–15,491
Carrying amount	1,744	2,900	2,726

Note 19 Buildings and land

	Group		
	2019	2018	2017
Cost, opening balance	292,804	291,180	292,745
Acquisitions during the year	2,103	576	712
Sales/disposals	–	–37	–12
Translation effects	1,549	1,085	–2,265
Accumulated cost, closing balance	296,456	292,804	291,180
Depreciation, opening balance	–215,440	–203,059	–192,529
Depreciation for the year	–11,908	–11,744	–11,823
Sales/disposals	–	25	–
Translation effects	–972	–662	1,293
Accumulated depreciation, closing balance	–228,320	–215,440	–203,059
Carrying amount	68,136	77,364	88,121

Note 20 Plant and machinery

	Group		
	2019	2018	2017
Cost, opening balance	2,370,784	2,250,848	2,201,017
Acquisitions during the year	65,404	115,731	90,647
Sales/disposals	–5,496	–1,453	–29,240
Translation effects	8,194	5,658	–11,576
Accumulated cost, closing balance	2,438,886	2,370,784	2,250,848
Depreciation, opening balance	–1,861,604	–1,783,604	–1,739,696
Sales/disposals	3,247	142	22,518
Depreciation for the year	–76,564	–74,140	–74,738
Translation effects	–6,126	–4,002	8,312
Accumulated depreciation, closing balance	–1,941,047	–1,861,604	–1,783,604
Carrying amount	497,839	509,180	467,244

Note 21 Other property, plant and equipment

	Group		
	2019	2018	2017
Equipment, tools, fixtures and fittings			
Cost, opening balance	98,892	99,925	97,199
Acquisitions during the year	1,784	1,404	3,650
Sales/disposals	–	–2,953	–
Translation effects	770	516	–924
Accumulated cost, closing balance	101,446	98,892	99,925
Depreciation, opening balance	–94,029	–95,088	–94,451
Sales/disposals	–	2,953	–
Depreciation for the year	–1,071	–1,478	–1,482
Translation effects	–631	–416	845
Accumulated depreciation, closing balance	–95,731	–94,029	–95,088
Carrying amount	5,715	4,863	4,837

	Group		
	2019	2018	2017
Construction in progress etc.			
Cost, opening balance	29,674	60,319	74,920
Acquisitions during the year	101,937	67,376	69,831
Reclassifications	–69,291	–98,106	–84,179
Translation effects	123	85	–253
	62,443	29,674	60,319

Note 22 Financial assets and liabilities

Classified according to IFRS 9 with effect from 1 January 2018, but according to IAS 39 for the comparative period 2017.

2019	Financial assets at amortised cost	Derivatives used for hedging purposes	Total carrying amount	Fair value
Assets on the balance sheet				
Accounts receivable	401,984		401,984	401,984
Other receivables	73,611	16,654	90,265	90,265
Cash and cash equivalents	247,199		247,199	247,199
Total	722,794		739,448	739,448
	Financial liabilities at amortised cost	Derivatives used for hedging purposes	Total carrying amount	Fair value
Liabilities on the balance sheet				
Factoring credit line	184,354		184,354	184,354
Liabilities to leasing companies	12,638		12,638	12,638
Liabilities to associated companies	2,505		2,505	2,505
Accounts payable	262,244		262,244	262,244
Other liabilities	196,623	6,504	203,127	203,127
Total	658,364		664,868	664,868

Liabilities to leasing companies have been measured according to IFRS 16.

Note 22 Financial assets and liabilities, cont.

2018	Financial assets at amortised cost	Derivatives used for hedging purposes	Total carrying amount	Fair value
Assets on the balance sheet				
Accounts receivable	464,272		464,272	464,272
Other receivables	87,364	8,533	95,897	95,897
Cash and cash equivalents	3		3	3
Total	551,639		560,172	560,172
	Financial liabilities at amortised cost	Derivatives used for hedging purposes	Total carrying amount	Fair value
Liabilities on the balance sheet				
Liabilities to credit institutions	65,430		65,430	65,430
Factoring credit line	202,651		202,651	202,651
Liabilities to associated companies	6,323		6,323	6,323
Accounts payable	282,336		282,336	282,336
Other liabilities	214,170	11,579	225,749	225,749
Total	770,910		782,489	782,489
2017	Loans and receivables	Derivatives used for hedging purposes	Total carrying amount	Fair value
Assets on the balance sheet				
Accounts receivable	395,881		395,881	395,881
Other receivables	60,935	7,402	68,337	68,337
Cash and cash equivalents	88,605		88,605	88,605
Total	545,421		552,823	552,823
	Financial liabilities at amortised cost	Derivatives used for hedging purposes	Total carrying amount	Fair value
Liabilities on the balance sheet				
Liabilities to credit institutions	517,973		517,973	517,973
Factoring credit line	186,423		186,423	186,423
Liabilities to associated companies	4,265		4,265	4,265
Accounts payable	252,505		252,505	252,505
Other liabilities	190,934	15,337	206,271	206,271
Total	1,152,100		1,167,437	1,167,437

Nordic Paper has performed an assessment of the risk of losses for all financial assets. Reserves for credit losses have been allocated for accounts receivable, but the risk of losses on other financial assets has been assessed to be immaterial and therefore no reserves have been allocated.

Measurement of fair value

The Group has derivative instruments that are measured at fair value based on Level 2 inputs in the fair value hierarchy. Other financial instruments have a short time to maturity and for these the carrying amount is considered to correspond to their fair value.

The three different levels are defined as follows:

(a) Financial instruments at Level 1.

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Financial instruments at Level 2.

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices).

(c) Financial instruments at Level 3.

Where one or more significant inputs are not based on observable market data, the instruments concerned are classified at Level 3.

As at 31 December 2019 the Group has financial liabilities and assets measured at fair value in the form of forward currency contracts. Fair value (net) for the forward currency contracts amounts as at 30 December 2019 to SEK 10,150 thousand (2018-12-31: SEK -3,046 thousand, 2017-12-31: SEK -7,935 thousand) and is recognised on the lines for other current liabilities and other current receivables in the balance sheet. The fair value of the forward currency contracts is found at Level 2 of the fair value hierarchy.

Financial instruments at Level 2

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is established using valuation techniques. Market data is used here as far as possible where it is available, while company-specific information is used to the minimum extent possible. If all the significant inputs required for fair value measurement of an instrument are observable, the instrument is classified at Level 2.

No transfers between levels have been made during the year.

There exists an agreement regarding netting, but it has not been used.

Note 23 Other provisions

	Group		
	2019	2018	2017
Opening balance	9,945	8,870	9,983
Released during the year	–	–	–1,113
Provisions for the year	11,955	1,075	–
	21,900	9,945	8,870

Other provisions relates to assessed remediation costs for a landfill site and for oil-contaminated soil that was found in 2019. For the oil contamination the cost has been assessed by a third party and the outflow is expected to occur within three years. For the landfill restoration the outflow will take place over the period up to 2032, but the distribution of the costs over time is uncertain. The size of the provision is subject to judgements and deviations which might occur.

Note 24 Inventories

	Group		
	2019	2018	2017
Raw materials and consumables used	288,840	259,874	231,577
Finished goods and goods for resale	180,812	208,849	172,019
	469,652	468,723	403,596

Note 25 Other receivables

	Group		
	2019	2018	2017
Receivables from factoring companies	20,486	22,517	20,714
Receivables relating to value-added tax	39,921	36,515	35,116
Funds in clearing account for taxes	2,927	14,312	2,407
Other	10,277	14,020	214
	73,611	87,364	58,451

Note 26 Prepaid expenses and accrued income

	Group		
	2019	2018	2017
Prepaid insurance premiums	6,615	6,314	404
Prepaid service and support agreements	2,850	2,665	3,139
Accrued income	3,535	200	2,483
Other items	2,204	977	5,649
	15,203	10,156	11,675

Note 27 Equity

Share capital

As at 31 December 2019 the registered share capital comprised 47,792 (2018-12-31: 47,792, 2017-12-31: 47,792) ordinary shares with a quota value of 400 (2018-12-31: 400, 2017-12-31: 400). Holders of ordinary shares are entitled to a dividend set from time to time and to voting rights at the general meetings, at one vote per share. All the shares have the same rights to remaining net assets of Nordic Paper Holding AB.

Translation reserve

The translation reserve covers all exchange rate differences arising on the translation of financial statements for foreign operations which prepare their financial statements in a currency other than the currency in which the Group's financial statements are presented. The parent company and the Group present their financial statements in Swedish kronor. Accumulated translation differences are recognised in profit or loss upon disposal of the foreign operation.

Hedging reserve

The hedging reserve include the effective share of the accumulated net change of the fair value on a cash flow hedging instrument attributable on not occurred hedging transactions.

Translation reserve	Group		
	2019	2018	2017
Opening balance	–25,830	–24,643	–16,190
Translation differences for the year	3,584	–1,187	–8,453
Translation differences transferred to profit for the year	–	–	–
	–22,246	–25,830	–24,643

Hedging reserve	Group		
	2019	2018	2017
Opening balance	525	–6,188	–6,491
Cash flow hedges:			
Changes in fair value of cash flow hedges	10,984	8,606	388
Tax on cash flow hedges	–1,936	–1,893	–85
	9,573	525	–6,188

Note 28 Interest-bearing liabilities

Non-current liabilities	Group		
	2019	2018	2017
Liabilities to credit institutions	–	–	412,973
Lease liabilities	6,601	–	–
	6,601	0	412,973

Current liabilities	Group		
	2019	2018	2017
Liabilities to credit institutions	–	65,430	105,000
Factoring credit line	184,354	202,651	186,423
Lease liabilities	6,037	–	–
	190,391	268,081	291,423
Overdraft facilities drawn	–	65,430	–
Overdraft facilities granted	200,000	200,000	200,000

Note 28 Interest-bearing liabilities, cont.

Terms and repayment dates

	Currency	Matures	Interest	2019	2018	2017
				Carrying amount	Carrying amount	Carrying amount
Liabilities to credit institutions	SEK	2020	Variable	–	65,430	517,973
Factoring credit line	SEK	2020	Variable	184,354	202,651	186,423
Lease liabilities	SEK	2020–2025	Variable	12,638	–	–
				196,992	268,081	704,396

Note 29 Provisions for pensions

The Group has defined benefit pension plans in a number of subsidiaries where the employees are entitled to post-employment benefits based on their pensionable income and number of years' service. These defined benefit pension plans are in Sweden and in

Norway. In 2019 a pension liability at Nordic Paper Seffle AB, Sweden was paid in full, resulting in a loss on settlement of SEK 2,231 thousand.

In Norway only a small proportion of the pensions are earned as defined benefit pensions, since by far the majority of the employees have transferred to defined contribution pension plans.

	Sweden			Norway			Total Group		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Amounts reported in the balance sheet									
Present value of pension obligations, funded plans	–	–	–	9,663	9,677	13,866	9,663	9,677	13,866
Fair value of plan assets	–	–	–	–10,838	–10,896	–13,862	–10,838	–10,896	–13,862
Net liability (+), funded plans	–	–	–	–	–	4	–	–	4
Net asset (–), funded plans (not reported in the balance sheet)				–1,175	–1,219		–1,175	–1,219	
Present value of pension obligations, unfunded plans ¹⁾	–	11,386	11,310	364	374	398	364	11,760	11,708
Total	–	11,386	11,310	364	374	403	364	11,760	11,713
Amounts reported in the balance sheet									
Provisions for pensions	–	11,386	11,310	364	374	398	364	11,760	11,708
Other non-current receivables	–	–	–	–	–	–4	–	–	–4
Total	–	11,386	11,310	364	374	402	364	11,760	11,713
1) Norway, including employer's contribution (AGA), Sweden including payroll tax									
Specification of total costs									
Costs relating to defined benefit pension plans	–	–	–	–	–	–	–	–	–
Current service cost	–	–	–	86	86	85	86	86	85
Net interest	261	235	189	3	3	2	264	238	191
Settlements	2,231	–	–	–	–	–	2,231	–	–
Other	–	–	–	–	–	–	–	–	–
Costs of defined benefit pension plans	2,492	235	189	27	27	25	2,519	262	214
Costs of defined contribution pension plans	39,065	31,866	30,225	4,681	4,543	4,541	43,746	36,409	34,766
Pension expense reported in the income statement	41,557	32,101	30,414	4,708	4,570	4,566	46,265	36,671	34,980
Of which									
Amount charged to personnel expenses	41,296	31,866	30,225	4,705	4,567	4,564	46,001	36,433	34,789
Amount charged to financial expenses	261	235	189	3	3	2	264	238	191
	41,557	32,101	30,414	4,708	4,570	4,566	46,265	36,671	34,980
Remeasurement of pension liability	1,502	–351	32	–	–	808	1,502	–351	869
Remeasurement of plan assets	–	–	–	–	–	–793	–	–	–793
Pension expense/income (–) reported in other comprehensive income	1,502	–351	32	–	–	14	1,502	–351	46

Note 29 Provisions for pensions, cont.

In Sweden newly earned defined benefit ITP pension is secured with Alecta. The year's fees for pension insurance with Alecta amount to SEK 11,244 thousand (2018: SEK 10,241 thousand, 2017: SEK 9,836 thousand) including fees for pension liabilities previously secured in the balance sheet. According to statement UFR 10 from the Swedish Financial Reporting Board, this is a multi-employer defined benefit plan. The company did not have access to data for the financial year that would allow this plan to be recognised as a defined benefit plan and consequently it is recognised as a defined

contribution plan. Alecta's collective funding ratio at year-end was 148% (2018: 159%, 2017: 154%). The collective funding ratio is based on the market value of Alecta's assets in relation to the insurance obligations calculated using Alecta's actuarial assumptions, which do not conform to IAS 19. The Group companies' pension obligations secured with Alecta represent a marginal percentage of the total obligations secured with Alecta, the share of total ITP 2 premiums with Alecta being less than 0.1%.

	Sweden			Norway			Total Group		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Change in present value of obligations									
Opening balance	11,386	11,310	11,605	10,005	12,232	13,062	21,392	23,542	24,668
Interest	261	235	189	273	300	270	534	535	459
Current service cost	–	–	–	125	24	23	125	24	23
Remeasurement of pension plans									
– Actuarial gains (-) and losses (+)									
– demographic assumptions	–	–	–	–	–	–	–	–	–
– Actuarial gains (-) and losses (+)									
– financial assumptions	276	296	–96	246	–1,800	803	522	–1,504	707
– Experience-based adjustments	–	55	128	–	–	0	–	55	128
Paid remuneration	–604	–510	–516	–1,001	–1,146	–1,308	–1,605	–1,656	–1,824
Settlements	–11,319	–	–	–	–	–	–11,319	–	–
Other ¹⁾	–	–	–	–	–	0	–	–	0
Currency translation effects	–	–	–	332	395	–618	332	395	–618
Closing balance	0	11,386	11,310	9,981	10,005	12,232	9,981	21,392	23,542

1) Employer's contribution (AGA) in Norway

	Sweden			Norway			Total Group		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Change in fair value of plan assets									
Opening balance	–	–	–	10,896	12,013	14,097	10,896	12,013	14,097
Interest	–	–	–	298	295	263	298	295	263
Remeasurement of plan assets	–	–	–	155	–742	778	155	–742	778
Employer contributions	–	–	–	40	47	30	40	47	30
Remuneration paid from plan assets	–	–	–	–912	–1,058	–1,223	–912	–1,058	–1,223
Currency translation effects	–	–	–	362	341	–1,933	362	341	–1,933
Closing balance	–	–	–	10,838	10,896	12,013	10,838	10,896	12,013

	Sweden			Norway			Total Group		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Specification of plan assets									
Bonds and other interest-bearing securities	–	–	–	80%	80%	83%	80%	80%	83%
Equities	–	–	–	7%	7%	5%	7%	7%	5%
Real estate	–	–	–	11%	11%	11%	11%	11%	11%
Other	–	–	–	2%	2%	1%	2%	2%	1%
	–	–	–	100%	100%	100%	100%	100%	100%

Note 29 Provisions for pensions, cont.

The Norwegian plan assets are invested with Storebrand Livförsäkring. For 2019, figures for 2018 are stated since information for 2019 is not yet available.

	Sweden			Norway		
	2019	2018	2017	2019	2018	2017
Actuarial assumptions						
Discount rate	–	2.05%	2.15%	1.8%	2.3%	2.3%
Future wage growth	–	–	–	2.3%	2.5%	2.5%
Inflation	–	2.00%	1.90%	1.5%	1.5%	1.5%
Lifetime/mortality	–	DUS14	DUS14	K2013	K2013	K2013

2019	Sweden		Pension liability	Norway		Total Group	
	Pension liability	Change in liability		Change in liability*	Pension liability	Change in liability*	
Sensitivity analysis, defined benefit pension liability							
Pension liability with current assumptions	–	–	9,981	–	9,981	–	–
Change in assumptions:							
Discount rate +0.5 percentage points	–	–	9,479	–5.0%	9,479	–5.0%	–5.0%
Discount rate –0.5 percentage points	–	–	10,526	5.5%	10,526	5.5%	5.5%
Wage growth +0.5 percentage points	–	–	10,073	0.9%	10,073	0.9%	0.9%
Wage growth –0.5 percentage points	–	–	9,911	–0.7%	9,911	–0.7%	–0.7%

*Not taking into account change in Norwegian employer's contribution (AGA).

2018	Sweden		Pension liability	Norway		Total Group	
	Pension liability	Change in liability		Change in liability*	Pension liability	Change in liability*	
Sensitivity analysis, defined benefit pension liability							
Pension liability with current assumptions	11,386	–	11,685	–	23,072	–	–
Change in assumptions:							
Discount rate +0.5 percentage points	10,668	–6.3%	11,199	–4.2%	21,867	–5.2%	–5.2%
Discount rate –0.5 percentage points	12,185	7.0%	12,213	4.5%	24,398	5.7%	5.7%
Wage growth +0.5 percentage points	–	0.0%	11,775	0.8%	11,775	0.8%	0.8%
Wage growth –0.5 percentage points	–	0.0%	11,618	–0.6%	11,618	–0.6%	–0.6%

*Not taking into account change in Norwegian employer's contribution (AGA).

2017	Sweden		Pension liability	Norway		Total Group	
	Pension liability	Change in liability		Change in liability*	Pension liability	Change in liability*	
Sensitivity analysis, defined benefit pension liability							
Pension liability with current assumptions	11,310	–	13,947	–	25,258	–	–
Change in assumptions:							
Discount rate +0.5 percentage points	10,575	–6.5%	13,363	–4.2%	23,938	–5.2%	–5.2%
Discount rate –0.5 percentage points	12,129	7.2%	14,579	4.5%	26,708	5.7%	5.7%
Wage growth +0.5 percentage points	–	0.0%	13,990	0.3%	13,990	0.3%	0.3%
Wage growth –0.5 percentage points	–	0.0%	13,907	–0.3%	13,907	–0.3%	–0.3%

*Not taking into account change in Norwegian employer's contribution (AGA).

The sensitivity analysis is based on changing a single actuarial assumption while the other assumptions remain unchanged. This method shows how sensitive the obligation is to each individual assumption. It is a simplified method since the actuarial assumptions are often correlated.

The average maturity of the pension liability is around 14 years in Sweden and around nine years in Norway.

A 0.5 percentage point increase in the discount rate would decrease the total present value of obligations by approximately SEK 502 thousand (2018: SEK 1,205 thousand, 2017: SEK 1,320 thousand). A 0.5 percentage point decrease in the discount rate would increase the total present value of obligations by approximately SEK 545 thousand (2018: SEK 1,326 thousand, 2017: SEK 1,450 thousand). A 0.5 percentage point increase in wages would increase pension liabilities by 0.9 percentage points (2018: 0.8 percentage points, 2017: 0.3 percentage points).

Note 29 Provisions for pensions, cont.

2019	Sweden	Norway	Total Group
Forecast impact of defined benefit pensions on the Group's cash flow in future years			
Funded plans, employer's contributions	–	164	164
Unfunded plans, pension disbursements	–	84	84
	–	247	247

Forecast impact of defined contribution pensions on Group cash flow in future years	Sweden	Norway	Total Group
Defined contribution plans	39,065	4,681	43,746
	39,065	4,681	43,746

2018	Sweden	Norway	Total Group
Forecast impact of defined benefit pensions on Group cash flow in future years			
Funded plans, employer's contributions	–	59	59
Unfunded plans, pension disbursements	517	82	599
Fee to Alecta, planned redemption of pension liability recognised in the balance sheet	–	–	–
Fees to Alecta, recognised as an expense for defined contribution plans ¹⁾	13,631	–	13,631
	14,148	141	14,289

1) Including special payroll tax.

Forecast impact of defined benefit pensions on Group cash flow in future years			
Funded plans, employer's contributions	–	17	17
Unfunded plans, pension disbursements	499	86	585
Fee to Alecta, planned redemption of pension liability recognised in the balance sheet	–	–	–
Fees to Alecta, recognised as an expense for defined contribution plans ¹⁾	9,836	–	9,836
	10,335	103	10,438

1) Including special payroll tax.

Note 30 Other current liabilities

	Group		
	2019	2018	2017
Employee taxes and other employee-related charges	9,761	8,782	15,146
Other items	4,569	–	–
	14,330	8,782	15,146

Note 31 Accrued expenses and deferred income

	Group		
	2019	2018	2017
Accrued salaries and holiday pay	52,994	65,432	50,334
Accrued social security contributions	25,155	34,170	30,583
Customer bonuses	20,010	21,141	23,313
Agents' provision	5,932	5,473	4,533
Accrued raw materials and energy costs	46,260	64,393	45,237
Other items	31,943	35,140	19,608
	182,294	225,749	173,608

Note 32 Pledged assets

	Group		
	2019	2018	2017
Relating to liabilities to credit institutions			
Real estate mortgages	239,000	239,000	239,000
Floating charges	250,000	250,000	250,000
Shares in subsidiaries	750,039	712,774	864,034
Factored accounts receivable	184,354	202,651	186,423
	1,423,393	1,539,457	1,539,457
Other pledged assets			
Right-of-use assets	12,465	–	–
Total pledged assets	1,435,858	1,539,457	1,549,265

Note 33 Contingent liabilities

The subsidiaries Nordic Paper Bäckhammar AB and Nordic Paper Seffle AB have signed a factoring and lease agreement with a credit institution. Under the terms of this agreement the parent company guarantees up to SEK 238 million (2018: SEK 238 million and 2017: SEK 238 million), plus interest and fees, for any future claims relating to the subsidiaries.

The pension guarantees to FPG/PRI for the previous year, 2018, amounting to SEK 157 thousand (2017: SEK 149 thousand), have ended since the corresponding liability has been settled.

The parent company Sutriv Holding AB signed a five-year agreement with its bank in October 2018, pledging assets of Nordic Paper Holding AB as security. In conjunction with this, Nordic Paper Holding AB redeemed its bank liabilities. Liabilities to credit institutions within the parent company Sutriv Holding AB accrue variable interest based on an underlying reference interest rate plus a margin. Repayments are made every six months until maturity on 31 December 2023. At year-end net interest-bearing liabilities within the parent company Sutriv Holding AB (excluding debenture loans) amounted to SEK 1,661 million (2018: SEK 1,804 million and 2017: SEK 0 million). The companies within the Nordic Paper Holding AB group have signed a guarantee as security for the parent company's credit commitments. The security is limited to what the companies within the Nordic Paper Holding AB group are able to guarantee taking into account the rules concerning value transfers in Chapter 17 of Sweden's Companies Act and the rules preventing the provision of loans for acquisitions in Chapter 21 of the same Act.

Note 34 Interests in Group companies

The Group has the following subsidiaries as at 31 December 2019:

Name:	Domicile	Number of ordinary shares held by the Group (%)
Nordic Paper Bäckhammar AB, 556044-8952	Kristinehamn	100%
Nordic Paper Seffle AB, 556000-2221	Säffle	100%
Nordic Paper AS, 983633080	Sarpsborg	100%
Nordic Paper Åmotfors AB, 556209-7294	Eda	100%

Note 35 Related parties

This note reports transactions with the Group's associated company Åmotfors Energi AB and the Group's parent company Sutriv Holding AB.

Group	Sales of goods/services	Purchases of goods/services	Other	Receivables on balance sheet date	Liabilities on balance sheet date
Associate					
2019	6,722	39,558	–	348	2,505
2018	7,100	42,235	–	622	6,323
2017	2,556	28,572	–	–	4,265
Parent company					
2019	–	5,535	–	–	41,000
2018	–	7,150	–	–	106,409
2017	–	10,000	–	–	6,690

Note 36 Cash flow statement

	Group		
	2019	2018	2017
Adjustments for non-cash items			
Depreciation and amortisation	98,662	89,133	90,252
Unrealised exchange rate changes	20,170	-8,439	124
Other	1,903	6,743	5,496
	120,735	87,437	95,872

Group 2019				
Financing activities, changes in liabilities	Liabilities	Leases	Factoring credit	Overdraft facilities drawn
Opening balance	-	-	202,651	65,430
Restatement on transition to IFRS 16 (see Note 39)	-	16,816	-	-
New opening balance	-	16,816	202,651	65,430
Changes affecting cash flow	-	-7,947	-18,297	-65,430
Other changes not affecting cash flow	-	3,769	-	-
Closing balance	-	12,638	184,354	0

Group 2018				
Financing activities, changes in liabilities	Liabilities	Leases	Factoring credit	Overdraft facilities drawn
Opening balance	412,973	-	186,423	-
New opening balance	412,973	-	186,423	-
Changes affecting cash flow	-420,000	-	16,228	65,430
Other changes not affecting cash flow	7,027	-	-	-
Closing balance	0	0	202,651	65,430

Group 2017				
Financing activities, changes in liabilities	Liabilities	Leases	Factoring credit	Debentures
Opening balance	780,737	13,315	177,411	31,539
New opening balance	780,737	13,315	177,411	31,539
Changes affecting cash flow	-269,527	-4,417	9,012	-31,539
Other changes not affecting cash flow	6,763	-8,898	-	-
Closing balance	517,973	0	186,423	0

Note 37 Impact of transition to IFRS 16 Leases

This note explains the effects on the Group's financial statements of the adoption of IFRS 16 Leases.

In the balance sheet the following adjustments were made at the date of transition (1 January 2019) in respect of IFRS 16 Leases.

	Closing balance 2018-12-31	Impact of transition to IFRS 16	Opening balance 2019-01-01
Right-of-use assets	–	16,816	16,816
Deferred tax assets		3,599	3,599
Lease liabilities, of which:			
Current		7,313	7,313
Non-current		9,503	9,503
Deferred tax liability		3,599	3,599

Recognising depreciation of right-of-use assets instead of lease payments had a positive impact on operating profit for 2019 of SEK –245 thousand. Interest on lease liabilities had a negative impact on net financial income for 2019 of SEK 384 thousand. Profit before tax for 2019 was negatively impacted by SEK 140 thousand due to IFRS 16. Since the main payment is recognised as financing activity, cash flow from financing activities decreases with a corresponding increase in cash flow from operating activities for 2019. The interest portion of the lease payments remains cash flow from operating activities and is included on the line for interest paid. The Group recognises a right-of-use asset in the balance sheet, along with a lease liability at the present value of future lease payments. The leased asset is depreciated on a straight-line basis over the term of the lease or over the useful life of the underlying asset if it is considered reasonably certain that the Group will take ownership at the end of the lease term. The lease payment is recognised as depreciation within operating profit and interest expense within net financial income. If the lease is deemed to include a low-value asset or has a remaining term of less than 12 months, or includes service components, its lease payments are recognised as operating expenses in the income statement over the term of the lease. Leases with a term of less than 12 months include office premises.

At the date of transition the Group reassessed whether agreements are or include leases. On transition to IFRS 16 the assessment was made that agreements for warehousing in connection with loading at ports do not include an identified asset.

The Group has applied IFRS 16 since 1 January 2019, resulting in changes to accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transitional rules in IFRS 16, the Group has applied the simplified approach and therefore has not restated comparative figures. All right-of-use assets were measured on transition at an amount corresponding to the lease liability adjusted for prepaid lease payments relating to the leases as at 31 December 2018. On transition the following reliefs were applied:

- The right-of-use assets were classified based on the type of asset and by country, and the discount rate was established based on country and asset class.
- The right-of-use period was established using subsequent knowledge concerning, for example, options to extend and termination clauses.
- The weighted average incremental borrowing rate used on the date of initial application (2019-01-01) was 2.22%.

An explanation of the difference between operating lease commitments reported according to IAS 17 immediately prior to the date of initial application (i.e. on 2018-12-31) and lease liabilities reported according to IFRS 16 on the date of initial application (i.e. on 2019-01-01) is given below.

Commitments for operating leases as at 31 December 2018	38,958
Discounted by the Group's incremental borrowing rate of 2.22%	–768
(Less): short-term leases, expensed on a straight-line basis	–2,102
(Less): leases where the underlying asset is of low value, expensed on a straight-line basis	–1,738
Less: adjustments for transshipment warehouse rental	–17,534
Lease liabilities recognised as at 1 January 2019	16,816

Note 38 Events after the balance sheet date

At the annual general meeting held on 12 March 2020, it was resolved that SEK 150 million should be paid as dividend to Sutriv Holding.

At the annual general meeting held on 12 March 2020, Per Bjurbom, Stefan Lundin, Ying Che, Karin Eliasson, Arne Wallin and Helene Willberg were elected as board members for the period until the end of the next annual general meeting. Per Bjurbom was also elected chairman of the board.

In June 2020 it was decided that after the year-end gather a large proportion of the central businesses in a new head office in Karlstad.

In the end of May 2020 an unplanned stop occurred in Bäckhammar due to disturbances in the mill's process. Duration of the stop was about six days and a negative effect on the profit of about SEK 20 million, mainly in terms of lost profit contribution, but also direct costs for measures. Any environmental or other external effects did not occur.

At the extraordinary general meeting held on 20 August 2020, it was resolved, among other things, to move the Company's registered office to Karlstad, make the company public and to introduce a CSD clause in the Articles of Association and thereby connect the company's shares to a CSD register kept by Euroclear Sweden AB.

In September 2020, the Company entered into a facilities agreement with DNB Bank ASA, DNB Bank ASA, Sweden Branch, DNB Sweden AB and Aktiebolaget Svensk Exportkredit for a total amount of SEK 1,800 million, which is intended to be Nordic Paper's main financing after the listing.

The annual maintenance stop at the Bäckhammar mill was carried out during the latter part of September 2020 under special safety measures taken by Nordic Paper due to Covid-19. The duration of the stop became somewhat longer than planned, and towards the end of the stop, it was identified that a maintenance activity originally planned for 2022 had to be carried out ahead of time in connection with this year's stop. The total negative impact on operating profit resulting from the stop and the extended maintenance activity has been estimated to approximately SEK 85–95 million, an SEK 25–35 million increase compared with the originally expected negative impact on operating profit of approximately SEK 60 million. Among the SEK 25–35 million increase, approximately SEK 17–22 million will affect the third quarter and SEK 8–13 million will affect the fourth quarter. The increased negative impact on the operating profit is mainly related to reduced sales.

At the extraordinary general meeting held in October 2020, it was decided to split the Company's ordinary shares by 1,400:1, and to pay an additional dividend of SEK 800 million to Sutriv Holding. A total of SEK 950 million will thus be paid to Sutriv Holding before the listing.

The Auditor's Report on historical financial statements



This is a literal translation of the Swedish original report

The Auditor's Report on historical financial statements

Independent Auditor's report

To the shareholders of i Nordic Paper Holding AB, corporate identity number 556914-1913

Report on the consolidated accounts

Opinions

We have audited the consolidated accounts of Nordic Paper Holding AB (publ) for the period of three financial years ending 31 December 2019. The consolidated accounts of the company are included on pages F-10–F-40 in this document.

In our opinion, the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019, 31 December 2018 and 31 December 2017 and its financial performance and cash flow for each of the three financial years ending 31 December 2019 in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the *Auditor's Responsibilities* section. We are independent of the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and according to IFRS as adopted by the EU. The Board of Directors and the Managing Director is also responsible for such internal control as they determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.



Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for my our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.



Stockholm 12 October 2020
Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

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