



ANNUAL REPORT & SUSTAINABILITY REPORT 2022

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ANNUAL REPORT AND SUSTAINABILITY REPORT FOR 2022

Nordic Paper's statutory annual report includes the Directors' Report and financial statements, and can be found on pages 63–123. The statutory sustainability report, as required by the Swedish Annual Accounts Act, is included in the Annual Report (pages 11, 16–17, 33–62 and 73–79).

ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Wednesday, 24 May 2023.

All information about the meeting and how shareholders can exercise their voting rights and request information is available on Nordic Paper's website, www.nordic-paper.com

FINANCIAL CALENDAR

Interim Report Q1 2023	28 April 2023
Interim Report Q2 2023	20 July 2023
Interim Report Q3 2023	31 October 2023
Year-End Report 2023	30 January 2024



THE NATURAL LEADER IN SPECIALITY PAPER

With many years of experience as well as deep knowledge and expertise, Nordic Paper offers products that are contributing to the transition to a fossil-free society and a circular bioeconomy.

NORDIC PAPER'S HIGH-QUALITY speciality paper products help consumers to reduce their climate footprint. The products are produced using renewable raw materials in resource-efficient production processes. Many of the products can be used as alternatives to products made from fossil-based plastic. After use the products are recyclable.

Nordic Paper has produced and developed unbleached kraft paper and natural greaseproof paper since the 1800s and the business continues to develop every day, driven by the company's 670 employees. Customers throughout the world convert our speciality paper into products such as carrier bags, sacks, bags, baking paper, baking cups and other products used in food handling or for industrial applications.

NORDICPAPER
The natural leader in speciality paper

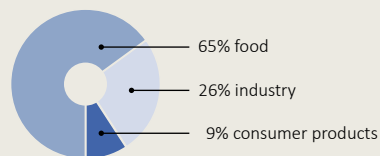
Sales to

85
countries

840
customers

670
employees

Net sales by end use



5
production
plants

2022 IN FIGURES

KEY RATIOS

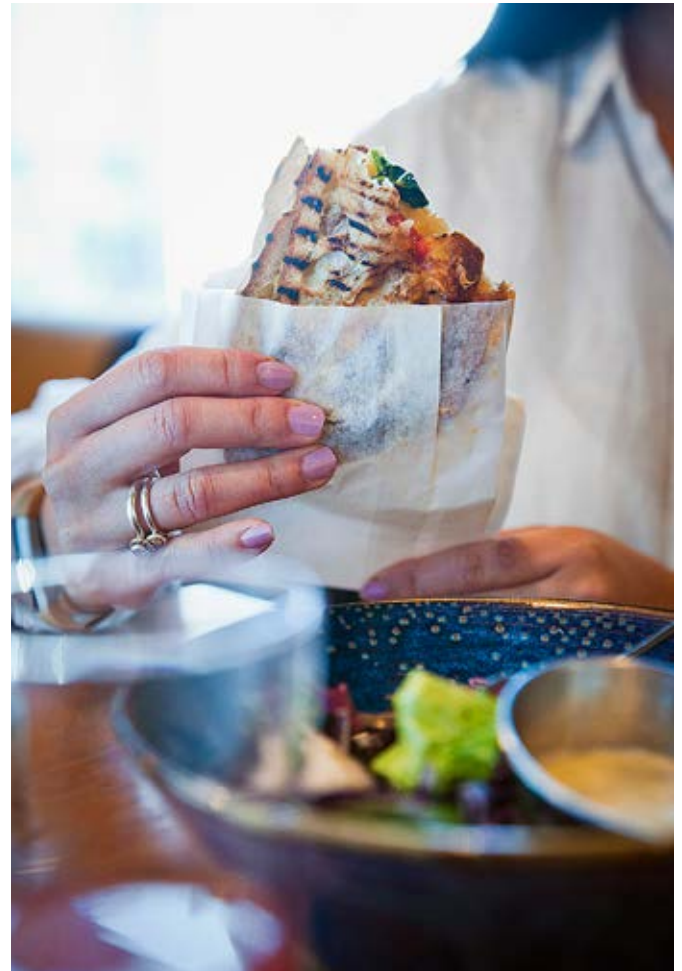
SEK m	2022	2021	Δ, %
Net sales	4,440	3,083	44
EBITDA	821	358	129
Adjusted EBITDA ¹	821	434	89
EBITDA margin, %	18.5	11.6	
Adjusted EBITDA margin, % ¹	18.5	14.1	
Operating profit	676	208	225
Adjusted operating profit ^{1,2}	676	316	114
Operating margin, %	15.2	6.8	
Adjusted operating margin, % ^{1,2}	15.2	10.3	
Profit for the period ³	566	144	293
Earnings per share, SEK ^{3,4}	8.46	2.15	
Cash flow from operating activities	560	408	37
Return on operating capital, 12 m, %	32.5	15.9	
Net debt/EBITDA, 12 m, multiple	1.2	3.7	
Sales volume, ktonnes	284.5	280.6	1

¹ For full year 2021 adjusted for the SEK 76 million provision made in Q2 2021 for remediation of buildings and land in Säffle.

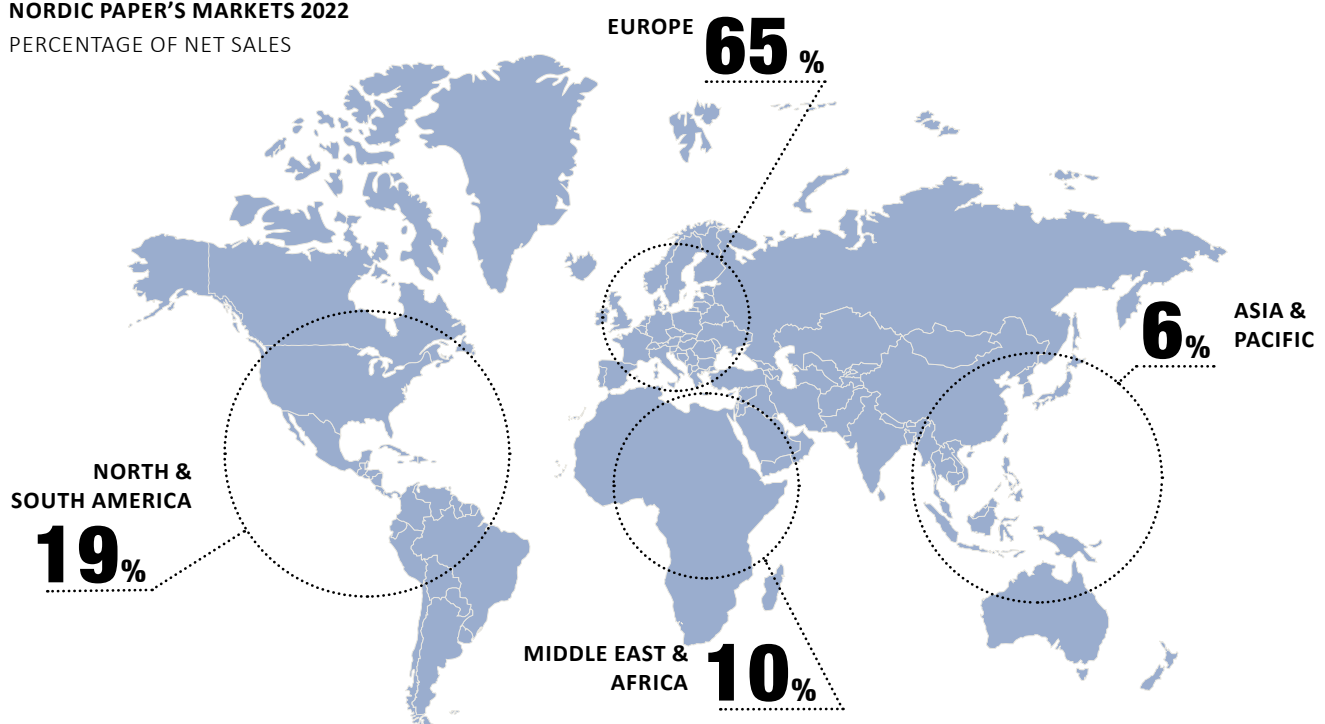
² For full year 2021 adjusted for the impairment loss on the Säffle mill of SEK 32 million recognised in Q4 2021.

³ Net profit for 2022 includes a capital gain in net financial items of SEK 42 million from the sale of the minority shareholding in Åmotfors Energi AB.

⁴ Before and after dilution.



NORDIC PAPER'S MARKETS 2022 PERCENTAGE OF NET SALES

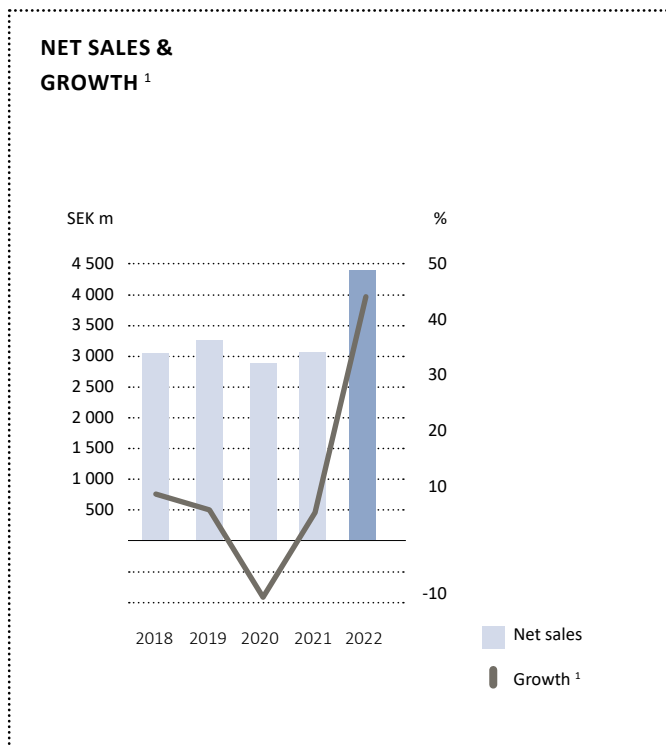


PERFORMANCE ON TARGETS 2022

GROWTH

TARGET: Annual net sales growth of 2–4 percent over the long term. Nordic Paper also intends to grow by taking advantage of opportunities for selective acquisitions.

OUTCOME 2022: 33%^{1, 2}

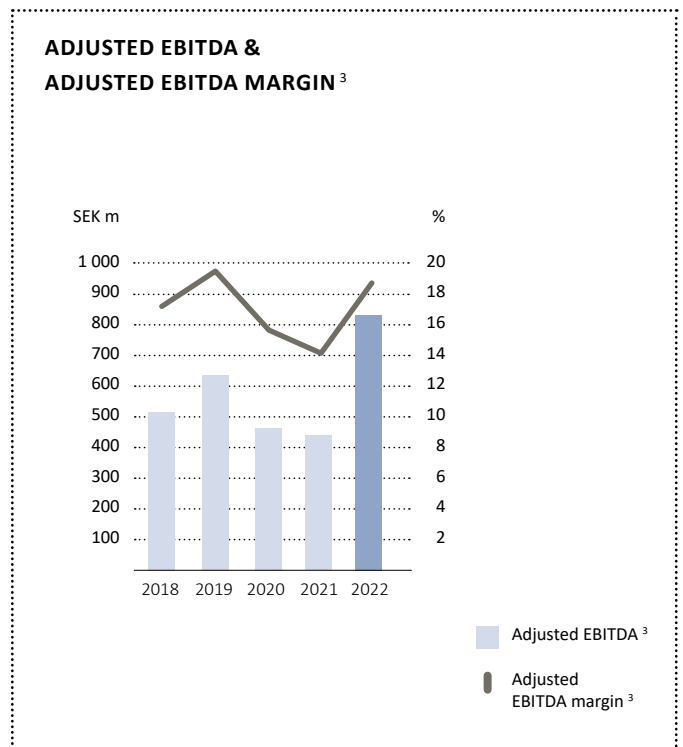


¹ Excluding acquired operations.
² Of which currency was 8 percentage points.

PROFITABILITY

TARGET: EBITDA margin of around 20 percent in the medium term.

OUTCOME 2022: 18.5%



³ For full year 2021 adjusted for the provision of SEK 76 million made in Q2 2021 for the restoration of buildings and land in Säffle.

DEBT

TARGET: Net debt in relation to EBITDA is not to exceed 2.5x. Net debt in relation to EBITDA may, however, exceed 2.5x temporarily, for example in connection with acquisitions.

OUTCOME 2022: 1.2x

DIVIDEND

TARGET: Dividend of around 50–70 percent of net profit for the year. The proposed dividend is to take into account Nordic Paper’s financial position, liquidity, future investment needs and the general macro-economic and operational conditions.

OUTCOME 2022: 55%

2022 IN BRIEF

Q1 The market was very strong during the first quarter of the year and Nordic Paper delivered a record quarter for both net sales and EBITDA. The operations acquired in Canada as of 31 December 2021 made a positive contribution to the company's overall profits.

During the quarter Russia invaded Ukraine and this led to great human suffering. Due to Russia's aggression Nordic Paper decided to stop sales to customers in Russia. Before this decision Russian customers accounted for just under 2 percent of the company's sales.

NET SALES: SEK **1,052** m

EBITDA: SEK **237** m

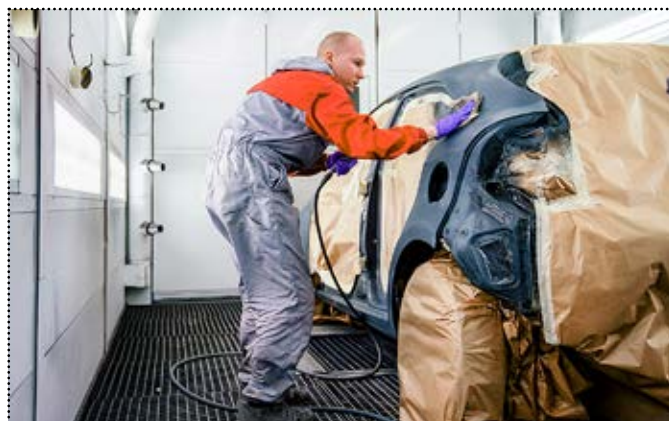
Q2 The strong performance in the first quarter continued into the second quarter of 2022 and the company was able to increase product prices in a very strong market. New records in an individual quarter were noted for net sales and EBITDA.

Sanctions against Russian interests continued during the quarter and the EU decided on an import ban for Russian unbleached kraft paper with effect from the summer. Russian unbleached kraft paper accounted for around 10 percent of supply in the European market in 2021.

The company's debt level continued to fall following the acquisition in Canada. By the end of the second quarter the debt level had returned to the company's financial target of below 2.5, measured as net debt in relation to the 12-month EBITDA.

NET SALES: SEK **1,144** m

EBITDA: SEK **247** m



Q3

Nordic Paper’s market position remained strong in the third quarter of the year and a trend towards regaining a more balanced demand situation was noted towards the end of the quarter.

In the third quarter Nordic Paper carried out planned maintenance shutdowns at all plants, with the normal seasonal effect on both net sales and EBITDA.

Costs for purchased electricity rose to very high levels during the quarter and paper pulp costs remained high. Both of these factors impact profits for Natural Greaseproof the most and the margin for this segment was negative in the third quarter.

NET SALES: SEK **1,037** m
EBITDA: SEK **77** m

Q4

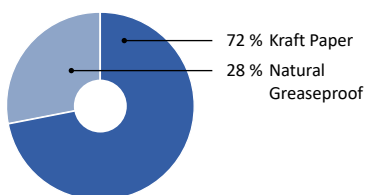
In the fourth quarter of 2022 Nordic Paper again delivered a new record quarter for both net sales and EBITDA. Market demand was good in both segments, but the outlook was weaker. The Kraft Paper segment delivered very strong results for the quarter and Natural Greaseproof increased profitability to its highest level during the year after both price increases and energy surcharges managed to compensate for cost increases earlier in the year.

During the quarter Nordic Paper divested its minority interest in Åmotfors Energy, an associated company.

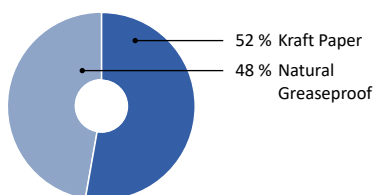
NET SALES: SEK **1,206** m
EBITDA: SEK **260** m



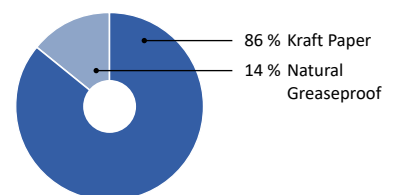
SALES VOLUME
BY SEGMENT



NET SALES
BY SEGMENT



EBITDA
BY SEGMENT





“ The long-term trend with brand owners seeking more sustainable alternatives to plastic is working in Nordic Paper's favour.

A SUCCESSFUL YEAR FOR NORDIC PAPER

2022 was a fantastic year for Nordic Paper in which we set new records for net sales and EBITDA. Our strategy is to focus on niche areas within kraft and greaseproof papers, where our speciality products create value – especially due to their sustainability performance – and where demand is growing. This resulted in a very strong market situation during the year. 2022 was also the first full year in which the operations in Québec acquired in 2021 contributed to Nordic Paper's results. After a successful integration process we can see that Nordic Paper Québec delivered higher net sales and EBITDA in 2022 than before the acquisition.

VERY STRONG DEMAND FOR THE COMPANY'S PRODUCTS

At the beginning of the year demand increased in the company's primary markets after a long period of pandemic restrictions. The long-term trend towards a circular economy, with brand owners seeking more sustainable alternatives for current packaging solutions made from fossil-based plastic, is working in Nordic Paper's favour. Many different industries in multiple geographies are requesting alternatives to replace plastic. Examples of applications discussed with customers during the year are transport packaging for e-commerce, trays for prepackaged foods for consumers and packaging for nappies.

Demand for the company's products for the full year was very strong, although a trend towards a more balanced demand situation was noted in the second half of the year.

RAISED SUSTAINABILITY AMBITIONS

We adopted new climate targets during the year as a means of further strengthening our competitive advantage in sustainability. By 2030 the company intends to reduce fossil GHG emissions – both direct and indirect emissions – by at least 50 percent from the base year of 2020.

During the year the total fossil GHG emissions, including indirect emissions, decreased by 2 percent in comparable operations. A large portion of the reduction is due to successful efforts in 2022 to reduce the amount of remaining fossil fuels used at our plant in Säffle.

During the year we continued our initiatives to create a workplace free from accidents. We can see that there is still work to be done as we have not reached our target in this area, but we are convinced that the efforts we are making will yield results over time.

EFFECTS OF THE WAR IN UKRAINE FELT EVERYWHERE

We are naturally very distressed over the Russian invasion of Ukraine and all the human suffering it has caused and continues to cause. It was an easy decision to suspend sales to Russia shortly after the invasion. These sales were equivalent to just under 2 percent of our net sales. Nordic Paper also donated funds in 2022 to organisations that are working to alleviate the suffering in Ukraine.

SUBSTANTIAL COST INCREASES OFFSET BY RAISING PRODUCT PRICES

The cost of many of the input goods we use increased during the year. The price of paper pulp continued to rise from the previous year's high level and reached a record level between the third and fourth quarters. As a direct consequence of the war in Ukraine there was turbulence in Europe's energy markets, with the price of electricity and fossil fuels at times reaching very high levels in 2022.

All of the plants in the Natural Greaseproof segment are non-integrated, i.e. they have no integrated paper pulp production and therefore depend on a supply of external paper pulp as well as energy. The increases in the cost of paper pulp and energy have therefore mainly impacted the Natural Greaseproof segment. In 2022 we had a constant focus on product price increases. In the second half of the year we added a special energy surcharge to the price of our products

for a large portion of the segment's orders. Thanks to these actions we were able to increase profitability in the Natural Greaseproof segment in the fourth quarter.

INCREASED PRODUCTION CAPACITY IN SÄFFLE

Since the beginning of 2022 our production unit in Säffle has been producing paper exclusively from external pulp. The change took place after the pulp mill at this plant was closed at the end of 2021 at the same time as we invested in a new process line to handle external pulp.

This transition has now resulted in higher production capacity to meet the increased demand for greaseproof paper. It has also enabled us to significantly lower our climate footprint.

POSITIVE CONTRIBUTION FROM OUR NEW COLLEAGUES IN QUÉBEC

2022 was also the year we welcomed Nordic Paper Québec into our family. The acquisition was completed on New Year's Eve in 2021 and as a result, Nordic Paper now has a foothold on the North American continent. It was also encouraging that the cost increases we saw in Europe were not as noticeable in Canada. The integration process has progressed well and has focused on combining the sales channels and creating a joint product portfolio to offer to our clients. The Canadian operation can now also benefit from Nordic Paper's broader sales network to geographies outside North America.

The good progress in 2022 for all of Nordic Paper's operations, including those in Québec, has resulted in our debt level – expressed as net debt divided by EBITDA – falling from 3.7 at the end of the previous year to 1.2 at year-end 2022. The debt level is in line with our financial target of remaining under 2.5.

30 PERCENT INCREASE IN THE NUMBER OF SHAREHOLDERS

We are very glad to see that more and more investors are choosing to purchase shares in Nordic Paper. At the end of the year we had 30 percent more shareholders than one year earlier. It is very gratifying to be able to share the profits from a fantastic 2022 with a growing group of shareholders. Our profits are the result of all of the excellent work of our dedicated employees. I would like to say a big thank you for a job well done in 2022!

WE ARE WELL-EQUIPPED FOR THE FUTURE

We are now looking forward to 2023 in the knowledge that we are well-equipped for the future. Despite a somewhat bleak economic outlook in the short term, the long-term trend is positive. The world needs more materials with ever-improving sustainability performance – this is perfect for Nordic Paper!

Karlstad, April 2023
Anita Sjölander
CEO Nordic Paper



VISION AND CORE VALUES

VISION

NORDIC PAPER IS THE NATURAL LEADER IN SPECIALITY PAPER.

A BUSINESS MODEL FOR OUR TIME

Nordic Paper helps to make it possible to combine an urban lifestyle with sustainability through fibre-based and recyclable products.

The products are made from renewable raw materials that come from sustainably managed forests, where the trees bind carbon dioxide in the growth phase. Fibre-based recyclable products are important sustainable alternatives to products that would otherwise be made of plastic.

The company's production processes are based on resource efficiency and the production plants use mainly renewable energy sources.

CORE VALUES

RESPONSIBILITY – We take responsibility for the wellbeing of our people and others, and we provide safe and attractive workplaces. Our responsibility includes ensuring quality and delivery reliability and this leads to satisfied customers. Acting responsibly to protect the environment for current and future generations creates sustainable profits.

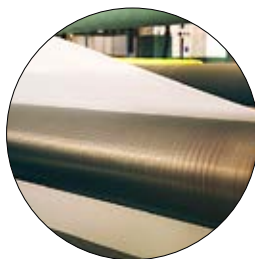
RESPECT – The equal value of all people is self-evident for us. We respect each other and treat all people as we ourselves would like to be treated.

COOPERATION – We work in cooperation with each other and our stakeholders to create success. By embracing each other's differences and strengths we become better together.

DEVELOPMENT – We challenge ourselves in our work today and set new goals for future growth. We reach new heights through our constant focus on improvement.



Renewable raw material from sustainably managed local forests



Resource-efficient production processes without added fluorochemicals (PFAS)



Paper-based products as an alternative to plastic

MEGATRENDS

THAT SUPPORT NORDIC PAPER AND ITS MARKETS

The market for kraft and greaseproof papers benefits from a multitude of different structural drivers and megatrends. Several of the drivers and trends are global in nature.

INCREASED SUSTAINABILITY AWARENESS

An increased focus on sustainability in society is increasing demand for materials that have a lower impact on the climate, such as paper.



IMPACT Paper production is based on renewable raw materials and can take place with a lower climate impact than, for example, plastic production.

The recycling rate is relatively high and paper biodegrades faster than most comparable plastic-based packaging.

CHANGED FOOD HABITS

The global restaurant sector is growing, mainly driven by the fast food segment. People are eating out, going to cafés and buying take-away food to a greater extent.

IMPACT Professional chefs often use greaseproof paper and demand high quality, which Nordic Paper's paper can deliver.

Packaging for ready meals also often needs to tolerate being frozen and heated, which Nordic Paper's paper can deliver.



REGULATIONS

Many governments are implementing various mechanisms to limit the use of plastic. According to the UN, 127 countries have introduced some form of regulation aimed at reducing plastic consumption.

Some suppliers use fluorochemicals (PFAS) to create paper with a greaseproof barrier. Some countries have imposed restrictions on the use of these chemicals in materials that come into contact with food, because PFAS have been shown to be detrimental to health.



IMPACT Paper can replace plastic in several areas of use, including bags and packaging solutions. Many projects are under way in cooperation with potential and existing customers to develop new applications.

Nordic Paper does not use fluorochemicals (PFAS) in its greaseproof paper but instead creates the greaseproof barrier mechanically, thereby meeting the strict standards for paper that comes into contact with food.



POPULATION GROWTH AND URBANISATION

The global population is growing and urbanisation is increasing in connection with this. A greater percentage of people are expected to live in cities and the middle class is expected to grow. Ever more people live further and further away from raw materials and locally produced food, which is increasing demand for packaging for distribution.

IMPACT Nordic Paper's sales are global and the company's paper is used in multiple packaging solutions in various industries, and also meets the food industry's safety requirements.

ECONOMIC GROWTH AND GLOBALISATION

Industrial expansion and gradually improving standards of living give risk to increased consumer expectations. This is a driver in the construction industry and for investments in areas such as infrastructure, with an emphasis on the rapidly expanding growth economies.



IMPACT Kraft paper sacks are one of the more common options for packaging of building materials. Nordic Paper's sack paper is used, among other things, for food, cement and chemicals.

Kraft paper is also used for a number of other industrial applications, such as interleaving paper in stainless steel production.



OPERATIONS

Nordic Paper has produced paper in Scandinavia since the late 1800s. Today the company is a world-leading producer of two types of high-quality speciality paper: kraft paper and natural greaseproof paper, which are used in a multitude of applications.

The company targets the premium quality segment, which has high standards for paper quality and properties. Nordic Paper holds a leading market position within specific niche areas.

The products are made from renewable raw materials that come from sustainably managed local forests and no fluorochemicals (PFAS) are added in the production process. The paper is therefore well-suited for use with food products.

SPECIALITY PAPER

Kraft paper is distinguished by, among other things, its strength and flexibility, which makes it well-suited for many different applications, such as various types of carrier bags and packaging for food and building materials.

Greaseproof papers are characterised by its resistance to grease and oil, and is mainly used for various types of applications in baking

and food preparation, and in food packaging. Nordic Paper creates the greaseproof barrier on this type of paper by mechanically processing the fibres rather than adding fluorochemicals (PFAS).

INDEPENDENT SUPPLIER WITH LONG-STANDING CUSTOMER RELATIONSHIPS

Although some of the customers are wholesalers, most are converters. Most of our kraft paper is sold directly to packaging converters who convert it into finished end-products.

Unlike many of its competitors, Nordic Paper is not involved in converting. In other words, the company does not compete with its customers, which is an advantage in the market. Around 85 percent of our natural greaseproof paper is sold to converters and the remaining 15 percent is sold in sheet format directly to wholesalers. The company sells through its own sales staff or through the use of agents.

KRAFT PAPER

Sack/MF paper



MG paper



NATURAL GREASEPROOF

Baking paper



Baking cup paper



Absorbent kraft paper



Steel interleaving paper



Packaging and barrier paper



Lamination paper



NORDIC PAPER'S POSITION IN THE VALUE CHAIN

NORDIC PAPER WORKS CLOSELY with its customers and is constantly developing its product portfolio to ensure that the products support the customers' development and meet their needs. This has led to lasting and stable customer relationships. A large portion of net sales are attributable to customers who have purchased products from the company for many years.

The speciality paper market is fragmented and the customer base consists of around 840 customers. In 2022 Nordic Paper's 10 largest customers accounted for around 20 percent of net sales.

FLEXIBLE PRODUCTION STRUCTURE – HIGH ENTRY BARRIER

Nordic Paper's production model is specialised for the production of unbleached kraft paper and natural greaseproof paper. The production structures are flexible and can be cost-efficiently adjusted for

multiple niche product series based on customer specifications and quality requirements. This requires many years of experience and considerable expertise in producing technically demanding paper. The company's production structure is unique and costly to replicate.

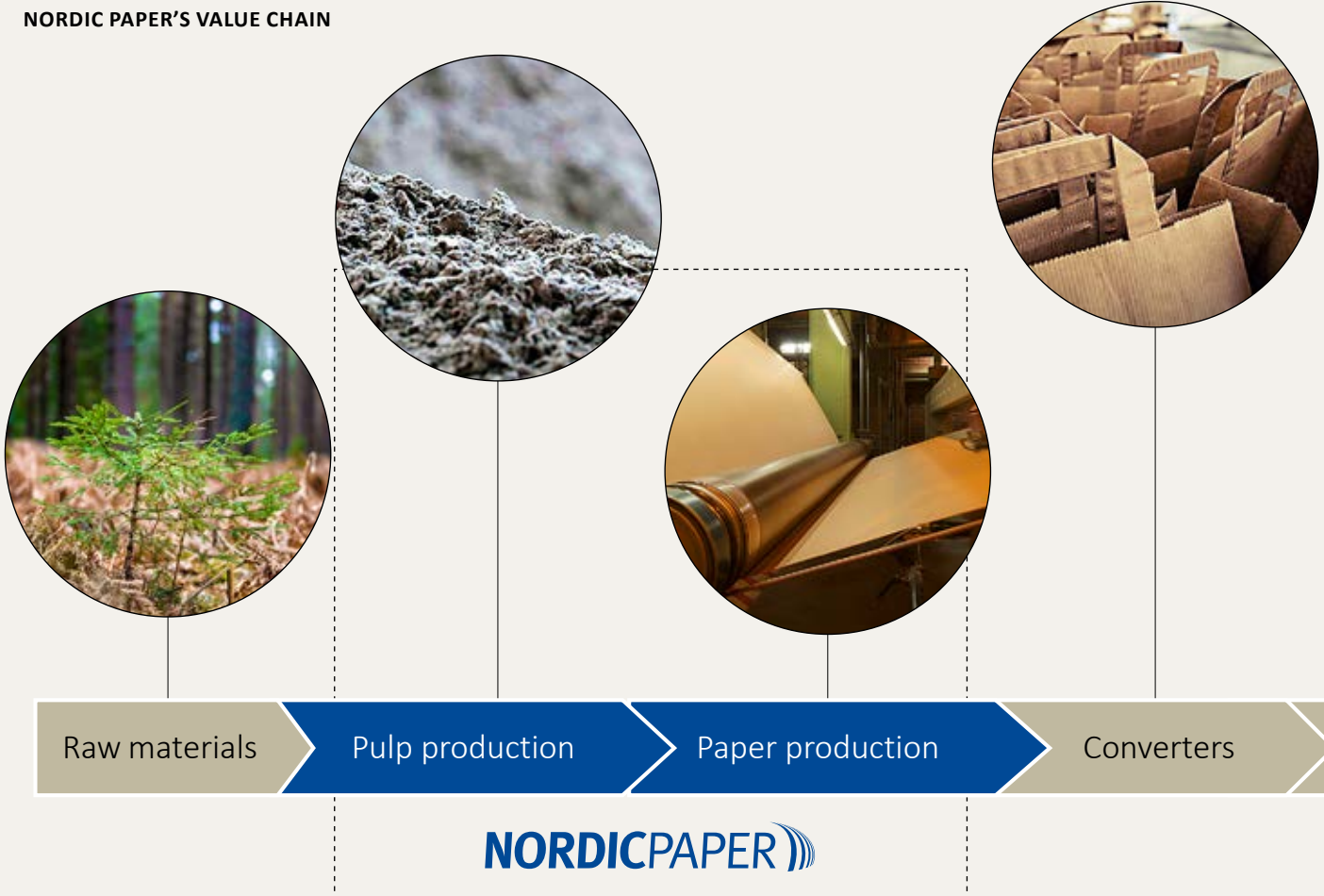
PRODUCTION IN SWEDEN, NORWAY AND CANADA

Production takes place at five production plants: Säffle, Bäckhammar and Åmotfors in Sweden, Greåker in Norway and Québec in Canada. The three mills in Säffle, Greåker and Québec manufacture natural greaseproof paper, while the Åmotfors and Bäckhammar mills produce kraft paper.

Bäckhammar is an integrated pulp and paper mill, while the other plants are paper mills with no pulp production of their own.

The sales volume in 2022 amounted to 284,500 tonnes.

NORDIC PAPER'S VALUE CHAIN





Distributors

End-consumers

PRODUCTION PLANTS

QUÉBEC

Paper mill that produces speciality paper and sells products to customers throughout North America. Paper pulp is sourced externally.

BUSINESS SEGMENT: Natural Greaseproof

NUMBER OF PAPER MACHINES: 1

PRODUCTS: Baking paper, interleaving paper for bacon, paper for baking cups and speciality paper for industrial and food-related applications.

GREÅKER

Paper mill that produces natural greaseproof paper from externally sourced paper pulp.

BUSINESS SEGMENT: Natural Greaseproof

NUMBER OF PAPER MACHINES: 2

PRODUCTS: Baking paper, paper for paper cups and barrier paper.

SÄFFLE

Paper mill that produces natural greaseproof paper. Paper pulp is delivered from Bäckhammar mill and also purchased externally.

BUSINESS SEGMENT: Natural Greaseproof

NUMBER OF PAPER MACHINES: 2

PRODUCTS: Baking paper, paper for baking cups and packaging.

ÅMOTFORS

This paper mill produces unbleached kraft paper from pulp, mainly from Bäckhammar.

BUSINESS SEGMENT: Kraft Paper
NUMBER OF PAPER MACHINES: 2

PRODUCTS: Interleaving paper for the steel industry and absorbent kraft paper.

BÄCKHAMMAR

Integrated pulp and paper mill that produces unbleached kraft paper.

Sulphate pulp is delivered to Åmotfors and Säffle and surplus pulp is sold externally.

BUSINESS SEGMENT: Kraft Paper
NUMBER OF PAPER MACHINES: 2

PRODUCTS: Sack, MF and MG paper.



PRODUCTION PROCESSES AND COST STRUCTURE

NORDIC PAPER PRODUCES PAPER at the company’s five production facilities. The paper is made using specially designed paper machines. A paper machine forms a sheet of paper from a stock, a water suspension in which cellulose fibres are dissolved. After the sheet is formed the paper machine squeezes out as much water as possible in what is called the press section, after which the paper web is dried indirectly with steam in the drying section.

The company has five paper machines to make natural greaseproof paper and four paper machines for kraft paper. The company’s paper machines are all unique in terms of technical configuration and they therefore have differing capabilities in terms of paper quality, efficiency and capacity. It is possible to switch products to some extent between the machines that make kraft paper and between those that make natural greaseproof paper.

Inputs of various types are needed to produce paper. The main ones are paper pulp, energy and paper chemicals. In addition, Nordic Paper also provides much of transportation of its product to customers. Transport services are therefore purchased from external suppliers.

PAPER PULP – In addition to paper, the company also produces paper pulp in Bäckhammar at one of the company’s five production plants. The main input for pulp production is wood chips, but chemicals are also needed. The company consumes around 1 million m3 solid under bark of wood raw materials per year.

The paper pulp produced in Bäckhammar is used in paper

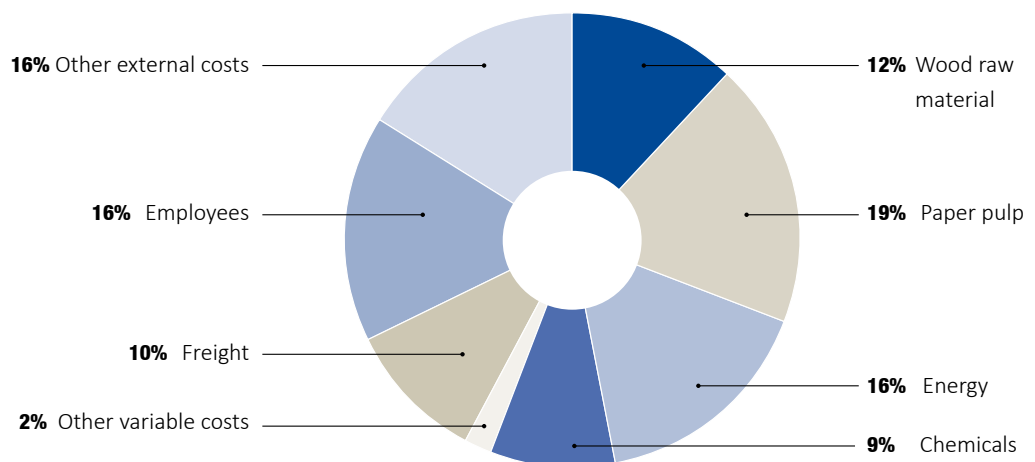
production in Bäckhammar, but also in Åmotfors and to some extent in Säffle too. The remaining paper production in Säffle, Greåker and Québec is based on purchased market pulp from other pulp suppliers. Nordic Paper’s net exposure to market pulp is around 80,000 tonnes per year.

ENERGY – Pulp production in Bäckhammar generates surplus steam which the company uses in paper production at the mill and to produce electricity in a generator. The electricity generated by Bäckhammar is equivalent to around 25 percent of the company’s entire electricity requirement of just under 500 GWh/year. Electricity needed over and above that which the company generates is purchased.

The company has a hedging policy according to which 70 percent of the short-term electricity requirement is fully or partly hedged through various forms of price arrangements. The hedging portfolio reduces in steps over a five-year period and is continually being replenished as time goes by.

In addition to electricity, steam is also needed in paper production to dry the paper. All of the mills have different solutions for meeting their steam requirements. Bäckhammar gets most of its steam from the pulp mill recovery process, while in Åmotfors and Québec the steam is supplied from nearby waste incineration plants owned by other parties. In Säffle and Greåker Nordic paper has its own boilers to produce steam. The main fuel used in Säffle is biofuel and the plant in Greåker has a natural gas boiler as well as the ability to produce steam using electricity.

COSTS BY TYPE 2022



SEGMENTS

Nordic Paper's operations are divided into two segments – Kraft Paper and Natural Greaseproof – both of which offer high quality paper that can be used in many different packaging solutions, for food handling and for industrial applications. In 2022 the Kraft Paper segment accounted for 52 percent of Nordic Paper's net sales, while Natural Greaseproof accounted for 48 percent.



KRAFT PAPER

Kraft paper is used in many end-use applications, such as in products aimed at consumers, including carrier bags and food packaging, and in packaging for building materials and in multiple other industrial applications.

NORDIC PAPER HAS A BROAD RANGE of high-quality unbleached kraft paper in its product portfolio. The company divides its kraft paper into two categories: sack paper/MF (machine finished), MG (machine glazed), and other. Nordic Paper's unbleached kraft paper is one of the strongest kraft papers on the market. Sack paper is the largest product category and accounts for around half of the segment's net sales. The second largest is MG paper with almost a quarter of net sales.

The quality and properties required for kraft paper depend on the end-use application. When kraft paper is used for various types of packaging, for example for food or building materials, the strength of the paper is important. Sack paper used for cement, flour or sugar

sacks needs to have a combination of strength and porosity. Porosity, i.e. the ability to allow air to pass through, is important because the speed at which, for example, a paper sack can be filled with cement is limited by how fast the air in the empty sack can get out. If the porosity of the paper is too low, the sack will explode when being filled and the filling line will come to a halt.

Customers have high expectations for the quality and properties of the paper and also have specifications regarding the width of paper rolls and the paper's grammage. A flexible production process makes it possible to produce kraft paper to a multitude of specifications and with different properties.



SACK PAPER/MF PAPER (MACHINE FINISHED PAPER)

- Nordic Paper's sack and MF paper has high elasticity and tear strength, and is used to produce sacks and other packaging solutions.
- The paper is used in food packaging (e.g. for potato and flour sacks), building materials (e.g. cement sacks), compostable bags and to package chemicals.
- The customers are mainly converters.



MG PAPER (MACHINE GLAZED PAPER)

- Nordic Paper produces unbleached MG kraft paper that is characterised by high strength, printability and a glossy surface.
- The paper is used in the production of carrier bags, wrapping paper, lamination paper and protective paper.



OTHER

ABSORBENT PAPER

- Used in many products in construction and in furniture manufacturing. Impregnated absorbent kraft paper creates a hard and durable surface. Laminates produced using Nordic Paper's paper are used in, for example, moulds for casting concrete and in laminate flooring.
- The paper is also used for components in humidifiers and climate control systems.

INTERLEAVING PAPER

- Used to protect the surface of stainless steel and aluminium.

ELECTROTECHNICAL PAPER

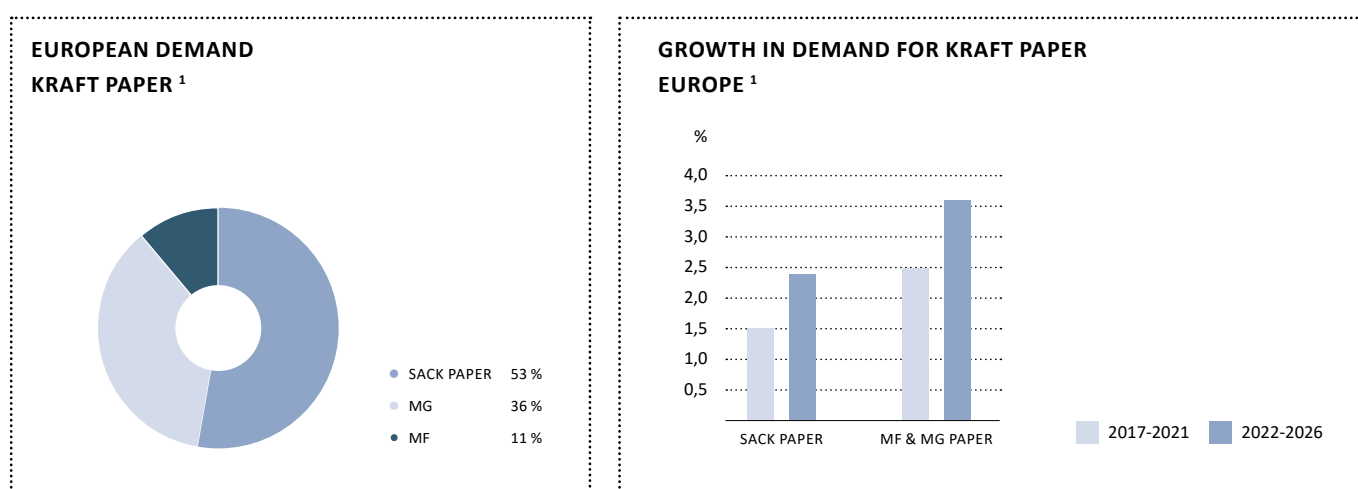
- Used to insulate electrical components.

MARKET

THE GLOBAL DEMAND FOR KRAFT PAPER is around 13 million tonnes per year and therefore constitutes just over 3 percent of the world’s total demand for paper and paperboard. The largest kraft paper product was sack paper, which made up 47 percent of global demand. Asia is the largest market, while Europe and North America each have 18 percent of global demand.

Nordic Paper’s primary market for kraft paper is Europe. The total demand for kraft paper in Europe is just under 3 million tonnes, of which 77 percent is unbleached kraft paper and the remaining 23 percent is bleached kraft paper.

Growth for sack paper as well as MF and MG paper is expected to increase for the 2022–2026 period compared with 2017–2021 driven by increased demand, as plastic packaging is to be replaced with other materials. European growth rates are expected to be higher than growth in global demand for the 2022–2026 period. For MG and MF paper, Europe has the highest growth rate in the world.



¹ Market study from Fastmarket Risi 2022

COMPETITORS

PACKAGING SOLUTIONS MADE FROM FOSSIL-BASED PLASTIC are the main competition for much of Nordic Paper’s product portfolio within kraft paper. Plastic has excellent properties for packaging solutions and also has cost benefits in many cases. However, plastic has drawbacks in terms of sustainability, including its climate impact which mainly comes from the fossil raw materials used in plastic production, as well as plastic littering. Nordic Paper’s products can help brand owners to reduce their consumption of fossil-based plastics.

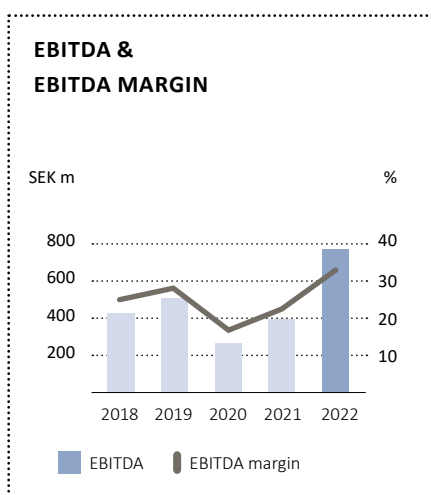
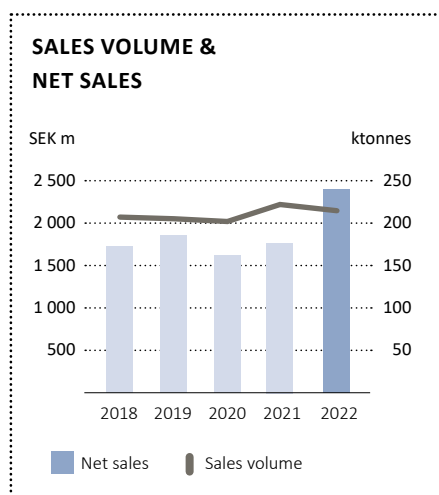
In addition to plastic as a competing material, other paper manufacturers are also Nordic Paper’s competitors. Examples of European competitors in the kraft paper segment are Mondi, Smurfit Kappa, Gascogne, Billerud and Ahlstrom.

Similar to Nordic Paper, most of the competing paper manufacturers have their own integrated paper pulp production. Several competing paper manufacturers also have integrated converting; in other words, they sell paper to other converters and also convert it themselves. Paper producers who also have their own converting processes are competing directly with their customers. When doing business with independent converters, Nordic Paper sees it as a competitive advantage that it does not have its own converting processes. In 2022, as part of the sanctions following Russian’s attack on Ukraine, the EU introduced an import ban for kraft paper from Russia. This shut competing company Segezha out of the market. Before the import ban Russian kraft paper accounted for around 10 percent of the European supply.



DEVELOPMENTS IN 2022

- In 2022 demand for unbleached kraft paper from Nordic Paper’s customers has been very strong. The strong demand at the beginning of the year can be explained in part by the effects of eased pandemic restrictions and the opening up of society. During the year an underlying trend was also noted whereby brand owners want to replace current packaging solutions made from plastic with other materials that have better sustainability properties.
- During the year Nordic Paper launched a new product family called iamkraft ePack that is specially adapted for e-commerce packaging. Nordic Paper’s paper can be used by brand owners to replace some of the plastic bags in their current e-commerce transport packaging solutions for consumers.
- Net sales for the full year 2022 increased by 35 percent to SEK 2,388 (1,772) million. The increase compared to the previous year is mainly explained by price increases.
- The sales volumes decreased by 3 percent as a consequence of a slightly lower production rate in the segment in the second half of 2022.
- EBITDA increased to SEK 768 (392) million and the EBITDA margin increased to 32.2 (22.2) percent.
- Operating profit amounted to SEK 712 (340) million and the operating margin was 29.8 (19.3) percent.



	2022	2021	
SEK m	Full year	Full year	Δ %
Net sales ¹	2,388	1,772	35
EBITDA	768	392	96
EBITDA margin, %	32.2	22.2	
Sales volume ¹ , ktonnes	213.3	220.9	-3

1) Includes intra-group deliveries



MARKET POTENTIAL FOR OVEN SAFE PIZZA BOXES

Nothing is impossible for the Italian packaging specialist LIC Packaging. Some time ago, the R&D department of the company got the idea to develop a new type of take-away boxes for pizza delivery. The novelty was that the box with the pizza inside could be heated in the oven of the consumer. During the pandemic, it became obvious that these boxes have a large market. Due to the increased demand for home delivery, there could be a time lag of up to 40 minutes between the cooking of the pizza until it reached the consumer. To reheat the pizza as it was delivered in the box became a competitive advantage. The first to believe in this project was “Pizzikotto” – brand of the Cigierre Group, Italian leader in developing and managing casual dining restaurants with original and recognizable concepts.

The pizza box developed by LIC Packaging is a corrugated box construction produced entirely from oven safe unbleached kraft papers from Nordic Paper in Åmotfors.

THE BOX IS NOW AVAILABLE on the market in Italy and LIC Packaging foresees demand from Switzerland, Austria and Germany. The Italian regulations for food contact materials are more strict than in other EU. All components of an Italian pizza box are required to be made of virgin fibre material as opposed to recycled material. Giorgio Mariani, R&D director at LIC Packaging, sees large potential if the Italian regulations would become standard in all of EU.

At the R&D department of LIC Packaging, paper grades available on the market from different suppliers are tested in search for new application areas. A continuous development of the customer offering is in the DNA of LIC Packaging since start of the company 70 years ago. Out of its about 350 employees, some 20 are directly involved in designing and developing new packaging for its customers. Almost 5,000 packaging design projects are carried out annually for the customers. Sustainability is core for LIC Packaging as it wants its solutions to contribute to a cleaner and more sustainable society. To develop packaging that is easy to recycle is important for the company.

There are many players producing ordinary pizza boxes, but oven safe boxes are true specialities. Giorgio Mariani describes insightful how different paper qualities behave under heating. He appreciates that the kraft papers from Åmotfors are oven safe and these are the papers that meets the conditions best out of all qualities tested. In this way, consumers have been able to enjoy real Italian pizza despite the pandemic. As Pizzikotto puts on its pizza boxes “Where there is pizza, there is hope”.

NATURAL GREASEPROOF

Greaseproof paper is a group of paper types that are characterised by a resistance to oil or grease. They are mainly used in the food sector, but also have a number of industrial applications.

NORDIC PAPER'S GREASEPROOF PRODUCTS consist of baking paper, paper for baking cups, food packaging paper, barrier paper and lamination paper for building materials. Baking paper is the largest product category, with around 70 percent of net sales. Baking cup paper is the second largest, with around 20 percent.

Different end-use applications have different requirements with respect to the quality and properties of the greaseproof paper. Baking and cooking papers, for example, are intended to facilitate food preparation and minimise clean-up afterwards. The greaseproof paper therefore needs to tolerate being heated and frozen, because food may need to go directly from the freezer to a microwave or conventional oven. Baking paper also needs to be both greaseproof and non-stick to easily remove food such as baked goods from the paper.

Packaging for food requires paper that provides a barrier against grease, light, air and moisture so that the food stays fresh but is also easy to serve and consume.

Nordic Paper's natural greaseproof paper meets global standards for food handling and has the flexibility to be adapted to provide the properties that customers require. The company's greaseproof paper contains no added fluorochemicals (PFAS). Instead the cellulose fibres are processed mechanically to achieve greaseproof properties. This provides a natural barrier of pure cellulose without PFAS, which are harmful to health. Natural greaseproof paper is characterised by high quality and flexibility, and can be adapted for many different manufacturing processes and quality requirements. It is certified for use with food.



BAKING PAPER

- Baking paper is a biodegradable and compostable natural greaseproof paper that can be treated with silicone and has excellent heat stability.
- The baking paper is used by professional bakers and food manufacturers, as well as by home cooks and bakers.
- Customers include converters, distributors/wholesalers and ready meal manufacturers.



BAKING CUP PAPER

- Nordic Paper's baking cup paper is produced with properties that give the baking cups good stability and provide an excellent barrier against grease and moisture.
- The paper comes in many colours, types and sizes.
- The paper is mainly sold to converters with industrial baking cup production.



OTHER

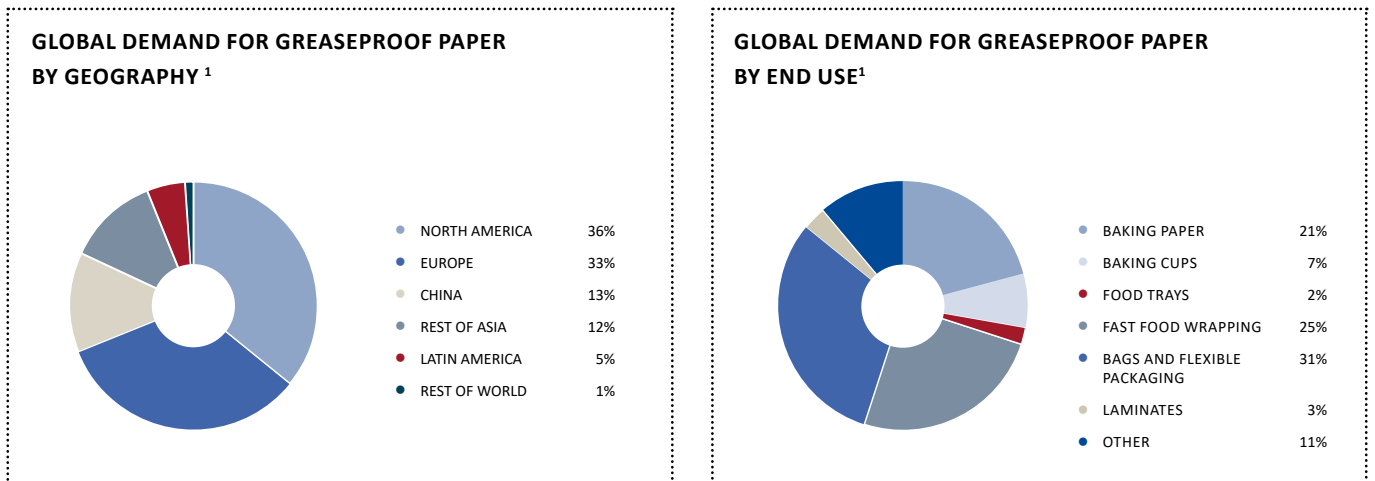
- Other includes speciality paper such as food packaging, barrier paper and lamination paper for building materials.
- Customers include converters and lamination companies.

MARKET

GLOBAL DEMAND for all types of greaseproof paper amounts to just under 1 million tonnes, making this a small portion of the total paper market. Global demand for greaseproof paper is met by a range of varieties of paper, including the natural greaseproof papers that Nordic Paper manufactures, but also by other grease-resistant papers. The latter types of paper get their properties from the addition of surface chemicals including fluorochemicals (PFAS). Grease-resistant paper is mainly used in various types of bags and to wrap fast food, while natural greaseproof paper is used more often as baking paper or for different types of baking cups. The supply of natural greaseproof paper meets around one third of the total greaseproof paper demand.

The largest market for greaseproof paper is North America, followed by Europe. China and the rest of Asia have a smaller share of the global market than for other types of paper or packaging materials. This is due to differences in food consumption patterns in different regions. Asian cuisine, for example, contains a lot of steamed or boiled food and consumption of baking paper is therefore low, while the higher proportion of food cooked in the oven in Europe and North America means there is higher consumption of baking paper in these regions.

Global demand for greaseproof paper is expected to increase in volume by 4.1 percent¹ per year for the period 2019–2024, which is higher than the growth rate for the paper market as a whole.



¹ Market study by Fisher International 2020.

COMPETITORS

GREASEPROOF PROPERTIES CAN BE ACHIEVED in a variety of ways and demand for greaseproof paper is met by a range of different types of paper. There are many actors in the market that add fluorochemicals (PFAS) to achieve grease resistance. Nordic Paper does not do this. Natural greaseproof paper competitors are mainly other actors in Europe or in the USA. Examples of competitors within the natural greaseproof segment are Metsä Tissue and Ahlstrom.

All European competitors within natural greaseproof and the majority that use fluorochemicals (PFAS) are so-called unintegrated papermills, i.e. they are not physically integrated with paper pulp manufacturing. All competitors therefore have a similar cost structure and rely on purchasing market pulp as well as energy such as electricity and/or fuels.

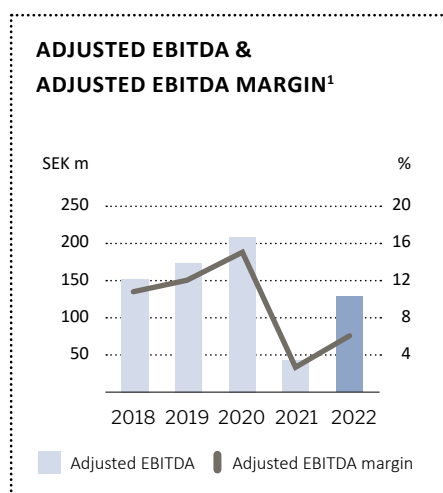
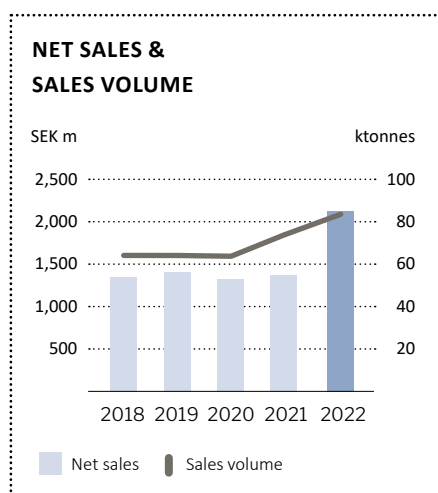


DEVELOPMENTS IN 2022

- In 2022 demand for Nordic Paper’s greaseproof paper was very strong. The strong demand at the beginning of the year can be explained in part by the effects of eased pandemic restrictions and the opening up of society.
- A steep rise in costs, particularly for all paper pulp and energy, had a negative effect on the segment’s profits. To compensate for these increases, product prices were raised on a continual basis during the year. The company also introduced a special energy surcharge for many of the segment’s products in the second half of the year. Product prices increased by 23 percent compared with the previous year.
- On 31 December 2021 Nordic Paper acquired the speciality paper company Glassine Canada Inc. and 2022 was the first year that this company in Québec was part of Nordic Paper. The acquired operations were integrated into Nordic Paper during the year with a focus on creating a common sales structure and a common product port-

folio, among other things. Nordic Paper Québec increased both net sales and EBITDA compared with the year before the acquisition.

- Net sales for the full year 2022 increased by 54 percent to SEK 2,124 (1,377) million. The increase on the previous year is explained in equal parts by the acquired operations in Québec and by price increases implemented. Currency also had a positive effect on net sales during the year, mainly due to the segment’s sales in USD, which strengthened against SEK in 2022.
- Sales volumes increased by 15 percent, which is explained in its entirety by the acquired operations.
- EBITDA increased to SEK 126 (–34) million and the EBITDA margin increased to 5.9 (–2.5) percent.
- Operating profit amounted to SEK 52 (–132) million and the operating margin was 2.5 (–9.6) percent.



	2022	2021	
SEK m	Full year	Full year	Δ, %
Net sales	2,124	1,377	54
Adjusted EBITDA ¹	126	42	201
Adjusted EBITDA margin, % ¹	5.9	3.0	
Adjusted operating profit ^{1,2}	52	–4	
Adjusted operating margin, % ^{1,2}	2.5	–0.3	
Sales volume, ktonnes	84.0	73.3	15

¹ For full year 2021 adjusted for the SEK 76 million provision made in Q2 2021 for remediation of buildings and land in Säffle.

² For full year 2021 adjusted for the impairment loss of SEK 32 million recognised for the pulp mill in Säffle in Q4 2021.



NATURAL GREASEPROOF PAPER FOR THE WHOLE WORLD

Nordic Paper delivers natural greaseproof paper to customers all around the world.

THE WAYS IN WHICH PAPER IS USED IN FOOD PREPARATION varies depending on where in the world it is used. In Western Europe, which is Nordic Paper's most important market, most of the paper is used in traditional baking or roasting, i.e. the paper is placed on a roasting pan or baking sheet to provide a barrier between the surface and the food to be cooked. Its use in this way is most common in industrial kitchens, restaurants, cafés and in the home.

North America is Nordic Paper's second largest market. A large percentage of meals here are consumed outside the home, which means that demand for paper from the professional sector, restaurants and catering kitchens is greater than it is in Europe.

Kenneth Bostrøm is one of Nordic Paper's regional sales managers in the Natural Greaseproof segment. For him, understanding how the paper is used around the world is part of the expertise he has gained over a number of years. Kenneth started as a trainee in 1997 and has since worked on selling the products to almost every country in the world. Recently he became responsible for sales to Asia, Australia and parts of Africa.



– Asia is a growing market for Nordic Paper. Here, a large proportion of food is steamed, while roasting and baking are not as common as in Europe. Many of our customers in Asia cut out circles of our paper and place them in dim sum steamers to protect them from the grease in the food. The most recent development is that our paper is being used to prepare food in air fryers, says Kenneth.

Demand for natural greaseproof paper is also growing for baking cups, pie plates and containers for ready meals. One of the drivers of the increase is that customers want to find more sustainable solutions than existing ones made from plastic or aluminium.

– It's been an exciting journey, and continues to be so – and I can hardly believe that I've worked for Nordic Paper for more than 25 years now, says Kenneth.

STRATEGY

Nordic Paper is the natural leader in speciality paper. The company's target is growth of 2–4 percent of net sales per year and an EBITDA margin of 20 percent. In addition to organic growth, the company can also grow through selective acquisitions. The basis for the company's growth is the customer offering of speciality products of consistently high quality, service and know-how. The customer offering will be developed over time by the company actively driving progress in the areas of people, production, sustainability and continuous improvement.

PEOPLE – Nordic Paper's employees form the foundation for all the company does, and a structured approach to developing employeeship and leadership are therefore vital components when developing the customer offering.

PRODUCTION – Always striving for maximum production efficiency is an obvious course in a process industry company such as Nordic Paper.

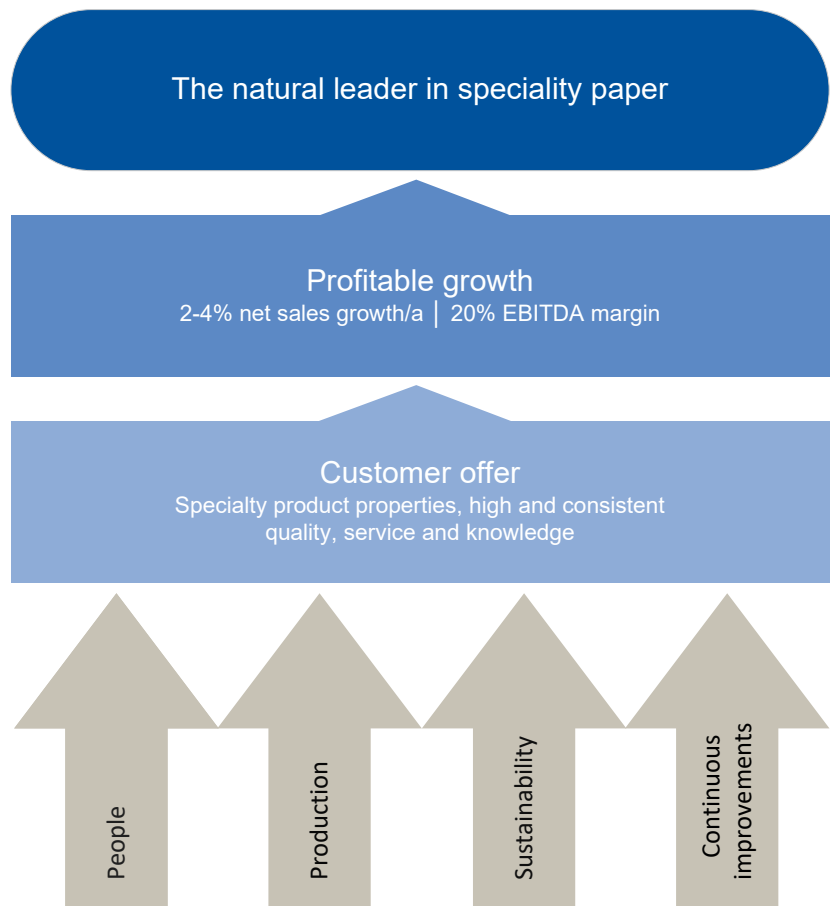
A long-term investment plan combined with continual development of the product mix is also important in efforts to maximise the long-term output from installed capacity.

SUSTAINABILITY – Society's increasing interest in all aspects of sustainability is a positive trend for Nordic paper, in part because it increases demand for the company's products as customers look for alternatives to fossil-based plastic, and because Nordic Paper's sustainability performance gives the company a competitive advantage.

CONTINUOUS IMPROVEMENT – Everything can be improved. Having this hypothesis as a basis for day-day-day work at all levels in the company provides a foundation for success. The company's customer offering is developed through improvements in daily internal processes, but also through frequent dialogue with customers about their needs and how Nordic Paper can support their business.

ACQUISITIONS ARE TO BROADEN THE COMPANY'S OFFERING in existing or adjacent product categories or to provide potential for expansion into new geographies.

The acquisition strategy includes retaining a balanced and well-diversified product portfolio without putting the company's strength as an independent player both upstream and downstream at risk. The main focus is therefore on smaller and complementary acquisitions rather than vertical ones.



INVESTMENTS AND STRATEGIC INITIATIVES

To achieve Nordic Paper's ambitions the company has implemented a number of strategic initiatives in addition to its day-to-day operations.

ON 31 DECEMBER 2021 THE COMPANY GLASSINE CANADA INC. WAS ACQUIRED from an American family. The company produces high-quality, speciality paper, mainly for food contact, at a paper mill in Québec, Canada. Most of its customers are in North America.

During the year Nordic Paper worked on integrating the acquired operations. The integration process was planned early on in the transaction phase and got underway as soon as the transaction was completed. The integration project has been carried out within a number of work flows and has included activities from initial communication with customers, employees and other stakeholders to the longer-term process of coordinating production technology between the group's five paper machines within the Natural Greaseproof segment. One area of focus during the year has been combining the acquired company's sales channels to the North American market with those of Nordic Paper's Scandinavian operations.

Integration work was successful and, in the acquired company's first year as part of Nordic Paper, it was able to deliver an increase in both net sales and EBITDA compared with the previous year.

PRODUCTION CAPACITY INCREASE IN SÄFFLE

In 2021 Nordic Paper decided to discontinue sulphite pulp production at the Säffle plant and instead produce paper solely from external paper pulp. In connection with this decision an investment was approved aimed at streamlining the handling of external paper pulp. The bulk of the investment was made during the autumn of 2021 and the equipment was put into operation at the end of that year, making it possible to increase production capacity at the paper mill by around 10 percent.

PLANS FOR FUTURE INVESTMENT IN BÄCKHAMMAR

Since 2020 Nordic Paper has been working on establishing what is required to expand production at the Bäckhammar plant. The expansion plan has three phases: a new wood handling room for greater flexibility in raw materials sourcing, environmental investments and investments to increase pulp and paper production. Alongside preproject planning for possible investments, the company has also been working to obtain permits for increased production. The permits are for an increase of just over 20 percent of the plant's paper pulp production to a new level of 280,000 tonnes per year and by just over 10 percent for kraft paper to a new level of 180,000 tonnes per year. If investments for all or parts of the programme are approved, they will be implemented over a period of several years.



“ Our products help brand owners to decrease their use of plastic and reduce their climate footprint.



BIENVENUE CHEZ NOUS À NORDIC PAPER QUÉBEC

NORDIC PAPER QUÉBEC, which until 2021 was called Glassine Canada Inc., has just over 50 employees. Sarah Gaumond and Martin Paré are two of them. Sarah works in customer and visitor relations, and is right at the heart of operations at the plant. Martin operates the machine that rewinds the huge rolls from the paper machine to make smaller sizes. Both have worked for the company for many years and Martin is also a second generation employee, as his father worked here too.

Sarah tells us that she wasn't familiar with Nordic Paper before hearing the news of the acquisition. Previously Glassine Canada was the only paper producer in a family-owned group of companies, so Sarah appreciates now being part of a larger family that is entirely focused on paper manufacturing – where her new colleagues are working on the same sorts of things as she is.

During the year the operations in Québec were integrated into Nordic Paper. A lot of effort was put into combining the sales channels and merging the product portfolio in the best possible way. The broader sales channels that Nordic Paper now has can be used to market speciality products from Québec to customers all around the world.

Like Sarah, Martin Paré is happy about how things are progressing and appreciates having met new colleagues from Nordic Paper. When Martin looks back at 2022 he also remembers the pandemic, which peaked in Québec at the beginning that year. Martin is happy that the worst seems to be over, even if it didn't impact his own work situation very much.

Something Sarah remembers when she looks back at 2022 is that the company started recruiting more female employees. Two of the most recently employed operators are women and Sarah is convinced that this is good for the business as a whole and for a good atmosphere in the workplace. She also thinks it will be easier to recruit even more women now that the number of female employees is increasing.





SUSTAINABILITY REPORT 2022

SUSTAINABILITY DRIVES NORDIC PAPER'S BUSINESS

Sustainability is the basis for long-term value creation. With more than 150 years of experience in processing renewable forest raw materials, maintaining economic, social and environmental sustainability is key for Nordic Paper.

NORDIC PAPER IS PART OF A CIRCULAR BIO-BASED ECONOMY in which renewable fibres are processed into recyclable paper products that can replace fossil-based alternatives. Nordic Paper plays a significant role as an employer in the rural locations where several of the plants are located and not only provides job opportunities within the group but also gives business to local suppliers of goods and services. Ensuring a safe and healthy work environment for everyone who works for the company – not just our own personnel but also contractors, temporary personnel and other visitors – has the highest priority. Nordic Paper also strives for sustained profitability that provides the conditions for continuous improvements in production and resource use.

On the raw materials side, Nordic Paper is part of the forest industry network in which one company's by-product is another's raw material. Around 30 percent of Nordic Paper's wood raw material comprises a by-product from the sawmill industry and the remainder is mainly pulpwood from thinnings or narrower parts of trees used as raw materials for the sawmill industry. After use, the fibres in Nordic Paper's products become a high quality raw material for recycled paper. Since fibres wear and weaken with use, the paper recycling system needs to be replenished with new virgin fibre in order to function. In Nordic Paper's own production, process chemicals and water are largely reused – which benefits both production economics and environmental impacts.

Through constant efforts over recent decades Nordic Paper has improved the performance in multiple areas of sustainability, not least environmental sustainability. Nordic Paper wants to continue minimising the negative impacts of its operations by working together with stakeholders across the value chain, from extraction of raw materials to end use and recycling, while at the same time making active efforts to increase the products' positive impacts – such as replacing fossil-based packaging materials.



NORDIC PAPER'S PRODUCTS MAKE A DIFFERENCE



NORDIC PAPER IS THE NATURAL LEADER IN SPECIALITY PAPER and focuses on long-term customer relationships, product development and efficient ways of working to generate sustainable business. In producing products from bio-based raw materials the company is helping to phase out fossil-based materials by developing new more sustainable alternatives.

Nordic Paper's products are mainly used for packaging, and mostly for food packaging. Food packaging plays an important role in a sustainable food system by protecting the contents, maintaining high quality and safety and by reducing food waste. The food itself can often be more carbon-intensive than the packaging and by encouraging smart use of packaging made from renewable raw materials that reduce waste, Nordic Paper is helping to decrease the climate impact.

Nordic Paper's products are recyclable after use. The paper packaging recycling rate within the EU was 82 percent in 2020, compared with 64 percent for all types of packaging.

RECYCLING RATE
EU 2020

- paper packaging

82%

- all types of packaging

64%

NORDIC PAPER'S IMPACTS ON COMMUNITIES

Nordic Paper impacts communities via its own operations, through its choice of purchased goods and services and through the use of the company's products. Within all of these three areas, Nordic Paper can drive change to maximise the positive impact and minimise the negative.

IMPACTS FROM NORDIC PAPER'S OWN OPERATIONS

NORDIC PAPER IMPACTS social, environmental and economic aspects of sustainability through its own operations. Nordic Paper's mills are an integral part of the communities in which they operate.

SIGNIFICANT ACTOR IN THE LOCAL COMMUNITY

Several of Nordic Paper's production plants are located in small cities or rural communities where the company is a substantial employer and a significant client for suppliers.

The work environment that Nordic Paper offers has a direct impact on all employees and their families. All others who come into contact with the company's mills and plants, such as contractors, are also affected by the work environment that the company maintains.

Nordic Paper supports local organisations, associations and clubs, helping children and young people pursue leisure activities near to where they live. Involvement at schools and universities and internal trainings are offered to help building knowledge and skills development in the local community. Through frequent and transparent dialogue with local residents and municipal actors Nordic Paper can impact sustainable development together with stakeholders.



IMPACTS ON AIR AND WATER

Although the company's processes are characterised by a high level of resource utilisation and minimal residual flows of anything that is not a finished product, Nordic Paper impacts the environment through emissions to air and water. Nordic Paper endeavours to use resources such as raw materials and energy as efficiently as possible, and recycles fibres, water and chemicals to minimise environmental impacts. The steps in the sulphate pulp production process are based on a circular principle, which means that the raw materials are used efficiently and that emissions and energy losses are minimised. The pulp mill's recovery process takes care of the used chemicals and returns them to the process. Sulphate pulp production also generates tall oil and turpentine. The extracted tall oil is sold on for processing into new products and the remainder becomes pitch oil which is subsequently reused for fossil-free energy production. Turpentine is used in cosmetics manufacturing, for example.

ECONOMIC IMPACTS

Nordic Paper is part of a circular bioeconomy that is profitable long-term and provides the conditions for investments that help improve production and resource utilisation. Decisions on dividends take into account the company's financial position, liquidity and future investment needs. Nordic Paper exports the majority of its products, which increases revenue and creates jobs. The company also contributes to tax revenues in the countries where the operations are located. Nordic Paper has zero tolerance for corruption and bribery, and actively implements continual checks to ensure that no transactions take place with sanctioned business partners.

Through membership of industry bodies and regional associations, Nordic Paper works with other companies on issues of joint concern. Nordic Paper is a member of the Confederation of Swedish Enterprise, Paper Province, Värmland Chamber of Commerce, the Swedish Forest Industries Federation and CEPI Eurokraft.

IMPACTS FROM PURCHASED GOODS AND SERVICES

NORDIC PAPER'S LARGEST input raw material by volume is the wood raw material used at the pulp mill in Bäckhammar. Nordic Paper does not own any forests and instead purchases all its wood raw material either directly from forest owners or from local timber merchants. Around 70 percent of the wood raw material consists of pulpwood that is mainly generated from thinnings or from the weaker parts of final felled trees. The remaining wood raw material consists of wood chips from sawmills, i.e. residuals from the production of sawn timber.

Nordic Paper cherish sustainable forestry that gives consideration to biodiversity and the protection of ecologically valuable environments. The company therefore requires all fibre raw material to be traceable and to fulfil the criteria for FSC Controlled Wood or PEFC Controlled Sources. All wood raw material also complies with the EU's timber legislation EUTR. In total, Nordic Paper consumed 937,000 cubic metres solid under bark (sub) of wood raw material in 2022. The wood raw material came exclusively from Swedish sources,

i.e. Nordic Paper used no imported wood. The average transport distance of pulpwood to the pulp mill in Bäckhammar was around 100 kilometres, keeping greenhouse gas (GHG) emissions from transport to Nordic Paper at low levels. In Bäckhammar around 221,000 tonnes of pulp was produced in 2022. Nordic Paper uses its own paper pulp from Bäckhammar for paper production in Bäckhammar, Åmotfors and to some extent Säffle. The remaining paper pulp requirement for production in Säffle, Greåker and Québec is met using purchased market pulp. The majority of the purchased market pulp was of Swedish origin, while the mill in Québec mainly purchases Canadian paper pulp for its operations.

As the company's own GHG emissions have decreased over the decades, emissions from purchased goods and services have become five times greater than those from Nordic Paper's own operations. Nordic Paper therefore endeavours to work closely with suppliers in order to reduce the impact from purchased goods and services and to engage local suppliers as far as possible.



IMPACTS VIA THE PRODUCTS

NORDIC PAPER'S PRODUCTS also impact various aspects of sustainability downstream in the value chain. Customers that are converters require the paper to have many properties to ensure efficiency in the conversion process. Good quality increases resource efficiency in the conversion process and is a key competitive advantage for Nordic Paper, even though this is not always expressed in terms of sustainability.

A very substantial portion of the company's product portfolio competes directly with other materials in the end-user phase, primarily with fossil-based plastics. Sustainability performance gives Nordic Paper's products a competitive edge, as in practice they are recyclable, compostable and often give rise to low GHG emissions compared with fossil-based plastic alternatives.

74%



26%

70%

PULPWOOD

30%

WOOD CHIPS

0%

IMPORTED WOOD RAW MATERIAL 2022

937,000

CUBIC METRES SUB¹ OF WOOD RAW MATERIAL CONSUMED IN 2022



¹ Solid under bark, a measure of wood volume excluding the bark.



CERTIFIED PULPWOOD SUPPLIERS DELIVER FROM FORESTS IN THE SURROUNDING AREA

The coordinates lead to a four hectares big forest stand at Säldebråten in the forests of Värmland. A little way along the forest road stands a well-tended forest where Lars Fridén is transporting wood from a first thinning.

LARS KNOWS WHAT HE IS DOING. For 40 years the forest has been his workplace, and he moves his large machinery through it with care. He protects the ground with branches as the forwarder progresses, switching to tracks when the ground conditions are softer. In the harvester alongside sits Mats Classon. He, his son Simon, wife Ursula and Lars together make up Classons Skogsvård, a forestry business supplied by 350 forest owners in Värmland. Lennart Bohlin and Magnus Hogen, who drop by to say hello to their contractors, are two of them. This is by no means the first time that Classons Skogsvård has been on site at Säldebråten to tend the forest for them.

– We prefer to use them, if they have time. They know their job and always leave an exemplary result behind them, says Lennart Bohlin.

The average distance that pulpwood is transported to Nordic Paper is 100 kilometres. Nordic Paper's head of raw materials Tomas Gustén is careful with facts. Some of the trees have grown a kilometre away, others 300 kilometres. Then he talks mainly about the one third that is made up of wood chips from sawmills. The aim is for the fibre raw material to have grown as close to Nordic Paper's plant as it can be. All the suppliers are now FSC®- or PEFC-certified.

In the mature forest where Simon Classon is working right now, seed trees stand proud among high stumps where birds and insects thrive. A collection of aspens is also left standing and pools of water are protected. These are examples of habitats that benefit biodiversity where the forest is worked. In the now slightly sparser immature forest, Lars continues working. A further thinning will be carried out before the forest has reached maturity. Then the cycle begins again, with new trees starting to grow after felling. At first the ground will be protected by an emerging deciduous canopy, preferably of birch, while the spruce trees grow. But first of all there are sure to be raspberries, and gradually chanterelles and other fungi will re-emerge.

– That is what the cycle looks like in a well-managed Swedish forest today, says Tomas Gustén.

NORDIC PAPER'S SUSTAINABILITY APPROACH

NORDIC PAPER'S SUSTAINABILITY APPROACH is based on requirements and expectations from the company's stakeholders. These requirements and expectations are known to the company through a materiality analysis carried out previously and through continual discussions with the company's stakeholders. The materiality analysis was performed based on Integrated Reporting principles and encompassed current and former employees, customers, investors, politicians, suppliers and local residents.

Based on these requirements and expectations the company has designated sustainability focus areas. These are areas where the company is concentrating its efforts in order to drive change.

In 2022 the focus areas were reviewed, following which the company and its Board of Directors decided that the three focus areas should be *Sustainable work environment*, *Reduced climate impact* and *Products that support sustainability*. The company has sustainability goals and targets within each of these areas.



SUSTAINABLE WORK ENVIRONMENT

Nordic Paper's overall goal is a sustainable and safe work environment for employees as well as contractors, temporary personnel and visitors.

Nordic Paper has a zero vision for accidents at work and makes systematic efforts to create a workplace where nobody's health or safety is put at risk.



REDUCED CLIMATE IMPACT

Nordic Paper's climate impact is linked to its own production process and to purchased goods and services.

Through continual improvements and targeted efforts at the mills, and by setting clear criteria in procurement, Nordic Paper is constantly working to reduce the company's overall climate impact.



PRODUCTS THAT SUPPORT SUSTAINABILITY

Using Nordic Paper's products rather than other fossil-based packaging solutions allows consumers to reduce their climate impact. Nordic Paper is part of a circular bioeconomy in which social, economic and environmental sustainability is key to long-term value creation.

Nordic Paper strives to achieve sustainability performance that creates value for its customers.

GOVERNING DOCUMENTS

Nordic Paper is to manage and develop the business in a responsible and sustainable way throughout the value chain. To ensure this, the company has 14 governing documents that have been approved by the Board of Directors. These 14 documents consist of a Code of Conduct along with policies and guidelines for how the company is to act. The company's Code of Conduct forms the framework that translates its values into actions and describes how employees are to act and do business ethically and sustainably, based on a corporate culture focused on the core values of responsibility, respect, cooperation and development.

Nordic Paper works to achieve long-term business relationships in which, together with its business partners, the company lays the foundation for strong financial results while giving consideration to the environment and community engagement. Nordic Paper also requires suppliers of goods and services to conduct business responsibly. These requirements are stated in the company's *Code of Conduct for Suppliers*.

Other governing documents consist of 13 policies or guidelines, all of which are based on the Code of Conduct. From a sustainability perspective, as well as the *Code of Conduct* it is particularly the company's HR Policy, Work Environment Policy and Environmental Policy that guide us along the way to doing business more sustainably. All are published on Nordic Paper's external website.

All the policies in the portfolio have been approved by the Board of Directors and have a designated owner who is responsible for implementation. The Chief Executive Officer reports annually to the Board of Directors on compliance with the policy portfolio. For more information on the company's policy portfolio see page 70.

CERTIFICATIONS

With the aim of maintaining high and consistent quality, the company's Scandinavian production units are certified to ISO 9001 Quality Management, with multi-site certification. Multi-site certification to ISO 22000 Food Safety Management for the plants in Säffle and Greåker and SQF (Safe Quality Food) certification in Québec guarantee product safety throughout the process, from paper production and transport to end use.

It is important that the fibre raw material used originates from sustainable forestry. Nordic Paper is therefore certified and able to offer both Scandinavian and Canadian FSC-certified paper (FSC-C112757, FSC-C102767) and Scandinavian PEFC-certified paper (PEFC/05-33-213).

Nordic Paper is also subject to sustainability decisions under the Swedish regulation on sustainability criteria for biofuels, bioliquids and biomass fuels, which covers all liquid biofuels as well as spent liquor, bark and chips.

GOVERNING DOCUMENTS FOR SUSTAINABLE BUSINESS CONDUCT

GOVERNING DOCUMENT	SUSTAINABILITY TOPIC	OWNER	APPLICATION IN THE BUSINESS	RESULTS OF THE GOVERNING DOCUMENT
Nordic Paper Code of Conduct	Social conditions, respect for human rights and anti-corruption	CEO	The Code translates the company's values into actions. It describes how employees are to act and do business, expectations of employees and business partners, and what stakeholders can expect of the company.	<ul style="list-style-type: none"> • Anti-corruption and anti-bribery guidelines • GDPR guidelines • Promotion of health and safety • Nordic Paper's core values • Code of Conduct for Agents • Code of Conduct for Suppliers • Non-conformance reporting • Membership of the UN Global Compact
Operational health and safety	Social conditions	CEO	The policy describes the company's basic principles for the work environment and how the company makes systematic efforts to create a work environment in which employees feel safe, motivated and valued.	<ul style="list-style-type: none"> • Guidelines on the work environment and safety • Health, protection and safety targets • Cooperation meetings • Systematic work environment efforts • Local health and safety guidelines, procedures and instructions • Orientation and training • Non-conformance reporting
HR Policy	Employees	Director of Human Resources	The HR Policy clarifies expectations and responsibilities within this area that are important for the company's employees and summarises the internal policy documents within the area of Human Resources.	<ul style="list-style-type: none"> • Guidelines on diversity and discrimination • Guidelines on compensation • Guidelines for recruitment • Promotion of health and safety • Professional development • Pay mapping • Statutory employee rights • Zero tolerance for alcohol and drugs
Environmental Policy	Environment	CEO	The Environmental Policy describes the core values and approaches that guide efforts to reduce the company's environmental impact.	<ul style="list-style-type: none"> • Key performance measures • Performance on targets • External reporting • Internal non-conformance reporting

SUSTAINABILITY RISK MANAGEMENT

Nordic Paper is exposed to a number of risks that could have a significant impact on the company. Nordic Paper's Board of Directors has overall responsibility for identifying and managing the company's risks. The risk management process is part of the company's annual procedures, and is initiated when risk is identified and a risk assessment made by the company's executive management.

Based on the requirements and expectations that the company has become aware of in preparing its sustainability strategy, for example through the materiality analysis carried out, the following overall risks have been identified as sustainability risks for the company:

- Health and safety
- Climate risk
- Business ethics
- Environmental risks

These risks have been assessed by the company's executive management based on the likelihood that they will occur and the expected impact on the company's ability to achieve its set goals. The company's process owners then design, develop and maintain actions and controls for managing these risks.

For a more detailed description of the group's risk and risk management, see the section *Risk and risk management* on pages 73-79.

LEGAL FRAMEWORK PROVIDES A BASIS

As a company in the process industry Nordic Paper is affected by various legal frameworks. The Land and Environment Court issues the production permits for the Swedish plants, while the County Administrative Board is the supervisory authority and also the authority to which the company reports compliance with the conditions imposed. Nordic Paper's production permits stipulate upper limits for the company's emissions to air and water, and for other impacts such as noise. The aim is for the company's impact to be within the permit limits with a safe margin.

The permit provisions are based on assessments of what a plant with the best available techniques (BAT) can achieve for the type of production taking place. Since Nordic Paper produces speciality paper, the conditions differ from those imposed on typical plants in the paper industry. The company therefore currently has seven time-limited exemptions from the BAT levels in the production permits for the Swedish plants.

Similar rules and procedures also apply to Nordic Paper's plants in Greåker, Norway and in Québec, Canada. In Norway these matters are dealt with by the Norwegian Environment Agency and in Québec mainly by municipal bodies.

With two exceptions, Nordic Paper has conducted its operations in accordance with the applicable production permits. The first exception concerns the terms of the permit for the plant in Greåker, and specifically the provision relating to discharge to water of suspended solids from production. Due to operational disruptions the emissions have been somewhat higher than permitted and this has been reported



to the authority continually during the year. In consultation with the authority the company has actioned a package of measures that includes more frequent monitoring, root cause analysis and above all a greater focus on the water balance in the production system in order to reduce emissions of suspended solids.

In Bäckhammar the monthly limit for NOx emissions from the bark boiler was temporarily exceeded in May. The underlying cause was that the bark boiler was being operated with low loads, resulting in excess oxygen and thus increased emissions. Corrective action was able to be taken immediately and the emissions stopped. During the remaining months, Nordic Paper Bäckhammar was well within the NOx limit values and the annual figures are in compliance with the permit.

CHOICE OF RAW MATERIALS AND ASSESSMENT OF SUPPLIERS

Responsible production also involves choosing the right raw materials to minimise any indirect negative impact. Nordic Paper sets high standards for its suppliers. These are summarised in the *Code of Conduct for Suppliers*.

Among other things, the Code states that suppliers are to make active efforts to use resources such as raw materials and energy efficiently and must take preventive action to avoid accidents that could have negative environmental impacts. Failure to comply with the Code could result in contracts being cancelled.

Each year a supplier evaluation is also conducted for suppliers deemed to affect the quality of what is delivered to the customer. This evaluation is based partly on the supplier non-conformance reports received during the year, i.e. the documented complaints that Nordic Paper makes when a supplier fails to deliver as agreed or to meet other agreed requirements, and partly on interviews with customers and those receiving goods and services.

The parameters used in this assessment include quality, technical support and lead times.

In 2022 a total of 89 different suppliers were evaluated, representing more than half of the total spend. Of these, 89 percent were rated very good while the remainder were rated good.

AGENDA 2030



SUPPORTING AGENDA 2030

AGENDA 2030 and the UN's 17 Sustainable Development Goals (SDGs) provide a common road map for all the world's nations and companies to achieve long-term sustainable development.

Nordic Paper has analysed the company's operations, impacts and sustainability efforts based on the framework for Agenda 2030 and the SDGs. The assessment is that Nordic Paper has the greatest capacity and potential to impact Goal 8 *Decent Work and Economic Growth*, Goal 12 *Responsible Consumption and Production* and Goal 15 *Life on Land*. The materiality analysis carried out and the company's selected focus areas continue to support the SDGs identified.





BY-PRODUCTS FROM NORDIC PAPER BECOME VALUABLE RAW MATERIALS FOR OUR NEIGHBOUR

ACROSS THE ROAD from Nordic Paper's pulp and paper mill in Bäckhammar is the LignoCity pilot plant, owned by research organisation Rise, where world-class research is conducted using the bio-based raw material lignin. Companies and entrepreneurs that have an idea for how lignin can replace materials in various products can test out their hypothesis here on a larger scale. Lignin is found in the wood that comes to Nordic Paper and is separated from the cellulose during the pulping process. A small portion of black liquor containing lignin is supplied by Nordic Paper to its neighbour LignoCity.

Maria Ölmhult, project manager at LignoCity, has noticed increasing interest in lignin in recent years. It is noticeable not just in the number of people making contact to present a business idea but also in the topics raised at conferences in the field.

"But it's like panning for gold. Out of hundreds of ideas, maybe one or two might become a commercially viable product," says Maria.

LignoCity is run in partnership with Paper Province and Karlstad University, among others. Nordic Paper has a five-year cooperation agreement with LignoCity that provides a stable foundation for the test bed by providing the facility with lignin. Much of what is tested on site is confidential – although Maria can reveal that great progress has been made as regards odourless lignin, which may make new ways of producing lignin possible on a large scale. A grain of gold that could be of great importance for climate transition may therefore have already been identified in Bäckhammar.



A close-up photograph of several round chocolate cakes arranged on a tray. Each cake is covered in a smooth, glossy chocolate glaze and is decorated with a small, round, pink and white textured confection. The cakes are held in place by dark chocolate shavings. The background is softly blurred, showing more cakes and a warm, indoor lighting.

” Sustainability is the basis for long-term value creation. With more than 150 years of experience in processing renewable forest raw materials, maintaining economic, social and environmental sustainability is key for Nordic Paper.

SUSTAINABILITY 2022

In 2022 Nordic Paper raised its sustainability ambitions. The company has adopted new focus areas that clearly reflect stakeholders' expectations and requirements as well as long-term goals such as strategic guidance towards a more sustainable business.

- Nordic Paper has a zero vision for accidents, and within the *Sustainable work environment* focus area the goal is to bring LTIFR (Lost Time Injury Frequency Rate) down to below seven by 2027.
- Within the focus area *Reduced climate impact* the company is to achieve a 50 percent reduction in total emissions from operations, including direct emissions from goods and services, by 2030 compared with 2020.
- In the focus area *Products that support sustainability* an increase is to be achieved in customers' ratings of how well the products drive sustainability.

A PAPER WITHOUT HARMFUL CHEMICALS. For food packaging, the barrier provided by the material is crucial and Nordic Paper works to ensure that the paper provides a natural barrier to grease. The company's Scandinavian production has long produced a paper entirely without the addition of harmful fluorochemicals (PFAS). The acquisition of Nordic Paper Québec brought with it a small volume of products with added PFAS, however – something that the company has now phased out entirely during the year. Nordic Paper is also working in partnership with the Centre Technique du Papier (CTP) in France to further develop the natural grease barrier that the greaseproof paper provides. This collaborative project will focus on further testing the limits for increased grease resistance with the aim of contributing to more sustainable packaging for prepared food that is currently packaged in plastic or aluminium-based solutions.

In 2022 various resource-conserving initiatives to reduce the use of chemicals were implemented in the production plants. In volume terms, one of the chemicals that Nordic Paper uses the most in the production of greaseproof paper is silicone. At the Greåker plant the coating process has been optimised in production, and increased awareness of consumption has helped the plant reduce consumption of silicone by 10 percent compared with 2021.

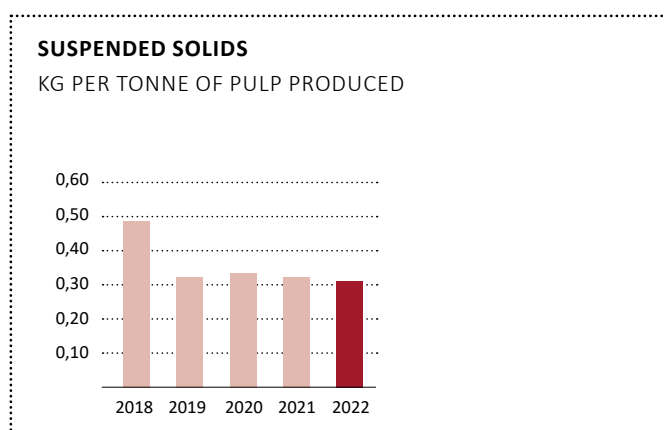
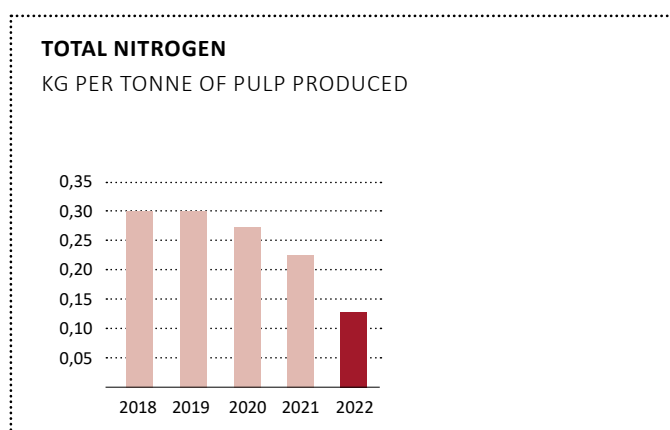
A similarly focused method of continual monitoring, surveillance and adjustment of production parameters has enabled the plant in Åmotfors to reduce its total consumption of chemicals by 12.5 percent compared with 2021.

In Bäckhammar the levels of nitrogen in water have decreased by a third as a result of reduced consumption of nitrogen-generating chemicals in production. At the same plant, targeted measures involving preventive ongoing maintenance of bioreactors and sediment sampling by diving helped reduce the total amount of suspended solids by 6 percent in 2022 compared with the previous year.

During the year Nordic Paper also began collaborating with an external party that will carry out further processing of fibre sludge, a residual product from Nordic Paper. The residual product is being processed into composted wood fibre for use as a peat substitute, resulting in less peat being cut.

The company has also boosted the sustainability team by recruiting for an extra position.

DEVELOPMENT OF EMISSIONS TO WATER OF NITROGEN AND SUSPENDED SOLIDS RESPECTIVELY, PER TONNE OF PULP PRODUCED BY NORDIC PAPER IN BÄCKHAMMAR 2018–2022



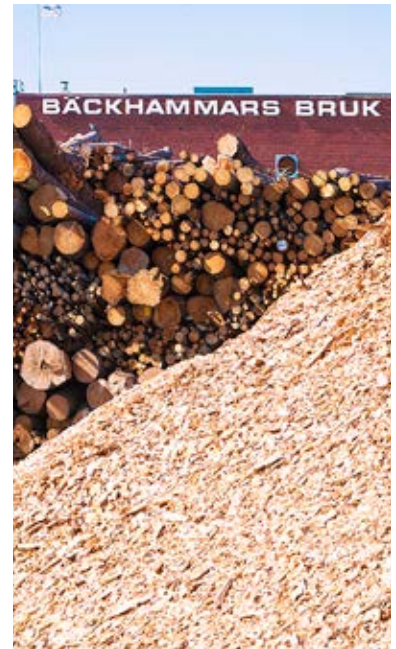
NEW PRODUCTION PERMIT IN BÄCKHAMMAR

AS A RESULT OF MANY YEARS OF SUCCESSFUL WORK to develop production and eliminate bottlenecks, the company has reached the limits of the production permit at Bäckhammar mill. To enable the operations to be developed further in the future, Nordic Paper submitted an application to the Land and Environment Court back in 2020 for a permit for expanded production.

In parallel with the permitting process Nordic Paper has conducted analysis to establish in detail how investments to increase capacity can be made. These investments could include new wood processing, a new pipeline for treated water from Bäckhammar to Lake Vänern and process-internal measures.

In the past year Nordic Paper commissioned an extensive environmental assessment into the effects of the potential wastewater pipeline on the water quality and bottom fauna of Lake Vänern. According to the results of the estimates and simulations carried out as part of the environmental assessment, there are no indications that the enterprise would cause a deterioration in the quality of bottom fauna or in hydromorphological quality factors, or would give rise to limit values being exceeded for metals or other suspended solids.

The production permit was granted in January 2023 and proposals for development of the plant will be submitted to the company's Board of Directors for decisions.



UN GLOBAL COMPACT

DURING THE YEAR NORDIC PAPER signed up to the world's biggest sustainability initiative, the UN Global Compact. As a member Nordic Paper undertakes to make active efforts in respect of sustainability topics and to report progress annually within the areas of human rights, labour, the environment and anti-corruption.

This Sustainability Report will in future form the basis for reporting on progress in these areas.

PRODUCTS CERTIFIED FOR COMPOSTING

NORDIC PAPER'S BAKING PAPER was given a composting certificate during the year. This means that the paper has been tested and approved for composting after use – both industrial composting and home composting.

The paper is biodegradable and leaves behind no undesirable substances. The certification process, which has taken three years, covers around 10 different types of Scandinavian baking paper and around 90 percent of the total volume of baking paper sold in 2022. The baking paper is used in large parts of the world – not only within the food industry, but also in restaurants and bakeries and by consumers via sales in grocery stores.

ANTI-CORRUPTION AND SANCTION WORK

NORDIC PAPER HAS ZERO TOLERANCE for corruption and bribery. The company's guidelines on anti-corruption and bribery state that employees are expected to observe proper business ethics in their actions, to avoid and prevent bribery and corruption. In view of the increase in the number of sanctioned businesses as a result of Russia's invasion of Ukraine, Nordic Paper has updated procedures for compliance with sanctions and increased the frequency with which customer lists are checked against current sanctions.

During the year Nordic Paper's database of suppliers was checked daily against the relevant sanctions lists in force. No sanctioned businesses were identified.



TOLERANCE

WHISTLEBLOWER SERVICE

FOR THE PAST FEW YEARS NORDIC PAPER HAS PROVIDED a whistleblower service, allowing the company's employees and external stakeholders to report any suspected serious irregularities that have occurred or are in the process of occurring which involve a serious risk of harm to individuals, the company, the community or the environment. This could be breaches of the Code of Conduct, bribery or corruption, major deficits in safety or serious environmental breaches, for example. The service is available on the company's intranet and website and is managed by an external provider. All reports are made anonymously.

In 2022 the whistleblower service was expanded to include an external channel that the company's stakeholders can access from the website. No whistleblower incidents were reported during the year.



HUMAN RIGHTS

DURING THE YEAR NORDIC PAPER HAS ANALYSED how well the company is living up to requirements and expectations concerning human rights. The analysis was conducted with assistance from a third party and was based on the OECD Guidelines for Multinational Enterprises. The results confirm that Nordic Paper has integrated the principles of responsible enterprise, assessing the actual impacts and potential negative impacts but also providing suggestions for improvements. One suggested improvement that has been included in Nordic Paper's business plan for 2023 is to establish clearer guidelines for action if irregularities are discovered among suppliers and business partners.

Nordic Paper applies the UN Framework Principles on Human Rights and complies with the eight core conventions of the International Labour Organization (ILO) as well as the OECD Guidelines for Multinational Enterprises.



CUSTOMER SURVEY

A CUSTOMER SURVEY was carried out at the end of the year to gain an insight into customers' opinions of Nordic Paper. The customer satisfaction index in the 2022 survey was 80. Although this represents very high satisfaction, it was a decrease compared to the even higher result of 84 the previous year.

The results of the survey are an important indicator guiding us towards improved ways of working.

EXTERNAL PARTNERSHIPS

EXTERNAL PARTNERSHIPS enable Nordic Paper to contribute to the development of communities. During the year Nordic Paper extended its partnership with the Degerfors IF sports club, through which the company provides support to the club with a particular focus on children and young people. Nordic Paper also sponsors the athletes Claudia Payton and Anton Persson, both of whom have local links to locations where the company conducts operations. In the Natural Greaseproof segment the company continues to work with the Swedish national team of bakers (Svenska Bagarlandslaget).

In 2022 the company was also able to resume providing internships and holiday jobs following the pandemic, enabling around 40 people to work as temporary substitutes and 20 as interns – thereby gaining insight into various parts of the company's operations.





WORK EXPERIENCE IN A LAB ENVIRONMENT LEAVES A TASTE FOR MORE

What can I do to contribute to a better future? That is the question My Semstrand is asking herself – and it will determine her future career choice. After four weeks of work experience at the plant in Bäckhammar she is in no doubt that Nordic Paper is a place where she could contribute.

IN HER THIRD YEAR OF STUDYING NATURAL SCIENCES AT UPPER SECONDARY SCHOOL, the work experience at Bäckhammar was My's third and final work placement during her course. This spring she must choose what to study at university. The whole world is open to her: will it be Italy, Australia – or Karlstad University? My wants to work with renewable resources for the future in some way, but where she studies is of less importance. She wants to find a course that will enable her to contribute to sustainable development.

– In my generation, we are the first driving licence holders who can drive fossil-free vehicles from day one. It's exciting to think about how we can develop renewable resources and what we can do with them, says My.

Getting a work placement is not that easy – but for Jenny Allared, a lab manager at the mill in Bäckhammar, accepting students for work placements has obvious benefits. My was her second intern since joining Nordic Paper in March 2022.

– It's great having interns. Explaining our procedures to someone who is hearing how we work for the first time gives us opportunity to reflect on how well we have succeeded in describing what we do. It's a learning experience, says Jenny.

Jenny and My are in agreement on how important it is to get practical work experience. At the lab, My was able to follow the processes and learn how samples are analysed. After her four weeks she has to sum up her work experience placement in a 600-word report for school, linking what she had seen and learned to three of the UN's 17 Sustainable Development Goals as well as to political goals within the municipality and in Sweden as a whole. Her work placement at Nordic Paper has given My new knowledge and a better basis on which to decide where she wants to study at a higher level. In turn, Jenny has gained a potential summerworker or future colleague as well as new insight into the work in the lab.

FOCUS AREAS WITHIN SUSTAINABILITY

FOCUS AREA 1:

SUSTAINABLE WORK ENVIRONMENT

OVERALL LONG-TERM GOAL

- A workplace free from ill-health and accidents

TARGET FOR 2022

- LTIFR (Lost Time Injury Frequency Rate) < 9

OUTCOME FOR 2022

- LTIFR (Lost Time Injury Frequency Rate) = 16.6

A sustainable work environment and ensuring the wellbeing of its employees make Nordic Paper an attractive workplace. Nordic Paper prioritises and works systematically on creating a safe workplace free from accidents, with high attendance rates and minimal safety risks.

THE COMPANY'S CORE VALUES and Code of Conduct are key elements in health and safety efforts, which are integrated into all day-to-day operations. To further reinforce existing procedures, the company has established a set of Rules That Save Lives.

The overall goal is to ensure that a healthy and safe workplace is provided for the company's employees as well as for contractors, temporary personnel and visitors.

VISION – A WORKPLACE FREE FROM ILL-HEALTH AND ACCIDENTS

All serious incidents and accidents are systematically investigated to identify any sources of risk that could potentially expose employees to health hazards or accidents, so that preventive measures can be implemented. Despite these efforts, during the year there were 18 incidents resulting in absence from work, which is a marginal improvement on the previous year but significantly more than the company's target. The number of accidents represents an LTIFR of 16.6 and the incidents resulted in a total of 438 days of sickness absence during the year.

The dominant causes of accidents during the year involved falls on the same level (stumbling and slipping). These represented 16 percent of total accidents and caused arm and hand injuries.

There were three incidents and three accidents in 2022 that were sufficiently serious for a report to be made to the Swedish Work Environment Authority.

Identifying risks is an important part of preventive action to avoid accidents and during the year the production plants therefore established targets for the number of risk observations reported.

In total, over 1,000 risk observations were reported within the group, which is an increase of 60 percent compared with the previous year. Thanks to the high number of observations, more deficits were identified and preventive action subsequently taken – thereby improving prevention and helping to reduce the injury rate.

WORK ENVIRONMENT EFFORTS IN 2022

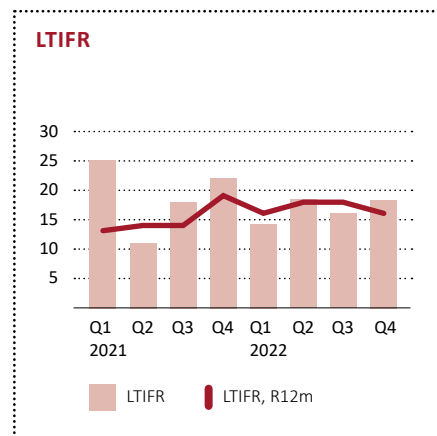
At the start of 2022 Nordic Paper was still noticeably affected by the measures taken to protect employees and the company's supply chain from the effects of the pandemic.

Nordic Paper followed the national guidance from the authorities at all times and special measures were introduced. Among other things, this meant that non-business-critical visits remained suspended and that employees not involved directly in production were working from home.

As recommendations and guidelines from

the authorities were eased in February, a gradual return to the workplaces began. By April all employees had returned to their regular workplaces and special measures had ended.

Systematic work environment efforts were further intensified during the year in accordance with the plan adopted in 2021. Day meetings focusing on protection and safety were held for managers and leaders, and there were also many targeted initiatives in areas such as personal protective equipment, risk management, emergency preparedness and crisis management.



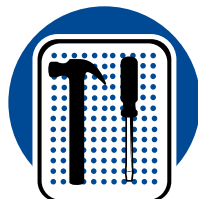
RULES THAT SAVE LIVES



MY BEHAVIOUR



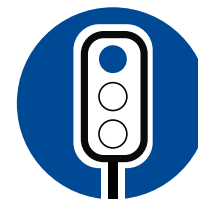
SAFE SHUTDOWN



TIDY & ORGANISED



ALCOHOL & DRUGS



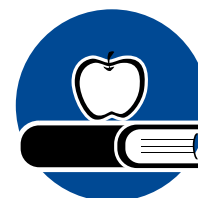
TRAFFIC SENSE



ASSESS THE RISK



STOP RISKY WORK



ORIENTATION & TRAINING



PERSONAL PROTECTION

NORDIC PAPER'S RULES THAT SAVE LIVES At a focus day in the autumn on the theme of protection and safety, the group's managers and supervisors contributed suggestions of Rules That Save Lives. Out of all the suggestions received, nine rules were then decided on. All are based on the fact that each individual's behaviour is crucial for minimising risks and preventing accidents.

The rules establish that all employees within Nordic Paper are expected to set an example to themselves and their colleagues by following relevant risk and safety rules, using personal protective equipment, stopping risky work, prioritising tidiness and organisation in the workplace, carrying out risk assessments before starting work and complying with traffic rules and the company's zero tolerance for drugs and alcohol in the workplace.

Rules That Save Lives has been implemented during the year at all workplaces within the group and it is hoped that these rules will contribute to achieving the vision of a workplace free from ill-health and accidents.

EMERGENCY DRILLS COMPLETED

HAVING BEEN BEGUN LAST YEAR, the group-wide management system that establishes how protection and safety work is carried out has now been implemented with good results.

The work has involved a major overhaul of procedures and instructions, and has also helped simplify and clarify how the company works. The revision of procedures for risk management and for emergencies and crises has also brought about specific targeted initiatives for emergency drills at the Scandinavian production units.

The drills have helped increase the capabilities of both management and employees and raised the level of cooperation between the mills on the prevention and management of risk. To continue to ensure that rapid action is taken in the event of an emergency, further work is now taking place to establish a structure for operational initiatives and first aid.

ZERO TOLERANCE FOR ALCOHOL AND DRUGS

NORDIC PAPER HAS zero tolerance for alcohol and drugs in the workplace.

Random alcohol testing was carried out during the year for all personnel at the Swedish production sites. During the maintenance shutdowns random drug tests were also performed on the company's employees and contractors.

A total of 16,000 alcohol tests and 115 drug tests were performed during the year. A few of the tests on employees and contractors were positive, resulting in immediate action.

GENDER EQUALITY

FOR NORDIC PAPER GENDER EQUALITY throughout the company is a vital issue. It makes people happier at work, improves creativity and makes the company more dynamic. Each year the company tracks important key performance indicators for this area, including but not limited to the proportion of men and women within different departments and at different organisational levels, the ratios of men and women in the recruitment process and the outcome of annual employee surveys.

Each year Nordic Paper produces an action plan of activities to boost gender equality. This includes various actions such as initiatives to promote female leadership, enhanced employer branding in respect of selected target groups and analysis of pay structures (pay mapping).

22 percent of Nordic Paper's employees are women and 50 percent of the elected board members are women. Overall, women hold a third of the management roles within the company.



PERSONAL PROTECTIVE EQUIPMENT

DURING THE YEAR PERSONAL protective equipment was standardised based on specific levels of requirements for different process areas and tasks.

One major risk identified within the company’s operations is eye-related damage. The frequency of this type of injury has decreased during the year as a result of introducing a requirement to wear eye protection.

ACTIVITIES FOR HEALTH AND WELLNESS

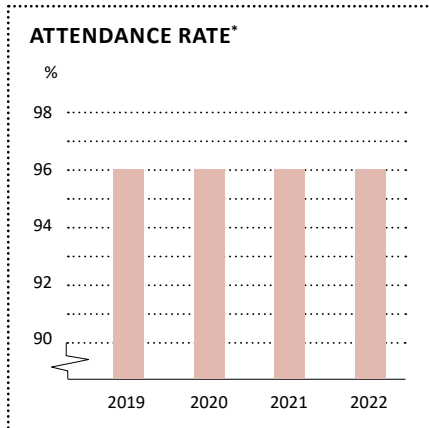
NORDIC PAPER OFFERS occupational health care and provides a wellness benefit to encourage exercise and healthy leisure activities. The company also organises other health-promoting activities at its plants and the areas around them.

During the year employees have also taken the initiative to participate together in various running events and in ski relays as part of the Vasaloppet cross-country ski race.

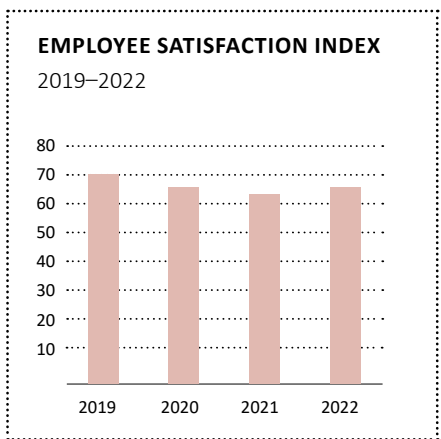
TRAINING

VARIOUS TRAINING INITIATIVES were carried out during the year, including Better Work Environment and Systematic Fire Safety.

In total, more than 350 employees took part in various types of training in protection and safety during the year. To capture needs across the organisation, interviews were also conducted among operators and this resulted in a series of improvements being implemented within the focus areas – including safe shutdown, cordoning off and personal protective equipment.



*Attendance rate 2022 does not include the plant in Québec.



EMPLOYEE SURVEY AND PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

TO GET AN IDEA OF HOW THE EMPLOYEES view their workplace, an employee survey is conducted every year. The survey is conducted anonymously but allows the company to follow up on the results at department level. In alternate years the survey is more extensive, while in the interim years it is more a case of “taking the pulse” with fewer questions. In 2022 the shorter survey was conducted and resulted in an ESI of 65, an improvement of two points on 2021.

Performance and career development reviews are another important tool for developing a sustainable work environment and encouraging employees’ personal development. Nordic Paper aims for all employees to have a performance and career development review annually, and this was achieved in 2022.



SAFETY CULTURE – AN ONGOING JOURNEY

NORDIC PAPER'S EFFORTS WITHIN PROTECTION AND SAFETY are extensive and have been intensified in recent years. Rules That Save Lives, risk observer of the month and realistic emergency drills are examples of activities that were visible to all employees and in which they could participate in various ways. The most important work, however, is what happens during daily operations when colleagues interact.

At the start of the year Nordic Paper began implementing nine Rules That Save Lives within the group. At Bäckhammar mill safety discussions were held with all managers, aimed at ensuring that the rules would be discussed in all departments to bring them to life. It is important that everyone has the same picture of what things are like in reality and that everyone works together to change the safety culture.

– It became very clear when we carried out emergency drills that everything is related. We trained for what happens in a chemicals incident and that was a good reminder of our *Rules That Save Lives* and how important they are, says Jonas Ek, an operator at the screening facility in Bäckhammar mill.



Even some months after the drills were carried out, his colleagues are still talking about the results.

– I think you can see a clear difference in the way that everyone thinks about safety as a result of the various protection and safety initiatives, says Jonas.

FOCUS AREA 2:

REDUCED CLIMATE IMPACT

TARGETS FOR 2022

- Total GHG emissions from fossil sources from Nordic Paper's operations, including indirect emissions from purchased goods and services, are to reduce by 50 percent by 2030 compared with 2020.
- Direct emissions from production and from purchased energy (Scope 1 and 2) are to reduce by 50 percent by 2030 compared with 2020.

OUTCOME FOR 2022

- Total emissions of fossil greenhouse gases from Nordic Paper's operations, including indirect emissions from purchased goods and services, have increased to 166,000 for 2022, an increase of 11% since 2020. The increase is explained by the acquired operations in Canada that is included in the figures for 2022.
- Direct emissions from production and from purchased energy (Scope 1 and 2) have increased to 113,000 tonnes for 2022.

THE GREENHOUSE GAS PROTOCOL CLASSIFIES CLIMATE IMPACT INTO THREE 'SCOPES':

Scope 1 – emissions from own operations

Scope 2 – emissions from purchased energy

Scope 3 – indirect emissions from other purchased goods and services

THE COMPANY'S CLIMATE IMPACT ARISES in various parts of the value chain and total greenhouse gas emissions during the year amounted to around 166,000 tonnes of CO₂ equivalents, of which 28,000 tonnes was from the company's own production process (Scope 1), 85,000 tonnes was from purchased energy (Scope 2) and 53,000 tonnes was from purchased goods and services other than energy (Scope 3).

For comparable operations, the total emissions of greenhouse gases 2022 decreased compared to last year by 3,000 tonnes, corresponding to a decrease of two percent compared to last year. The largest decrease was for emissions from own operations, scope 1, where the decrease amounted to 8,000 tonnes, corresponding to about 20% of the emissions in scope 1 during last year. The decrease is primarily due to a successful work with reduction of the remaining oil consumption at the Säffle plant.

The acquired operations in Québec had total emissions of 14,000 tonnes in 2022. As emissions from the acquired operations in Québec are added, the total emissions increased both compared to last year as well as to 2020, which is the base year for the climate target of the company. The largest component of greenhouse gas emissions from the acquired plant falls within scope 2 as the plant is supplied with steam by an external waste incinerator.

Just under one quarter of GHG emissions from Nordic Paper's value chain arises at the waste incineration plant Åmotfors Energi, which supplies Nordic Paper's production plant in Åmotfors with steam. The GHG emissions from fossil sources arise at the plant when fossil-based plastic in waste is incinerated. These emissions are included in Nordic Paper's Scope 2 emissions. During the year Nordic Paper

sold its minority shareholding in Åmotfors Energi AB to an energy infrastructure company. Nordic Paper has signed a new supply contract and will work together with the new owner Nevel AB to reduce the climate impact of the plant.

Since 2019 the company has analysed impacts in Scope 3, i.e. GHG emissions from consumption of purchased goods and services. Around half of emissions within Scope 3 are transport-related, while other emissions are related to input goods such as chemicals and paper pulp.

In addition to Nordic Paper's GHG emissions from fossil sources, the company handles large volumes of biogenic carbon, i.e. carbon in the biomass the company brings in with the wood. Around half of the carbon that comes in through the wood leaves in the form of the company's products and the remainder goes back into the atmosphere as biogenic carbon dioxide emissions.

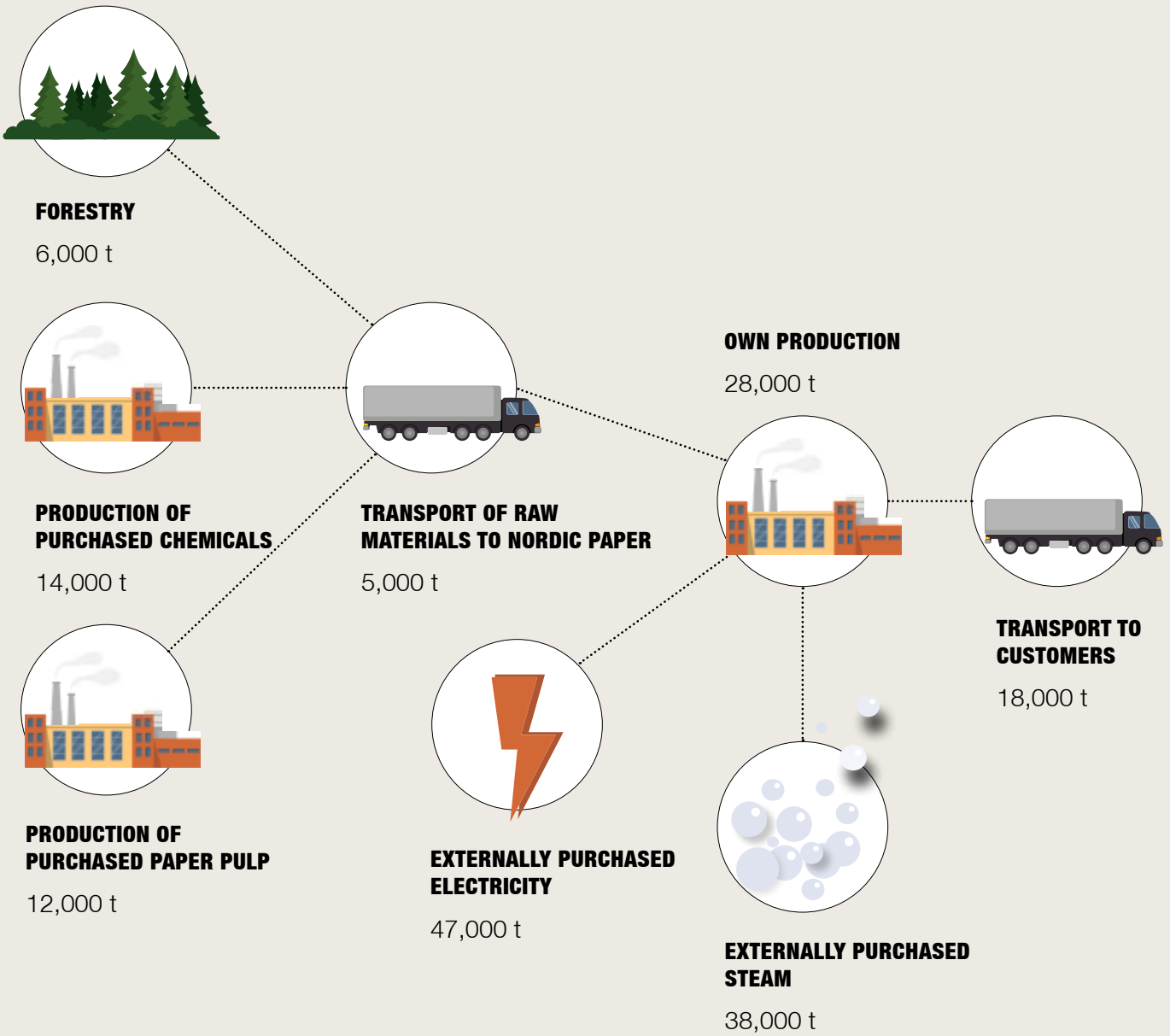
TOOLS FOR MORE SUSTAINABLE DECISION-MAKING

During the year Nordic Paper decided to evaluate the effects of an internal price for carbon dioxide in order to create an additional driver towards lower levels of emissions.

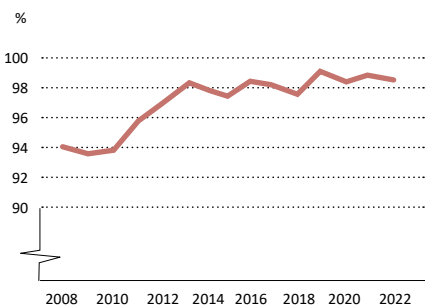
The plan is to use the internal price whenever the company is choosing between various alternatives with differing climate footprints, in order to evaluate alternatives with different climate effects – such as when choosing between suppliers of the same chemical, modes of transport and types of energy, as well as when evaluating investments. It is hoped that the internal price will help influence a larger part of the value chain, from purchased product to delivery to the customer.

GHG EMISSIONS IN THE VALUE CHAIN 2022

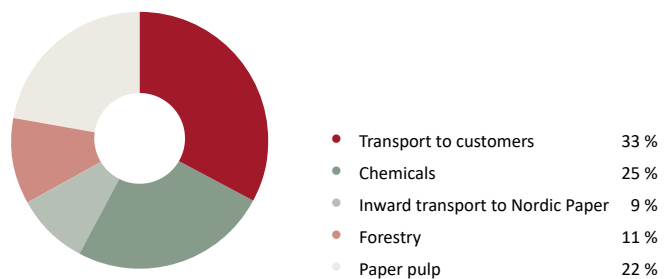
tonnes CO₂eq



BIOFUEL PERCENTAGE IN BÄCKHAMMAR



BREAKDOWN OF GHG EMISSIONS IN SCOPE 3, 2022



Magnus Johansson at the steam plant in Säffle.

SUBSTANTIAL REDUCTION IN OIL CONSUMPTION

At Nordic Paper's plant in Säffle there has been a real reduction in oil consumption over the year, by a full 70 percent. While there have been technical improvements to the boiler that supplies the paper machinery with steam, the engagement of the operators in reducing the climate footprint – which at the same time reduces costs – has been a more significant factor.

– Our goal was to reduce consumption from 167 cubic metres of oil per month to 125, but we are now averaging 50, says Stefan Åbom, plant manager in Säffle.

The steam boiler is fired with biofuels: wood chips and briquettes. The oil is there as a last resort if for any reason there is some kind of fault or when the boiler needs to be cleaned. The high quality of Nordic Paper's world-leading greaseproof paper demands a consistent drying process and therefore a constant supply of steam is needed.

The significant reduction in oil consumption is a result of teamwork and technical improvements. In technical terms, the unit where the briquettes are ground into powder has been sealed and provided with automatic lubrication and vibration monitoring. The steam plant operators can monitor the boiler better and the boiler can also go longer between cleanings. This in itself reduces the need to use oil.

– We also refurbished the electric boiler and there is a steam accumulator that we use when we cannot use wood chips and briquettes. We use oil as a last resort, says Morgan Schützer, a technician on the fibre line.

– The technical improvements have helped, but it's the way the employees have engaged with it that is more significant. Half an hour with Tomas Gustén, who is head of raw materials at Nordic Paper, literally gave us an energy kick. He explained how electricity supply and electricity prices are related, and opened all our eyes to how we ourselves can have an impact,

both at work and at home, says Magnus Nyman, line manager responsible for improvements.

The 12 employees at the steam plant monitor and continually optimise the equipment to avoid oil consumption. Morgan Schützer explains that finding new solutions and testing out how to make the boiler even more efficient is a continual focus for the operators. He believes the situation in the world is also affecting engagement.

– Knowledge about electricity consumption, costs and the need for fossil-free electricity in order to reduce the climate footprint has also contributed to the high level of engagement, says Magnus Nyman.



FOCUS AREA 3:

PRODUCTS THAT SUPPORT SUSTAINABILITY

TARGET FOR 2022

- Increase the rating from Nordic Paper's customers for how the products' sustainability performance adds value, as measured in the company's annual customer survey

OUTCOME FOR 2022

- Rating of 4.37 out of 5 for 2022 compared with 4.38 in 2021

THE CONSUMPTION OF INDUSTRIALLY MANUFACTURED products has sustainability effects encompassing many different aspects, some positive and some negative. Weighing up different types of sustainability effects against each other is difficult or often impossible. All consumption thus has a certain negative impact compared with the alternative of there being no consumption at all. By using products with better sustainability performance in a given situation, the negative effects can be minimised.

In Nordic Paper's case, a sustainability benefit arises when the company's products are used – since in many cases the company's products may be better from a sustainability perspective than other existing alternatives on the market.

REPLACE PLASTIC AS PACKAGING MATERIAL

More than half of the company's paper production is used in the food sector, largely as a packaging material. The main competition for the company's products is from packaging alternatives made of fossil-based plastic.

Plastic is excellent as a packaging material and in many cases comes in at a competitive cost, but fossil-based plastic has two significant sustainability-related disadvantages. One is the contribution made by plastic packaging to littering in general and to littering in the sea

in particular, since many plastic materials break up into microplastics that can take hundreds of years to decompose. The second disadvantage of plastic packaging is that it largely uses fossil-based raw materials and therefore results in a greater climate impact, even if it functions very well as packaging. Using products from Nordic Paper to reduce plastic use addresses both the littering problem and the issue of climate impact. After use, the materials in Nordic Paper's products are useful as recycled materials – but should they end up in nature, they will decompose just as quickly as organic material.

In 2022 more and more of Nordic Paper's customers, and also brand owners, worked to find alternatives to plastic-based packaging. New business opportunities are therefore arising. This trend has been particularly marked within e-commerce and in 2022 Nordic Paper launched a new product family called iamKraft ePack that has been specially produced to meet the requirements of e-commerce packaging.

LOW CLIMATE IMPACT IN BÄCKHAMMAR

Nordic Paper makes active efforts to reduce the climate impact of its products. Today climate performance is already a competitive advantage, particularly when compared with fossil-based plastic materials. During the year Nordic Paper also investigated climate performance



among its direct competitors in the kraft paper industry and found that the company's plant in Bäckhammar is among those in the industry with the lowest climate impact in Scope 1 and 2.

LOWERING THE CLIMATE IMPACT OF THE PRODUCTS

There are multiple studies into the climate impact of different types of packaging, including one commissioned by CEPI Eurokraft and Eurosac which RISE carried out in 2019. It shows that the climate impact of a 25 kg paper sack for cement is less than half that of an equivalent sack made of fossil-based plastic. The climate impact of Nordic Paper's sack paper is less than half the impact from the reference paper used in this study.

INCREASE RESOURCE EFFICIENCY FURTHER ALONG THE VALUE CHAIN

Many of the company's products that are sold for industrial purposes are highly specialised kraft papers, the value of which lies in the fact that they do a job in the customer's processes. For example, the porosity – how much air the paper lets through – is of great importance for producers of flour, sugar, cement or other powdery goods.

Modern lines for filling bags with powder are often restricted by how quickly the air can disperse when the powder is filled at high speed. If

the air cannot pass through the paper, the packaging explodes and the filling machine has to be stopped – with increased resource utilisation as a result. Constantly developing and customising the properties of the paper to customers' needs enables not just customer loyalty but also increased resource efficiency to be achieved.

In focusing on *Products that support sustainability* Nordic Paper hopes over time to actively help customers maximise the sustainability benefit of the company's products. This can be done in joint development projects with customers or with partners downstream in the value chain, for example – but more short-term measures such as increased communication about the sustainability performance of the company's products are also included in this focus area.





BAKING PAPER THAT WITHSTANDS REPEATED USE

NORDIC PAPER'S NATURAL GREASEPROOF PAPER contains no added fluorochemicals (PFAS). The paper is recyclable and is also biodegradable, which means that it can be composted. What many people do not realise is that it can also be used multiple times. This applies not least to the premium paper Silidor Pergament.

Together with the Swedish national team of bakers (Svenska Bagarlandslaget), Nordic Paper's baking paper was tested to see how many times it could be used before it was time to replace it. The paper was tested by baking both cinnamon buns and somewhat stickier baked goods. A professional bakery was used, the oven temperature was 200 degrees Celsius and each item was baked for 10 minutes.

It emerged that Nordic Paper's Silidor Pergament baking paper could be used three, five or even 10 times in the oven for both cinnamon buns and stickier bakes.

– Bakers are often choosy about the ingredients they use for their breads and other baked goods. We like to use organic ingredients and look for locally produced products, but sometimes we may have forgotten to think about which baking paper we use. And in particular, it's generally thrown away after each use. Nordic Paper's Silidor Pergament paper takes sustainability to a whole new level because it opens up the option of actually reusing the same baking paper time and time again, says Martin Lundell, CEO of the Association of Swedish Bakers and Confectioners, who is in charge of the Swedish national team of bakers.

SUSTAINABILITY DATA

ENVIRONMENTAL STATISTICS

		2022	2021	2020
PRODUCTION				
Paper	1,000 t	300	272	256
Paper pulp	1,000 t	222	242	237
RAW MATERIAL				
Wood raw material	1,000 m ³ sub	937	1 043	1 023
Externally purchased paper pulp	t	79	48	42
WATER CONSUMPTION				
	million m ³	17	20	20
ENERGY CONSUMPTION				
Biofuels, including spent liquor	GWh	1 583	1 631	1 530
Fossil fuels	GWh	126	111	97
ELECTRICITY CONSUMPTION				
Own electricity production	GWh	114	122	115
Purchased electricity	GWh	371	366	375
PURCHASED STEAM				
	GWh	147	117	102
GHG EMISSIONS				
Biogenic emissions	1,000 t CO ₂	601	571	569
Total fossil emissions	1,000 t CO ₂ eq	166	156	150
of which Scope 1		28	35	26
of which Scope 2		85	75	78
of which Scope 3		53	46	47
– from purchased goods		30	23	24
– from transport to Nordic Paper		5	6	6
– from transport to customers		18	17	17
INTENSITY FOSSIL GHG				
Total	kg CO ₂ eq/t paper	554	574	587
of which Scope 1		93	130	102
of which Scope 2		284	276	303
of which Scope 3		177	168	182
EMISSIONS TO AIR				
Sulphur	t	38	66	58
Nitric oxides	t	303	312	284
EMISSIONS TO WATER				
COD	t	1 478	3 052	2 596
TSS	t	195	196	213
P	t	1	3	3
N	t	61	88	100
WASTE				
Process waste	1,000 t	34	33	52
Hazardous waste	t	290	68	117

The figures for 2022 also include the all of operations of Nordic Paper Québec. These were not included in the 2021 reporting.

ECONOMIC VALUE PER STAKEHOLDER

SEK m	2022	2021	2020
<i>Directly generated value:</i>			
Revenue	4,481	3,128	2,960
<i>Economic value by:</i>			
Suppliers	-3,093	-2,232	-1,967
Investments in property, plant and equipment and intangible fixed assets	-145	-180	-102
Personnel costs	-588	-519	-479
Interest paid to lenders	-39	-22	-5
Dividend to shareholders	-134	-134	-950
Paid tax	-122	-48	-85
Total	360	-7	-628

TAX (EXCL. DEFERRED TAX) BY COUNTRY

SEK m	2022	2021	2020
Sweden	-106	-44	-55
Norway	-4	-4	-30
Canada	-12		
Total	-122	-48	-85

EMPLOYEE OVERVIEW

SEK m	2022	2021	2020
Average number of employees	680	634	632
of which women	21%	22%	23%
of which men	79%	78%	77%
Temporary employment ¹	16	22	25
Number of new recruitments (permanent employment)	69	36	38
Employee turnover	10%	6%	5%
Average age ²	45 years	45 years	45 years
Up to 30 years	18%	18%	18%
31–50 years	37%	36%	32%
51 years and older	45%	46%	50%

1) Number of temporary employees at year-end (Sweden only, does not include holiday workers – only substitute and part-time jobs)

2) Average age refers to Sweden

ABOUT THE SUSTAINABILITY REPORT

NORDIC PAPER'S SUSTAINABILITY REPORT is inspired by the Global Reporting Initiative (GRI) Standards, follows the company's financial year and is published annually. The last Sustainability Report was published in April 2021. Changes have been made to historical sustainability data since last year. when it comes to emission factors for purchased power in Sweden and Norway. In the 2021 sustainability report the national production mix emission factor was used for purchased power.

As Nordic Paper purchases its power in Sweden with guarantees of origin, the emission factor has been reduced to zero while the emission factor for Norwegian purchases of power has been increased to the level of the Norwegian residual mix emission factor. No material changes to the organisation's supply chain have taken place in 2022.

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DISCLOSURES ACCORDING TO THE EU TAXONOMY

The EU Taxonomy Regulation contains rules for deciding when an economic activity is to be considered environmentally sustainable.

FROM 1 JANUARY 2022 the Taxonomy Regulation is applicable for the two climate-related environmental goals of climate change mitigation and climate change adaptation.

IDENTIFICATION AND ASSESSMENT OF TAXONOMY-ELIGIBLE ACTIVITIES

Relevant economic activities for Nordic Paper have been assessed based on the Taxonomy Regulation (2020/852/EU) and associated delegated acts. Nordic Paper’s primary economic activities, manufacture of paper, are not included in the current version of the taxonomy even though use of the renewable paper products can replace products made from fossil-based plastics and thus contribute to society’s transition away from dependence on fossil raw materials.

Nordic Paper has not identified any activity that is taxonomy-eligible.

Nordic Paper produces large amounts of heat and electricity from bioenergy, but both these are largely used in our own production

processes. The conditions for determining whether an economic activity is taxonomy-eligible include that it generates external revenue. Internal consumption that does not generate external revenue is not included in taxonomy-eligible economic activities.

Nordic Paper sells some heat from the plant in Säffle, but because the plant does not combine the heat generation with electricity generation this activity is not taxonomy-eligible according to the technical screening criteria in Delegated Regulation (EU) 2021/2139. Economic activities relating to climate change adaptation have not been assessed as relevant since these do not generate external revenue.

DEFINITIONS

CAPEX is defined as capital expenditures for acquiring assets recognised in accordance with IAS 16 Property, Plant and Equipment, IAS 38 Intangible Assets and IFRS 16 Leases, including assets added through business combinations.

OPEX is defined as the sum of costs for maintenance and repair as well as other direct costs necessary for effective daily operation of tangible fixed assets.

PROPORTION OF TURNOVER FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

Economic activities (1)	Code(s) (2)	Absolute turnover (3)	Proportion of turnover (4)	Substantial contribution criteria							DNSH criteria ('Does Not Significantly Harm')							Taxonomy-aligned proportion of turnover, year N (18)	Taxonomy-aligned proportion of turnover, year N-1 (19)	Category (enabling activity) (20)	Category '(transitional activity)' (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		SEK m	%	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	Enabling	Transitional
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (taxonomy-aligned)																					
Turnover of environmentally sustainable activities (taxonomy-aligned) (A.1)			0%	0%	0%													0%	0%		
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																					
Turnover of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)			0%																		
Total (A.1 + A.2)			0%	0%	0%													0%	0%		
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
Turnover of taxonomy-non-eligible activities (B)		4,440	100%															100%	100%		
Total (A + B)		4,440	100%															100%	100%		

PROPORTION OF CAPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

Economic activities (1)	Code(s) (2)	Absolute CapEx (3)	Proportion of CapEx (4)	Substantial contribution criteria							DNSH criteria ('Does Not Significantly Harm')							Taxonomy-aligned proportion of CapEx, year N (18)	Taxonomy-aligned proportion of CapEx, year N-1 (19)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		SEK m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	Enabling	Transitional	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (taxonomy-aligned)																					
CapEx of environmentally sustainable activities (taxonomy-aligned) (A.1)			0%	0%	0%												0%	0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																					
CapEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)			0%																		
Total (A.1 + A.2)			0%	0%	0%												0%	0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
CapEx of taxonomy-non-eligible activities (B)		145	100%														100%	100%			
Total (A + B)		145	100%														100%	100%			

PROPORTION OF OPEX FROM PRODUCTS OR SERVICES ASSOCIATED WITH TAXONOMY-ALIGNED ECONOMIC ACTIVITIES – DISCLOSURE COVERING YEAR 2022

Economic activities (1)	Code(s) (2)	Absolute OpEx (3)	Proportion of OpEx (4)	Substantial contribution criteria							DNSH criteria ('Does Not Significantly Harm')							Taxonomy-aligned proportion of OpEx, year N (18)	Taxonomy-aligned proportion of OpEx, year N-1 (19)	Category (enabling activity or) (20)	Category '(transitional activity)' (21)
				Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)					
		SEK m	%	%	%	%	%	%	%	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	Yes/No	%	%	Enabling	Transitional	
A. TAXONOMY-ELIGIBLE ACTIVITIES																					
A.1. Environmentally sustainable activities (taxonomy-aligned)																					
OpEx of environmentally sustainable activities (taxonomy-aligned) (A.1)			0%	0%	0%												0%	0%			
A.2 Taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities)																					
OpEx of taxonomy-eligible but not environmentally sustainable activities (not taxonomy-aligned activities) (A.2)			0%																		
Total (A.1 + A.2)			0%	0%	0%												0%	0%			
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																					
OpEx of taxonomy-non-eligible activities (B)		363	100%														100%	100%			
Total (A + B)		363	100%														100%	100%			

This is a literal translation of the Swedish original report.

AUDITOR'S REPORT ON THE STATUTORY SUSTAINABILITY REPORT

To the general meeting of the shareholders in Nordic Paper Holding AB (publ), corporate identity number 556914-1913

ENGAGEMENT AND RESPONSIBILITY

It is the board of directors who is responsible for the statutory sustainability report for the year 2022 (the company has defined the scope of the sustainability report on page 2) and that it has been prepared in accordance with the Annual Accounts Act.

THE SCOPE OF THE AUDIT

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is substantially different and less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

OPINION

A statutory sustainability report has been prepared.

Stockholm, 13 April 2023
Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorised Public Accountant

DIRECTORS' REPORT

The Board of Directors and the Chief Executive Officer of Nordic Paper Holding AB, 556914-1913, with its registered office in Karlstad, Sweden, hereby submit the following Annual Report and consolidated financial statements for the 2022 financial year.

OPERATIONS AND ORGANISATIONAL STRUCTURE

Nordic Paper Holding AB (publ) is the parent company of the speciality paper group Nordic Paper. In addition to the parent company, the group also consists of Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB, Nordic Paper Seffle AB, Nordic Paper AS in Greåker, Norway and Nordic Paper Québec in Canada.

The company Nordic Paper Québec (formerly Glassine Canada Inc.) was acquired on 31 December 2021. This company is included in its entirety in the consolidated income statement and balance sheet for 2022, but in comparative figures for 2021 only in the consolidated balance sheet.

The group is active in production and sales of kraft paper and natural greaseproof paper. Nordic Paper's financial reporting is divided into two segments. The Kraft Paper segment produces sulphate pulp and kraft paper in Kristinehamn municipality in Bäckhammar and paper in Eda municipality in Åmotfors. The Natural Greaseproof segment manufactures greaseproof paper in Säffle, Sweden, in Greåker, Norway and in Québec, Canada.

In 2022 the Kraft Paper segment accounted for 52 (56) percent of net sales and the Natural Greaseproof segment for 48 (44) percent.

The parent company's operations consist of management services and it has two employees, the CEO and CFO. For effective currency-management, all of the group's currency hedging is carried out within the parent company.

MARKET

Nordic Paper operates in selected niches within the global speciality paper market and manufactures kraft paper and greaseproof paper.

The company sells to customers in 85 countries. Demand for Nordic Paper's products was strong in all geographies in 2022. Price increases were able to be implemented throughout the year in both segments. Consumers' growing interest in sustainability and a desire to reduce plastic consumption are having a positive impact on demand for Nordic Paper's products.

SALES AND EARNINGS

The group's sales increased by 44 percent in 2022 to SEK 4,440 (3,083) million compared to 2021. Above all, prices increased during the year and the total positive price effect amounted to 28 percent, while the volume and product mix had a negative effect of 3 percent. The currency effect was 8 percent, while the acquired operations in Canada increased set sales by 11 percent.

The geographical distribution of net sales changed in 2022 compared with 2021, mainly due to increased sales in North and South America following the acquisition of Nordic Paper Québec. Europe accounted for 65 percent of net sales during the year, North and South America for 19 percent, Asia and Pacific for 10 percent and the Middle East and Africa for 6 percent. A more detailed geographical breakdown can be found in Note 6.

EBITDA increased by 129 percent to SEK 821 (358) million. The EBITDA margin was 18.5 (11.6) percent. The cost of inputs – mainly paper pulp and energy – increased significantly in 2022 due to higher pulp and energy prices. At the group level, product price increases compensated for the cost increases. Natural Greaseproof is the segment that was affected the most by the higher input costs.

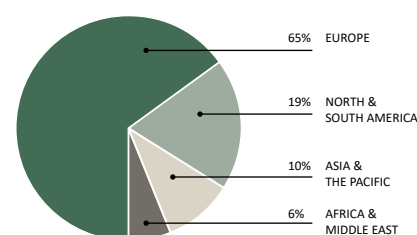
In October Nordic Paper divested its 37.6 percent minority interest in Åmotfors Energi AB, resulting in a capital gain of SEK 42 million, recognised in net financial items.

SEK m	2022	2021
Net sales	4,440	3,083
EBITDA	821	358
EBITDA margin, %	18.5	11.6
Operating profit	676	208
Operating margin, %	15.2	6.8
Profit for the period	566	144
Earnings per share before and after dilution, SEK	8.46	2.15

CHANGE IN NET SALES

Jan–Dec 2021, SEK m	3,083
Sales volume and product mix	–3%
Selling price	28%
Currency	8%
Acquired operations Jan–Dec 2022, SEK m	11%
Jan–Dec 2022, SEK m	4,440

NET SALES BY GEOGRAPHY



The planned maintenance and production shutdowns took place according to plan in 2022 for all plants and the cost was at the planned level.

Operating profit amounted to SEK 676 (208) million. Profit for the year totalled SEK 566 (144) million and earnings per share were SEK 8.46 (2.15).

NET SALES

SEK m	2022	2021
Kraft Paper segment	2,388	1,772
Natural Greaseproof segment	2,124	1,377
Eliminations	-72	-66
Total group	4,440	3,083

EBITDA

SEK m	2022	2021
Kraft Paper segment	768	392
Natural Greaseproof segment	126	-34
Parent company and undistributed items	-112	-51
Eliminations etc.	39	-51
Total group	821	358

Kraft Paper segment

Net sales in the Kraft Paper segment increased by 35 percent to SEK 2,388 (1,772) million, mainly due to higher market prices. EBITDA increased by 96 percent to SEK 768 (392) million. The increase in EBITDA is also mainly due to higher market prices. The EBITDA margin increased to 32.2 (22.2) percent. Operating profit amounted to SEK 712 (340) million and the operating margin was 29.8 (19.3) percent.

CHANGE IN NET SALES

Jan-Dec 2021, SEK m	1,772
Sales volume and product mix	-2%
Selling price	30%
Currency	7%
Jan-Dec 2022, SEK m	2,388

Natural Greaseproof segment

Net sales within Natural Greaseproof amounted to SEK 2,124 (1,377) million, an increase of 54 percent, of which market prices

contributed 23 percent and the acquired operations in Canada 24 percent. EBITDA increased to SEK 126 (-34) million. The 2021 comparative figure includes a provision of SEK 76 million that was made in connection with the decision to close the pulp mill in Säffle. The acquired operations in Canada made a positive contribution to the EBITDA increase. The businesses in Sweden, Norway and Canada implemented significant price increases during the year to compensate for increases in the cost of input goods, mainly paper pulp and energy, as well as increased pulp purchasing costs following the closure of the pulp mill in Säffle.

The EBITDA margin increased to 5.9 (-2.5) percent. Operating profit increased to SEK 52 (-132) million and the operating margin to 2.5 (-9.6) percent.

CHANGE IN NET SALES

Jan-Dec 2021, SEK m	1,377
Sales volume and product mix	-2%
Selling price	23%
Currency	9%
Acquired operations Jan-Dec 2022, SEK m	24%
Jan-Dec 2022, SEK m	2,124

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR 2022

In the fourth quarter Nordic Paper divested its 37.6 percent minority shareholding in Åmotfors Energi AB, resulting in a capital gain recognised in net financial items and a positive effect on cash flow from investing activities of SEK 42 million.

FINANCIAL TARGETS

- Annual net sales growth of 2–4 percent over the long term. Nordic Paper also intends to grow as opportunities for selective acquisitions arise.
- EBITDA margin in the medium term of around 20 percent.
- Net debt in relation to EBITDA not exceeding 2.5x. Net debt in relation to EBITDA may, however, exceed 2.5x temporarily, for example in connection with acquisitions.

- Dividend of around 50–70 percent of net profit for the year. The proposed dividend is to take into account Nordic Paper's financial position, liquidity, future investment needs and the general macroeconomic and operational conditions.

CASH FLOW, FINANCIAL POSITION AND FINANCING

Cash flow from operating activities amounted to SEK 560 (408) million for full year 2022. Due to increased market prices for the group's products, as well as increases in the price of inputs, the value of both accounts receivable and inventories has increased compared with 2021 and working capital has increased to SEK 497 (378) million.

As of 31 December 2022, the group had net debt of SEK 956 (1,317) million. Interest-bearing liabilities amounted to SEK 1,281 (1,678) million. The credit facility of SEK 400 million, which was utilised for the acquisition of Nordic Paper Québec, was paid back in its entirety in 2022.

Of the interest-bearing liabilities of SEK 1,281 million, SEK 31 million are liabilities according to IFRS 16 Leases. Cash and cash equivalents were SEK 325 (360) million. The equity/assets ratio was 28.7 (18.0) percent and the net debt/EBITDA ratio was 1.2 (3.7).

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT

Investments in property, plant and equipment amounted to SEK 145 (180) million in 2022.

CURRENCY HEDGING

The group hedges future net flows in foreign currencies. Typically, 50–75 percent of the net flows are hedged for the coming six-month period and 25–50 percent for the subsequent 7–12 months.

EBITDA includes the effect on profit of realised currency hedges of SEK -57 (18) million. The graph above presents hedging for the upcoming 12-month period.

TAX SITUATION

The tax expense for the year amounted to SEK 143 (37) million, which corresponded to a tax rate of 20.1 (20.6) percent. The Nordic Paper group operates in Sweden, Norway and Canada. In 2022 the income tax rate for companies in Sweden was 20.6 percent, in

CURRENCY HEDGES FOR THE NEXT 12 MONTHS

Currency	Average rate for currency hedges	Exchange rate, 31 Dec	Local currency total, m	Total, SEK m	Market value, net, SEK m	Currency hedging as % of estimated net exposure, 1–6 months	Currency hedging as % of estimated net exposure, 7–12 months
EUR	10.77	11.13	105	1,131	–38	77%	48%
USD	9.95	10.44	6	57	–2	66%	48%
GBP	12.26	12.58	12	147	–3	66%	42%
				1,335	–43		

Norway 22 percent and in Canada 26.5 percent. There are no accumulated loss carry forwards within the group.

SEASONAL EFFECTS

Nordic Paper is impacted to a certain extent by seasonal variations over its financial year, primarily due to planned production shut-downs. The company's plants in Åmotfors and Greåker both have summer holiday shut-downs lasting three to four weeks falling in the third quarter.

Much of the annual maintenance work at the plants is also carried out during these shutdowns. The production plants in Bäckhammar, Säfte and Québec operate all year round and therefore have an annual maintenance shutdown which generally falls in the third quarter. Shutdowns normally last between one and just under two weeks.

During both maintenance shutdowns and holidayperiod shutdowns, production comes to a standstill and operating profit is negatively affected by lower contribution margins and by slightly lower delivery volumes. At the facilities that have production shutdowns during the summer holiday period, the third quarter is also affected by lower personnel costs.

The group applies IFRS 15 for revenue recognition. Accordingly, sales are recognised as revenue when control of the goods is transferred to the customer. Revenue recognition is ensured by analysing delivery terms, and deliveries that cannot be recognised as revenue at the end of the period are transferred to the next period with these deliveries remaining in inventory. In the fourth quarter the delivery terms for a group of Natural Greaseproof customers were changed. This resulted in an accrual effect that was larger than in previous periods. The difference in the effect in the fourth quarter compared

with the same quarter the previous year is equivalent to a decrease in net sales of SEK 90 million, with a negative EBITDA effect of around SEK 27 million.

Activities subject to permit or notification

The group has activities subject to permit or notification under the Environmental Code (Sweden), the Environmental Act (Norway) and the Canadian Environmental Protection Act. Environmental impact occurs mainly through emissions to water and air as well as noise. All of the group's net sales come from operations that are subject to permit. The production volume for 2022 was within the permitted range.

No production permits were amended or renewed in 2022.

SUSTAINABILITY REPORT

Nordic Paper has prepared a Sustainability Report for 2022 as part of the Annual Report and this is presented on pages 34–61. The businessmodel is presented on pages 11 and 16–17 and risks on pages 73–79.

THE NORDIC PAPER SHARE

The number of shares in Nordic Paper Holding AB is 66,908,800 ordinary shares. Each share carries one vote at the shareholders' meeting. There are no restrictions in law or the Articles of Association on the transferability of shares.

On 31 December the largest shareholder in the company, Sutriv Holding AB, held 32,220,312 shares, corresponding to 48.16 percent of the number of shares on the market. There were no other shareholders with a holding of 10 percent or more of the total number of shares as of 31 December 2022. Nordic Paper has no treasury shares.

More information about the Nordic Paper share is available on page 131 and on Nordic Paper's website, www.nordic-paper.com.

PROPOSED APPROPRIATION OF PROFIT

The Board of Directors proposes that the available earnings (SEK):

Retained earnings	361,038,712
Profit for the year	395,545,771
	756,584,483

be allocated as follows:

a dividend to the shareholders of SEK 4.65 per share	311,125,920
carried forward	445,458,563
	756,584,483

EVENTS AFTER

THE END OF THE FINANCIAL YEAR

On January 31, 2023, the Land and Environmental Court in Vänersborg published its decision for new production permit for Nordic Paper Bäckhammar.

The new production permit allows an increase of the production to 280 000 tons of pulp and 180 000 tons of paper, in line with the company's application which was sent in August 2020. The published permit includes terms related to the increase of production. The published permit was appealed by a private person in February 2023 and the appeal process must be closed before the permit gains legal force.

CORPORATE GOVERNANCE REPORT

Nordic Paper's vision is to be the natural leader in speciality paper, with our work being based on the core values of responsibility, respect, cooperation and development. The company offers effective and environmentally responsible products and solutions within the Kraft Paper and Natural Greaseproof segments. The company works towards clear growth, profitability and return targets and there are also explicit requirements for Nordic Paper to act in a way that is sustainable over the long term for shareholders, as well as for employees, customers, suppliers and other stakeholders.

THE FRAMEWORK FOR THE COMPANY'S ACTIONS is set out in laws and regulations such as the Swedish Companies Act, the Swedish Annual Accounts Act, stock exchange rules and the Swedish Corporate Governance Code (hereinafter referred to as the Code). Furthermore, the company's own governance follows internal rules and guidelines in governing documents such as the Board's and CEO's rules of procedure and policies, as well as processes for, for example, control and risk management.

This Corporate Governance Report aims to describe the framework in place, the distribution of responsibilities as well as interactions between the Annual General Meeting, the Board of Directors and the CEO. The report is reviewed by the company's auditors. Preparing a corporate governance report is required under the Swedish Annual Accounts Act. The Corporate Governance Report follows the rules and instructions set out in the Code.

Nordic Paper Holding AB is a public Swedish limited liability company that has been listed on the Stockholm stock exchange, Nasdaq Stockholm, since October 2020. Nordic Paper has applied the Code since the Annual General Meeting on 12 March 2020.

This Corporate Governance Report has been prepared observing the company's application of the Code in 2022. Nordic Paper has no deviations from the Code to report for the period. No violations of applicable stock exchange rules or of good practice in the stock market have been reported regarding Nordic Paper by Nasdaq Stockholm's Disciplinary Committee or the Swedish Securities Council in 2022.

SHAREHOLDERS

At the end of 2022 Nordic Paper Holding AB had 4,969 shareholders. Swedish individuals were the largest category with just over 4,700 shareholders.

The largest shareholder at the end of the year, with 48.16 percent of the votes and capital, was Sutriv Holding AB (corp. reg. no. 556056-8817) with its registered office in Stockholm. Shanying International Holding Co. Ltd., which is listed on the Shanghai Stock Exchange, owns 100 percent of Sutriv Holding AB.

The three next largest shareholders were AMF Försäkring & Fonder with 8.82 percent, Swedbank Robur with 6.71 percent and Handelsbanken Fonder with 3.17 percent.

The employees have no shares in Nordic Paper Holding through pension funds or any similar investments. There is no limit on the number of votes each shareholder may cast at the Annual General Meeting.

More information about the share and the ownership structure is presented on page 131.

SHAREHOLDERS' MEETING

Notice of the Annual General Meeting is issued no earlier than six weeks and no later than four weeks before the planned meeting date. The notice contains:

- a) information about registration and the right to vote and attend the meeting;
- b) a numbered agenda with the matters to be dealt with;
- c) information on the proposed dividend and the main content of the other proposals.

Shareholders or proxies can vote for the full number of owned or represented shares. Shareholders may register for the meeting by letter or at nordic-paper.com.

As announced on 28 October 2022, the 2023 Annual General Meeting will take place on 24 May 2023.

Nomination Committee

At the Annual General Meeting on 19 May 2022 instructions were adopted for the company’s Nomination Committee, according to which the Nomination Committee will consist of one representative for each of the company’s four largest shareholders in terms of votes as of 31 August 2022. The composition of the Nomination Committee for the 2023 Annual General Meeting is Andreas Kihlblom for Sutriv Holding AB (chair), Caroline Sjösten for Swedbank Robur, Patricia Hedeelius for AMF and Suzanne Sandler for Handelsbanken Fonder.

The Nomination Committee’s task is to submit proposals regarding the election of board members, the Board Chair, board fees and audit fees, as well as for the election of an auditor. The proposals are presented in the notice of the Annual General Meeting.

The Nomination Committee will apply Rule 4.1 of the Code as a diversity policy when preparing its proposal for the Board. This means that the Board must have an appropriate composition that takes into account the company’s operations, stage of development and other circumstances, and that is characterised by diversity and breadth with respect to the expertise, experience and background of the members elected by the Annual General Meeting. Attaining gender balance is a priority. The Nomination Committee will take this policy into account

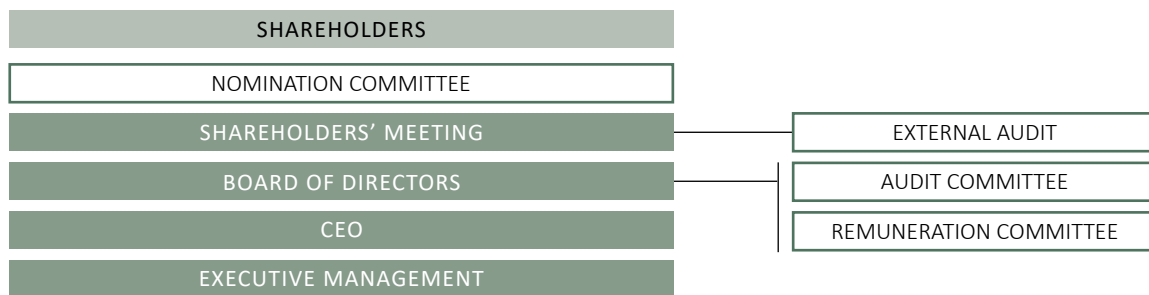
when making proposals for the Board. Further information on the Nomination Committee’s work will be provided at the 2023 Annual General Meeting. The Nomination Committee will publish its proposal at the Annual General Meeting.

BOARD MEETINGS

In 2022 the Board held 13 meetings, four of which were held in connection with the company presenting a quarterly report.

One meeting was devoted to the company’s long-term strategic plan and to the group’s budget. In addition, the Board has paid special attention to sustainability as well as financial and accounting matters, monitoring operations and the planned programme for expansion of the plant in Bäckhammar and other major investments. The Board has also addressed risk and matters concerning the company’s internal control.

The company’s auditor has reported to the Board on the review of the accounts and internal control.



Nordic Paper’s corporate governance structure

WORK OF THE BOARD OF DIRECTORS

The Board of Directors is the company’s second highest decision-making body, after the shareholders’ meeting. According to the Swedish Companies Act the Board of Directors is responsible for the administration and organisational structure of the company. This means that the Board is responsible for, among other things, establishing targets and strategies, ensuring that routines and systems are in place to evaluate performance in relation to established targets, and ongoing evaluation of the company’s financial performance and position as well as its operational management.

The Board’s work follows a plan which, among other things, is to ensure that the board members receive all necessary information. The Board decides annually on the written rules of procedure and issues written instructions regarding the division of work between the Board and the CEO, as well as information that the Board must receive on an ongoing basis on current financial developments and other important events. Company officials report on company matters at board meetings.

In order to develop the Board’s procedures, an annual evaluation is carried out where each member answers a questionnaire with relevant questions concerning the Board’s work and is given the opportunity to submit proposals on how the Board’s procedures can be

further developed. The results are presented and discussed at a board meeting. The results of the 2022 evaluation form the basis for the planning of the Board’s work over the coming years.

The Chair of the Board has presented the results of the evaluation to the Nomination Committee. An annual evaluation of the CEO is also carried out by the Board.

Chair of the Board

The Chair leads the Board’s work so that it is carried out in line with applicable laws and regulations, the Code and the Board’s own rules of procedure. The Chair ensures that the work is well organised, conducted efficiently and that the Board fulfils its tasks.

In dialogue with the company’s CEO, the Chair monitors the development of the business and is responsible for ensuring that other members receive on an ongoing basis the information required for the Board’s work to be conducted in the best possible manner. Together with the company’s CEO, the Chair of the Board also approves a proposed agenda for the Board’s meetings. The Chair is responsible for the evaluation of the Board’s work and checks that board decisions are implemented, and is also the company’s representative in matters relating to ownership.

Composition of the Board of Directors

The members of the Board are elected annually by the Annual General Meeting for the period lasting until the next AGM is held. According to the Articles of Association, the Board is to consist of three to ten AGM-elected members, without deputies. The Articles of Association do not contain any other provisions on the appointment or dismissal of board members, changes to the Articles of Association or restrictions on how long a member can be a member of the Board.

The 2022 Annual General Meeting resolved to re-elect the board members Per Bjurbom, Ying Che, Stefan Lundin, Karin Eliasson, Helene

Willberg and Arne Wallin. Per Bjurbom was re-elected as Chair of the Board.

In addition to the six members elected by the Annual General Meeting, local workers' organisations have the right to appoint two members and two deputies. Of the six members elected by the AGM, five are deemed to be independent in relation to the company and four members to be independent in relation to the owner as per the Code's definition. None of the board members, other than the employee representatives, work operationally within the company. More information about the board members is presented on page 83.

BOARD MEMBERS ELECTED AT THE 2022 ANNUAL GENERAL MEETING

Member	Elected	Position	Independent in relation to			Remuneration Committee
			Company and management	Major shareholders	Audit Committee	
Per Bjurbom	2019	Chair of the Board	No ²	No ³	–	–
Karin Eliasson	2020	Board member	Yes	Yes	–	Chair
Helene Willberg	2020	Board member	Yes	Yes	Chair	–
Arne Wallin	2020	Board member	Yes	Yes	–	Member
Ying Che	2019	Board member	Yes	No ³	– ⁴	–
Stefan Lundin	2019	Board member	Yes	Yes	Member	–
Per Gustafsson ¹	2013	Board member	–	–	–	–
Tom Röd ¹	2019	Board member	–	–	–	–
Niclas Backelin ¹	2013	Deputy board member	–	–	–	–
Ann-Charlotte Kullander ¹	2022	Deputy board member	–	–	–	–

1) Employee representative

2) Chief Executive Officer of Nordic Paper until the end of March 2019

3) Employed by Sutriv Holding AB

4) Member of the Audit Committee until end of March 2022

BOARD COMMITTEES

The Board has established two board committees – a Remuneration Committee and an Audit Committee – so as to streamline and deepen the Board's work on certain issues. Members of the committees are appointed for one year at a time at the statutory board meeting and their work, as well as the committees' decision-making powers, are regulated by annually established committee instructions, which are reviewed and adopted each year.

The committees have preparatory and administrative roles. Matters addressed at committee meetings are documented in the meeting minutes and reported at the subsequent board meeting, where decisions are made in applicable cases.

Audit Committee

Nordic Paper has an Audit Committee with two members: Helene Willberg (chair) and Stefan Lundin.*

The Audit Committee's duties, which are not to affect the Board's general responsibilities and duties, consist of overseeing the company's financial reporting and the efficiency of the company's internal

control and risk management, and of staying informed about the audit of the annual accounts and consolidated accounts, reviewing and monitoring the auditor's impartiality and independence, and paying particular attention if the auditor is providing the company with services other than audit services, and assisting in the preparation of proposals for the election of auditors at the AGM.

Work of the Audit Committee in 2022

In 2022 the Audit Committee held 12 meetings. During the year the committee dealt with various accounting matters, external audit planning for 2022, enterprise risk management (ERM), internal control, financing, currency hedging, tax and external reporting.

The chair of the Audit Committee regularly reported to the Board on issues addressed at the Committee's meetings.

Remuneration Committee

The main task of the Remuneration Committee is to prepare for Board decisions on remuneration principles, remuneration packages and other remuneration-related employment terms for executive management.

*Also Ying Che until the end of March 2022

The committee is to monitor and evaluate the application of guidelines for remuneration to senior executives, remuneration structures and remuneration levels. The committee proposes to the Board an overall policy regarding salaries, other remuneration and employment benefits in general at Nordic Paper and guidelines for remuneration to senior executives. The committee also prepares for the CEO's proposal for salaries and other remuneration for executive management. The committee also submits proposals to the Board, which decides on the salary and remuneration for the CEO. The Remuneration Committee consists of the members Karin Eliasson (chair) and Arne Wallin.

The work of the Remuneration Committee in 2022

In 2022, the Remuneration Committee held 14 meetings. Throughout the year the Remuneration Committee made preparations for decisions on remuneration and other employment terms for the CEO and other senior executives.

The Remuneration Committee evaluated the application of both the policy and the guidelines established by the Annual General Meeting for remuneration to senior executives.

More information on remuneration within the group can be found in the *Remuneration Report* and in Note 9 on pages 106–108, and also on the company's website under *AGM Documentation*.

EXECUTIVE MANAGEMENT

The Board has delegated operational responsibility for the company's and the group's management to the company's CEO. Instructions regarding the division of work between the Board and the CEO are approved annually by the Board. Nordic Paper Holding's executive management consists of the company's CEO and seven other members. Information about the CEO and other members of executive management can be found on page 84.

ATTENDANCE AND FEES

Member	Elect-ed	Position	Audit Com-mit-tee	Remu-neration Committee	Attendance at meetings			Annual fee adopted at AGM, SEK 000	
					Board of Directors	Audit Com-mit-tee	Remu-neration Committee		Committee work
Per Bjurbom	2019	Chair of the Board			13/13			550	
Karin Eliasson	2020	Board member		Chair	13/13		14/14	300	70
Helene Willberg	2020	Board member	Chair		13/13	12/12		300	170
Arne Wallin	2020	Board member		Member	13/13		14/14	300	35
Ying Che	2019	Board member	Member		13/13	5/5 ²		300	
Stefan Lundin	2019	Board member	Member		13/13	12/12		300	85
Per Gustafsson ¹	2013	Board member			13/13				
Tom Röd ^{1,3}	2019	Board member			9/13				
Tommy Hedlund ^{1,4}	2015	Board member			4/4				

1) Employee representative

2) Member of the Audit Committee until end of March 2022

3) Board member from beginning of May 2022, formerly deputy board member

4) Board member until end of April 2022

EXTERNAL AUDIT

The external auditor's task is to review the group's annual and sustainability reports and accounts, the consolidated and parent company's accounts, as well as the Board's and the CEO's administration of the company. After each financial year, the auditor is to submit an audit report to the Annual General Meeting.

The principal auditor participates in meetings with the Audit Committee and presents the annual audit to the Board. The Board also meets with the auditor without management being present.

At the 2022 Annual General Meeting, the accounting firm of PricewaterhouseCoopers (PwC) was elected as external auditor until the 2023 Annual General Meeting in accordance with a proposal from the Nomination Committee. The principal auditor is Martin Johansson. PricewaterhouseCoopers has been the company's auditors since 2017.

Since its listing on Nasdaq, other than the audit assignment Nordic Paper Holding has only consulted PwC to a limited extent. The amount of the fees and compensation paid to PwC for 2022 is set out in Note 8 on page 106.

INTERNAL CONTROL PROCESSES

An annual review of the strategy of each business segment is carried out, including objectives for the business. The strategy is presented to the Board and forms the basis for the expectations set out in each area.

Based on the expectations, each unit sets targets and identifies success factors to achieve the targets. Key performance indicators (KPIs) are linked to these success factors to measure and show development. The strategy review also forms the basis for the budget, where decisions on resource allocation are made and goals for the



coming year are set. Through internal reporting for continuous monitoring, it is ensured that the entire organisation sets relevant priorities so as to achieve the targets set.

Code of Conduct

Nordic Paper's Code of Conduct provides guidance to apply in day-to-day work and explains what is expected of the employees. Responsible behaviour towards both internal and external stakeholders is paramount in all of Nordic Paper's operations.

All employees must have the same rights, obligations and opportunities regardless of gender, transgender identity or expression, ethnic affiliation, religion or other belief system, disability, sexual orientation and age.

The Supplier Code of Conduct covers business ethics, anti-corruption, human rights, health and safety, work environment and the environment. With respect for human rights, Nordic Paper strives for a work environment based on the equal value of all people.

Policies

Nordic Paper uses policies adopted by the Board, guidelines and instructions for the group to clarify how employees should act in basic and critical areas.

The group's 14 policies address, among other things, expectations of employeeship and leadership, setting frameworks for goal management, talent supply and succession planning, cooperation with trade unions, equal treatment and terms of employment. In addition, ensuring a good work environment is addressed based on safety and health aspects, anti-corruption and competition issues and how good business practice is maintained in relationships with external contacts in the various markets.

Employees in roles where they are at risk of being exposed to illicit

behaviour receive special training in business ethics. The policies state that raw materials must be used efficiently and environmental impact limited, and that continuous improvements are to be prioritised. Financial risks are managed centrally with an emphasis on a low level of risk.

The policies are also there to ensure that the company's assets are managed in accordance with the group's rules, the risk of errors in financial reporting is minimised and irregularities are prevented. The group's purchasing transactions are to contribute to long-term profitability. Sustainable consumption of raw materials, products and services must be ensured in both the short and long term. Communication is to be accurate, transparent and easily accessible, and take into account legal requirements and commercial confidentiality.

THE GROUP'S 14 POLICIES:

- Corporate Governance Policy
- Financial Policy
- Insider Policy
- Communication Policy
- Operational Health and Safety Policy
- Environmental Policy
- HR Policy
- Information Security Policy
- IT and Digitalisation Policy
- Related Party Transactions Policy
- Electricity Price Hedging Policy
- Risk Management Guidelines
- Code of Conduct
- Governing Document Guidelines

Compliance

Nordic Paper's Code of Conduct, policies and values are included in each employee's orientation and are communicated to them by managers at employee meetings. Compliance is monitored through, among other things, employee surveys and performance and career development reviews, salary surveys and safety statistics. Where violations or a deficient corporate culture are discovered, the issue is to be handled in a manner suited to the context and situation.

Whistleblower service

Nordic Paper has a whistleblower service to which employees and external stakeholders can anonymously report any suspected serious irregularities, such as breach of the company's Code of Conduct or other policies/guidelines, or any behaviour not consistent with the company's values.

The service, which is provided by an external party, is available through Nordic Paper's intranet and on the company's website. Reports can be made online or by phone.

THE BOARD'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

This section has been prepared in accordance with the Swedish Corporate Governance Code and the Swedish Annual Accounts Act, and describes the company's internal control and risk management with respect to financial reporting. The purpose is to give owners and other stakeholders an insight into how internal control in financial reporting is organised at Nordic Paper.

Internal control over financial reporting

The Board's responsibility for internal control and financial reporting is regulated in the Swedish Companies Act and in the Code. According to the Code, it is also the Board's responsibility to ensure that the company is managed sustainably and responsibly. Ongoing responsibility for all of these issues has been delegated to the CEO.

Purpose and structure

The purpose of internal control is to ensure that Nordic Paper maintains reliable and accurate financial reporting, that the company's and group's financial reports are prepared in accordance with laws and applicable accounting standards, that the company's assets are protected and that other requirements are complied with. The system for internal control is also intended to monitor that company and group policies, principles and instructions are being complied with. Internal control also includes risk analysis. The group identifies, assesses and manages risk based on the group's vision and goals.

The finance department coordinates and monitors the process for internal control in financial reporting. The company's framework is based on the framework for internal governance and control developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Internal control work mainly follows COSO's framework for internal control in financial reporting. The framework consists of five basic elements: control environment, risk assessment, control activities, information and communication, and monitoring and evaluation. The framework has been adapted to Nordic Paper's various operations.

NORDIC PAPER'S FRAMEWORK FOR INTERNAL GOVERNANCE AND CONTROL HAS FIVE FUNDAMENTAL ELEMENTS:

- Control environment
- Risk assessment
- Control activities
- Information and communication
- Monitoring and evaluation

CONTROL ENVIRONMENT A good control environment lays the foundation for efficiency in a company's internal control systems. It helps build an organisation where there are clear decision paths and where powers and responsibilities are distributed through governing documents, and where there is a corporate culture with a common set of values.

The Board's rules of procedure and instructions for the CEO establish the division of roles and responsibilities to ensure effective control and management of the company's risks. The Board has also established a number of basic policies and governing documents that are important for maintaining effective control, such as Finance Policy, IT Policy and Communication Policy. In addition, management has established guidelines and instructions that help to make individuals aware of their role in maintaining good internal control.

These documents must also ensure that financial reporting complies with the laws and regulations that apply to companies listed on Nasdaq Stockholm, as well as any local rules where operations are carried out.

RISK ASSESSMENT An assessment of the financial reporting risks takes place annually, and control activities are strengthened or introduced. The risk assessment process aims to identify and evaluate risks that may lead to the group's goals for financial reporting not being met.

The results of risk management work are compiled and evaluated under the direction of the finance department and are reported to the Audit Committee and the Board in its entirety. For a description of the group's risk and risk management, see the section *Risk and risk management* on page 73.

CONTROL ACTIVITIES To ensure that Nordic Paper's objectives for financial reporting are met, control requirements are built into the processes that are deemed relevant: sales, purchasing, investment, HR, annual accounts, payments and IT. Control activities aim to prevent, detect and correct errors and deviations.

Control activities are performed at all levels within Nordic Paper and at different stages of business processes.

INFORMATION AND COMMUNICATION Nordic Paper regularly provides financial information through annual reports, interim reports, press releases and announcements on the company's website. Efficient and correct dissemination of information, both internally and externally, is central to ensuring complete, correct and timely financial reporting.

The company's rules, guidelines and manuals are communicated through several internal channels.

The group's finance department has direct operational responsibility for current financial reporting and for the application of the group's guidelines, principles and instructions for financial reporting. Operating units regularly submit financial and operational reports to executive management, which in turn reports to the Board through the CEO. The communication policy and associated guidelines aim to ensure that external communication is accurate, relevant, transparent and reliable, and otherwise lives up to the requirements set out for Nordic Paper as a Nasdaq Stockholm listed company.

MONITORING AND EVALUATION All of the group's units carry out self-evaluations adapted for their specific operations, indicating which control requirements apply to each process in order to ensure that the controls are effective and appropriate.

The results of the self-evaluations are monitored on an ongoing basis and deviations are reported quarterly to executive management. Tests are carried out on the accuracy of the self-evaluations.

A report on the self-evaluation of internal control, including of financial reporting, is submitted to executive management once a year. This report shows any identified shortcomings in internal control as well as action plans decided on in order to deal with these shortcomings. Reports are prepared annually for the Audit Committee and the Board as well.

Monitoring is an important tool to identify any shortcomings within the group and to manage them by drawing up new control requirements.

Internal audit statement

There is currently no established internal control function within Nordic Paper. The Board examined the issue during the year and concluded that existing structures for monitoring and evaluation provide a satisfactory basis for internal control, and nothing within the organisation, or other conditions in the company, justifies implementation of a special internal audit function. The group's existing internal control processes are considered to be sufficient.

RISK AND RISK MANAGEMENT

Nordic Paper is exposed to a number of risks that may have a significant impact on the company. This section describes the most important risks that affect Nordic Paper's ability to reach its targets and implement strategies, and how each risk is managed.

NORDIC PAPER'S BOARD OF DIRECTORS holds overall responsibility for identifying and managing the company's risks. The CEO has the overall operational responsibility. The risk management process is part of the company's annual procedures and is initiated when risk is identified and a risk assessment is made by the company's executive management. At this stage the overall risks identified are assessed based on the likelihood that the risk will materialise and the impact it could have on the company's ability to achieve its goals and to implement adopted strategies. The COSO¹ definition of risk (future events that threaten the organisation's ability to achieve its business objectives) has been applied in the risk assessment process. The time horizon for the assessment is five years into the future.

The identified risks break down as industry and market risks, operational and business risks, legal and regulatory risks and financial risks. Many of the identified risks can affect the company both positively and negatively.

After the initial annual risk identification and risk assessment, the risks are broken down into relevant processes and the process owners in different parts of the company design, develop and maintain measures and controls to manage the identified risks. Once a year an evaluation of these controls is made and the results of the risk management evaluation are compiled by the company's business development unit and reported to the Board's Audit Committee and then to the entire Board in the form of an annual risk report.

¹Committee of Sponsoring Organizations of the Treadway Commission

INDUSTRY AND MARKET RISKS

RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK																		
GEOPOLITICAL RISK	<p>Nordic Paper is in many ways dependent on there being stable conditions for international trade in order to maintain its production and to be able to sell its products throughout the world. Changes in the geopolitical situation, such as through various types of trade barriers, sanctions or military actions, can impact these conditions as a result of limitations on the supply of raw materials, energy or other goods and services, or restrictions on sales due to sanctions or voluntary restrictions.</p> <p>As a consequence of Russia's aggression towards Ukraine in 2022 Nordic Paper decided to stop sales to customers in Russia. Russian competitors have also been shut out of the European market due to a ban on importing Russian unbleached kraft paper into the EU. The geopolitical situation resulting from Russia's aggression has also caused higher cost levels for Nordic Paper's energy supply.</p>	<p>Most of Nordic Paper's purchases are made locally in a stable Nordic and North American environment. When sourcing from other areas Nordic Paper aims to minimise risk – both risks associated with individual suppliers and with geographical areas. In addition, a large percentage of sales are concentrated on countries with stable political systems in Western Europe and are also spread over several countries.</p> <p>Nordic Paper monitors geopolitical developments in order to react to changes in the risk situation.</p>																		
VARIATION IN DEMAND AND PRODUCT PRICES	<p>The strength of demand for Nordic Paper's products is impacted by the general state of the economy and by changes in end-consumer use of the products in question. Short-term demand can also be affected by changes in inventories further along the value chain, which can reinforce the effect of underlying economic fluctuations. As an example, customers will often wait to place an order if prices are expected to fall in the future. This in itself has a negative impact on market mood. In an economic upswing customers are keen to build up their inventories when they see opportunities to purchase paper before prices increase.</p> <p>Nordic Paper's product prices are the result of negotiations between the company and its customers. These negotiations are affected, among other things, by the general supply and demand situation for the products in question, and by the actions of Nordic Paper's competitors. From time to time there may be price movements that do not correlate with Nordic Paper's cost base. If negative price development for the company's products cannot be offset by reduced costs, this could lead to decreased earnings for the group.</p>	<p>Nordic Paper targets highly specialised niche markets where the speciality paper the company delivers creates value for the customer. Price variations are often less volatile in these markets as the products are not easy for the customers to replace.</p> <p>Nordic Paper's products are also used in a wide variety of downstream application areas. This provides overall stability and reduces the risk of industry-specific demand disruptions. More than half of the company's products are used in food handling contexts, such as for food packaging. This also provides stability and mitigates the impact of economic fluctuations.</p> <p>Geographically the company's sales are concentrated in Western Europe, but the company has sales channels throughout the world and has the ability to offset shrinking demand in one geography with increased sales volumes in others. Nordic Paper is also able to vary the length of contracts and their terms and conditions within its sales portfolio.</p>																		
COST OF INPUTS AND SERVICES	<p>The market price for many inputs and services used in the manufacture of Nordic Paper's products varies over time, which can affect the company's earnings.</p> <p>Around 58 percent of the group's total costs are variable, i.e. for raw materials and other inputs and services (excluding distribution services).</p>	<p>Nordic Paper aims to put all procurement out to tender in order to reduce costs and not be dependent on an individual supplier.</p> <p>WOOD RAW MATERIAL – Nordic Paper's wood supply is associated with long-term relationships with wood suppliers, a few of which are large forest owners. The long-term relationships and local sourcing provide stability in both volumes and costs. At the plant in Bäckhammar there is a degree of flexibility in that the amount of pulpwood and wood chips from sawmills that are accepted can be varied depending on market conditions. This has a stabilising effect on the company's fibre raw material costs.</p> <p>PURCHASING PULP – The net exposure to the pulp market is relatively limited as the company has its own pulp production facility in Bäckhammar. Nordic Paper buys pulp from a number of suppliers, which reduces risk.</p> <p>ENERGY PRICE – Around 25 percent of the company's electricity consumption is supplied through the electricity it produces from a turbine in Bäckhammar. The remainder is purchased on the market and is hedged to a large extent through contracts with fully or partly predetermined prices. The hedged portion is around 70 percent in the short term and then falls to zero over a time horizon of five years.</p>																		
	<table border="1"> <caption>Costs by type of cost 2022</caption> <thead> <tr> <th>Cost Type</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Paper pulp</td> <td>19%</td> </tr> <tr> <td>Employees</td> <td>16%</td> </tr> <tr> <td>Other external costs</td> <td>16%</td> </tr> <tr> <td>Energy</td> <td>16%</td> </tr> <tr> <td>Wood raw material</td> <td>12%</td> </tr> <tr> <td>Freight</td> <td>10%</td> </tr> <tr> <td>Chemicals</td> <td>9%</td> </tr> <tr> <td>Other variable costs</td> <td>2%</td> </tr> </tbody> </table>	Cost Type	Percentage	Paper pulp	19%	Employees	16%	Other external costs	16%	Energy	16%	Wood raw material	12%	Freight	10%	Chemicals	9%	Other variable costs	2%	
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PANDEMIC RISKS	<p>Covid 19, the recent global pandemic, has up to now had no impact on Nordic Paper's production capacity, nor has it had a significant impact on Nordic Paper's financial position.</p> <p>Nordic Paper experienced a certain shift in demand within Natural Greaseproof from the professional food sector to the consumer-driven retail sector during the pandemic. Continued measures to combat the spread of the pandemic could have a negative impact on Nordic Paper's financial position and operating profit.</p>	<p>Nordic Paper is monitoring recent pandemic developments very closely.</p> <p>During the most critical periods of the recent pandemic, alternative workplaces were used when this was possible and if local circumstances required it. Due to the pandemic, all maintenance shutdowns were carried out applying extensive safety measures.</p> <p>Nordic Paper has a strong financial position, which gives the company flexibility.</p>																		

INDUSTRY AND MARKET RISKS, cont.

RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK
POLITICAL DECISIONS	<p>Nordic Paper operates its business in compliance with applicable laws and regulations. Political decisions may result in changes to these laws and regulations, resulting in a positive or negative impact on Nordic Paper. The company is the most exposed in the countries where it has production operations, i.e. Sweden, Norway and Canada, but legislation in the EU, for example, also affects Nordic Paper both directly and indirectly. Areas that can be impacted by political decisions include the ability to extract wood raw material in forestry operations, the use of chemicals in the industry or the types of packaging used in society.</p> <p>In 2022 there were several legislative processes at the EU level with a potential impact on Nordic Paper, for example updating of the Packaging Directive (PPWD), the Industrial Emissions Directive (IED), the Renewable Energy Directive, the Emissions Trading System (EU-ETS) and the regulation on greenhouse gas emissions and removals from land use, land use change and forestry (the LULUCF Regulation).</p> <p>Political decisions can also change the conditions relating to permitting processes upon which Nordic Paper's operations depend. The time it takes for the authorities to review permit applications can, for example, be extended or shortened as a result of direct or indirect political priorities.</p>	<p>Nordic Paper has production operations in countries with stable political systems and the same applies to much of its sales activities. To keep up with developments, the company has processes in place to monitor the external environment and is an active participant in industry associations through which it engages in advocacy on issues that are important for the company.</p>
COMPETITION	<p>Nordic Paper operates in a competitive industry. The company's customer survey showed that the product quality and the stability of product properties across different deliveries is very important to the customers, followed by runnability in the customers' processes and delivery predictability.</p> <p>Increased competition within Nordic Paper's markets is a constant risk. Any increased competition due to a possible increase in the production capacity of Nordic Paper's competitors, and thus of the paper supply on the market, may impair the ability to achieve planned revenues and to realise the financial and operational assumptions made.</p>	<p>Nordic Paper operates in niche segments within the speciality paper market and has over time moved towards areas with high entry barriers. The barriers are to some extent technical in nature, but the fragmentation of the markets is a significant entry barrier.</p> <p>As part of annual strategy work, the company conducts market analysis and identifies its most important competitors. Long-term customer relationships are strengthened through the delivery of high-quality speciality paper and a high level of service.</p>
EMPLOYEES	<p>Nordic Paper needs talented and motivated employees as well as good leaders to achieve its set strategic and operational goals and targets. It is therefore important for Nordic Paper to succeed in recruiting and retaining employees with the appropriate skills.</p> <p>A lack of qualified staff due to reduced interest in the industry or shortages in the education sector could lead to difficulties in the future. The continued urbanisation trend in Sweden and abroad could also exacerbate this problem.</p>	<p>Nordic Paper works continuously to manage professional development and to plan for generational change at Nordic Paper's facilities. To ensure that Nordic Paper attracts people with the desired skills, the company is working to strengthen its brand as an employer.</p> <p>Personnel planning is an ongoing process. Educational programmes in pulp and paper have been established in partnership with Karlstad University. A new orientation programme has been produced. Every year an employee survey is carried out that is followed up both centrally at the group level and in various parts of the organisation. The company has processes to ensure that salaries and other employment terms are appropriate for each market and are linked to the company's priorities.</p>

OPERATIONAL AND BUSINESS RISKS

RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK
HEALTH AND SAFETY	<p>Nordic Paper's ambition is to have zero injuries at the company's workplaces. To achieve this the company has set short-term targets to reduce the frequency of accidents that result in sickness absence (the lost time injury frequency rate or LTIFR). Compared with these targets, the company today has a high level of accidents resulting in sickness absence. Apart from the risk to human life and health, this also involves a risk of production disruption, resulting in increased costs.</p>	<p>Nordic Paper works actively to reduce the number of accidents and to increase employees' attendance in good health. Health and safety are a priority and are an integral part of day-to-day operations.</p> <p>To reduce accidents and increase attendance rates, Nordic Paper applies clear strategies to set targets and monitors performance in relation to these, provides staff training, and routinely reports and follows up on incidents and accidents.</p> <p>Based on the high number of incidents resulting in sickness absence, an action plan to intensify preventive and systematic health and safety initiatives has been produced. The company is now implementing this plan using resources allocated for the purpose. Based on this plan, the systematic approach to health and safety has been improved by, among other things, revising procedures and instructions, producing checklists and updating risk management processes. Initiatives are being implemented within training and professional development.</p> <p>Over the past year the company has seen an increase in the number of risk observations made. This is an important aspect of the systematic efforts being made and a way to ensure that the number of serious incidents is reduced.</p>
LOSS OF PRODUCTION AT PRODUCTION FACILITIES	<p>Nordic Paper has five production facilities: three in Sweden, one in Norway and one in Canada. Fires, machine breakdowns, power outages and other types of incidents can damage facilities and also cause delivery problems, reduced customer confidence and increased costs.</p> <p>Annual maintenance shutdowns are carried out at the plants as a means of counteracting these types of incidents. However, the maintenance shutdown itself is a risk and can cause unforeseen, major equipment failures or accidents. If the maintenance shutdown lasts for longer than planned or if additional maintenance requirements are discovered, this can have a negative effect on production, and the maintenance can lead to increased costs compared with previous years.</p>	<p>Management annually reviews the maintenance requirements of the plants for the next few years. This work includes identifying ongoing annual investments, expansion investments and investments that aim to increase quality and safety.</p> <p>Annual maintenance shutdowns are carried out to ensure a high and stable production rate. Maintenance shutdowns are carefully planned out in advance to minimise maintenance time.</p> <p>Preventive activity includes an annual inspection of the factories together with the company's insurance company. Nordic Paper has active property and interruption insurance that covers the risk of damage to property, including machine stoppages, fires and business interruptions, including equipment breakdowns. The insurance premiums are based on cost of replacement and are, according to Nordic Paper's assessment, appropriate for the group's operations and on a par with other companies in the industry.</p>
CLIMATE RISK	<p>The ongoing climate change situation can affect Nordic Paper positively and negatively in a number of ways. Climate performance is a competitive advantage for the company and its products because the main competition comes from products made from fossil-based plastic which often has a significantly higher climate impact. A greater focus on the climate issue in society may be a positive trend for Nordic Paper's products.</p> <p>The company's supply of wood raw material may be impacted by a potential increase in the growth rate in the forest from which Nordic Paper buys its pulpwood as a result of climate change, but may also be negatively impacted as the likelihood of insect infestation, drought, forest fires or sudden events increase the raw material supply risk profile. Climate-related floods may also impact Nordic Paper by, for example, affecting the company's raw material supply.</p>	<p>Nordic Paper's supply of pulpwood and sawmill chips is distributed over some 40 suppliers with various separate sourcing areas, reducing the risk of geographically limited events.</p> <p>The watercourses at Nordic Paper's facilities in Sweden are subject to government regulations. When designing these regulations, flood risks are also taken into account.</p>
IT SYSTEMS AND CYBER THREATS	<p>IT attacks on businesses are increasing in general. Security is managed through the use of various security and anti-virus programmes, as well as firewalls. IT systems and interruptions or errors in critical systems could lead to disruptions in production and in important business processes. Nordic Paper is dependent on IT systems for its ongoing operations.</p> <p>Improper handling of financial systems may also affect Nordic Paper's accounts. The risk of intrusion and cyber attacks by unauthorised persons in Nordic Paper's systems can cause financial losses.</p>	<p>Nordic Paper has a management model for IT with control, standardised processes and information security. Technical controls are continuously updated to maintain effective perimeter protection.</p> <p>The IT strategy includes a long-term plan to replace systems and make the company less dependent on individual suppliers.</p>
CUSTOMER STRUCTURE, CUSTOMER AND AGENT RELATIONS	<p>Maintaining strong relationships with existing agents and customers, and building relationships with new agents and customers, are necessary to ensure that Nordic Paper's products are presented in the best way to customers and are available for purchase.</p> <p>Being highly dependent on certain individual, major customers, agents, industries or geographical markets can have a significant impact on revenues and earnings.</p>	<p>Nordic Paper has good commercial risk distribution over several hundred customers. Geographically, the company has established sales channels to customers in markets throughout the world and although sales are concentrated in volume terms within Western Europe, it is possible to increase sales to other areas in the world if necessary. At the same time, product development is under way to develop customised or new products for new customers and segments.</p> <p>The customer base is stable in both business segments based on long historical relationships. The majority of the company's customers have purchased products from Nordic Paper for six years or more.</p> <p>Nordic Paper's 10 largest customers account for around 20 percent of the company's net sales.</p>

OPERATIONAL AND BUSINESS RISKS, cont.

RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK
SUPPLIERS	<p>Nordic Paper is dependent on suppliers for input goods and services such as pulpwood, sawmill chips, bleached sulphate pulp, chemicals, energy, natural gas and other fuels. For certain input goods, there is a risk that Nordic Paper will become too dependent on a few or a single individual supplier.</p> <p>A loss of one or more important suppliers can lead to increased costs and manufacturing problems for Nordic Paper. It could be problematic for Nordic Paper if suppliers fail to follow the company's Code of Conduct.</p>	<p>Nordic Paper aims to avoid being dependent on any one individual supplier. The company uses multiple suppliers for its most important inputs. By signing contracts of different lengths, supplier risk can be reduced.</p> <p>Nordic Paper's Supplier Code of Conduct is incorporated into all new supplier contracts (unless a supplier's own code of conduct meets the requirements). Suppliers are evaluated regularly.</p>
STRATEGY IMPLEMENTATION	<p>Ineffective implementation of strategic plans, poor investment decisions and an inability to generate commitment to adopted strategies could adversely affect operations.</p>	<p>Nordic Paper's annual strategy work is based on a five-year perspective. It is based on the stakeholders' needs and expectations identified through external and stakeholder analysis. The focus is on developing the business segments, volume development in production and investment planning. Strategy work includes risk and opportunity analysis.</p> <p>Final strategy decisions are made by the company's Board and, based on the adopted strategy, management sets overall goals for the business for upcoming calendar years. These goals and the strategy are communicated once a year. Each department or entity within the company breaks down these overall goals into goals that are relevant for their specific area of operations.</p>
IMPLEMENTATION AND INTEGRATION OF ACQUISITIONS	<p>In an acquisition process, knowledge about the operations of the entity to be acquired is normally asymmetric because the seller is more knowledgeable about this than the buyer. The buyer is therefore not always aware of the risks associated with the entity.</p> <p>These transactions are also associated with contractual risks.</p> <p>If integration is not completed successfully, significant value can be lost through, for example, failures in governance, declining commitment among employees or loss of customers.</p>	<p>When implementing acquisition projects Nordic Paper ensures that external expertise is brought in in relevant areas based on a risk analysis of the respective initiative.</p> <p>Those responsible for the integration phase have already participated in the transaction phase.</p>
IMPLEMENTING STRATEGIC INVESTMENT PROJECTS	<p>The risk aspect is included in the planning, implementation and monitoring of larger investment projects. There may be a risk that the project will take longer than planned, that costs will be higher than planned or that the investment will not have the intended effect on earnings. There are also protection and security risks during the implementation of investment projects.</p>	<p>Nordic Paper has procedures for carrying out investment projects as effectively as possible and these procedures are updated based on experience from projects implemented in the past.</p> <p>Also, Nordic Paper ensures that external expertise is used in the areas that are deemed relevant according to a risk analysis for each initiative, both when planning and when implementing larger investment projects.</p>

LEGAL AND REGULATORY RISK

RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK
BUSINESS ETHICS	<p>Unethical behaviour, or shortcomings in sustainability management by Nordic Paper or its suppliers, could lead to the company's brand and reputation being damaged and it becoming more difficult to retain and attract customers and employees. The company may also be subject to fines and other legal sanctions.</p> <p>Nordic Paper's operations in the global paper market, especially given the group's geographical spread, exposes Nordic Paper to risks attributable to, among other things, sanctions and corruption.</p> <p>Economic sanctions have in recent years become a significant risk factor for companies trading internationally, not least in light of the Russian attack on Ukraine. Although Nordic Paper's products are seen as low risk, from a sanctions point of view, trade with sanctioned countries can entail significant sanction risks for a company in terms of the identity of local business associates and customers' business sectors, which may be subject to targeted sanctions.</p> <p>Nordic Paper is subject to competition laws. Competition authorities have the power to initiate ex-post controls and require a party to cease applying contract terms, prices and procedures that are deemed anti-competitive. Competition authorities also have the authority to issue fines and other sanctions as a result of violations of provisions in current regulations.</p>	<p>The Nordic Paper Code of Conduct describes how the company and its employees should act and how business is conducted. The Code applies to all employees and all the employees confirm this in writing. All suppliers with a contract volume exceeding SEK 1 million per year or who have more than 24 orders a year are also required to confirm in writing that they will comply with Nordic Paper's Code of Conduct.</p> <p>Nordic Paper has also produced anti-corruption and anti-bribery guidelines and the company has routines to ensure that no products are sold to countries or customers subject to sanctions. All customers – existing and new – are continually screened to check if they appear on any sanction lists. As a result of the extensive sanctions that nations have imposed on Russian interests following the invasion of Ukraine, Nordic Paper has temporarily increased its review frequency for updated sanction lists.</p> <p>Each year a supplier evaluation is carried out based on a number of parameters where business ethics is a central component.</p> <p>The company also has a whistleblower service where both employees and external stakeholders can report any irregularities relating to the company or its actions. The service is not connected in any way to the company's IT system and web services. Reports are handled confidentially and it is not possible to investigate the whistleblower's identity.</p>
ENVIRONMENT	<p>If there are shortcomings in environmental responsibility, trust in the company and the brand can be negatively affected. Nordic Paper's operations affect air, water, soil and biological processes, which can lead to costs for restoring the environment or other types of negative effects.</p> <p>Nordic Paper's industrial operations require permits from relevant authorities. Permits granted set limits on the scope of operations and their impact on the environment. In the event of expanded or changed operations, additional measures may be required. Any appeals from neighbours of the plants can delay certain permit decisions, as can public opinion and the media.</p>	<p>Nordic Paper's must operate in a responsible manner with regard to all stakeholders as well as the external and internal environment.</p> <p>Confidence in Nordic Paper as a responsible company strengthens the company's role in society and in the market, and promotes employee engagement. Nordic Paper communicates regularly with its stakeholders to maintain an open and positive relationship.</p> <p>The environmental standard within Nordic Paper's production units is high as a result of continuous work over many years. All production units have certified quality management systems. The units have environmental roles that are responsible for contact with the supervisory authorities.</p>
LEGAL AND ADMINISTRATIVE PROCEDURES INCLUDING FOOD SAFETY	<p>Nordic Paper operates internationally. The company has production facilities in Sweden, Norway and Canada and the products are sold to around 80 countries – many in stable mature markets, but there are also sales to growth markets with less stable political situations. Nordic Paper can be called on as a counterparty in multiple jurisdictions. Consequently, Nordic Paper risks from time to time becoming involved in civil rights, work-environment related and administrative procedures that arise as part of day-to-day operations.</p> <p>Disputes may arise due to customers claiming that Nordic Paper's products are defective, inadequate or do not meet the level of quality, safety and reliability that the customer expected, which could result in significant claims for damages or other compensation claims. This in turn could lead to other product-related litigation, major product recalls and food safety disputes.</p>	<p>Nordic Paper works actively to ensure that Code of Conduct and values are observed, not only among company's employees but also by its agents and suppliers. Nordic Paper continually monitors developments in a number of areas and, together with external legal advisers, manages any legal risks that may arise.</p> <p>Both business segments are certified according to international standards (ISO). Products for use in the food industry are approved by the FDA and BFR.</p> <p>The company's management system for food safety (Säffle and Greåker are certified to ISO 22000 and Québec to SQF) includes quality control and product safety in purchasing and delivery.</p>

FINANCIAL RISKS

RISK	DESCRIPTION OF RISK	MANAGEMENT OF RISK
CREDIT RISK	Credit risk is the risk of losses due to Nordic Paper's customers or counterparties in financial contracts not fulfilling their payment obligations, thereby causing the group a financial loss. Nordic Paper has no significant concentration of credit risk.	Nordic Paper has established guidelines to ensure that products and services are sold to customers with good creditworthiness, and payment terms vary between 0–90 days depending on the counterparty. Nordic Paper takes out credit insurance for most of its customers and otherwise uses letters of credit, bank guarantees, advance payments, etc. to secure payments and minimise the risk of credit losses. In terms of Nordic Paper's net sales, credit losses, or provisions made for them, have historically been limited.
CURRENCY RISK – TRANSACTION EXPOSURE	Nordic Paper is exposed to currency risk in transactions in currencies other than SEK. This could have a negative impact on Nordic Paper's future profits, cash flow and the value of assets and liabilities. The group operates internationally and is exposed to currency risk from both sales and purchases in various currencies, but primarily the euro (EUR), US dollar (USD), British pound (GBP), Norwegian kroner (NOK) and Canadian dollar (CAD). Currency risk arises from payment flows in foreign currencies, known as transaction exposure, and from the translation of balance sheet items in foreign currencies, which primarily consists of transactions in the currencies EUR, USD and GBP. Currency risk also arises when translating the foreign subsidiaries' income statements and balance sheets into the group's reporting currency, which is Swedish kronor (SEK). This is called translation exposure.	Nordic Paper manages currency risk from transaction exposure and translation exposure through currency hedging in the currencies where there is material exposure, in accordance with the company's Financial Policy. The group hedges future net flows in foreign currencies. Normally, 50–75 percent of net flows must be hedged within the next six-month period and 25–50 percent in the following 7–12 months.
LIQUIDITY AND FINANCING RISK	Liquidity risk is the risk that Nordic Paper will not have sufficient cash to cover its ongoing costs or that the company will not obtain credit facilities. Financing risk is the risk that Nordic Paper will violate agreed covenants, which would negatively affect its ability to finance the business.	Nordic Paper manages its liquidity risk by endeavouring to hold sufficient assets and short-term investments in liquid markets and have the necessary financing through credit facilities. Nordic Paper monitors and forecasts liquidity and financing needs in order to detect risks of impaired covenants in a timely manner and take the necessary action, and reports these forecasts to the Board.
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 that affects interest rate risk is the fixed interest period.	The group's loans have variable rates of interest in which the margin is determined by covenants, the most important of which relates to net debt divided by EBITDA.
FINANCIAL REPORTING	A correct assessment of Nordic Paper relies on its financial statements being accurate and being prepared in accordance with issued standards and rules.	The group uses procedures for internal control over financial reporting to ensure that financial statements are correct. External expertise is brought in to provide advice if needed. The company's auditors also provide a layer of supervision.
IMPAIRMENT RISK	Impairment risk is the risk of a decline in the value of intangible non-current assets. The acquisition of Nordic Paper Québec resulted in an increase in recognised goodwill to SEK 740 million, brands recognised at SEK 34 million and customer relationships recognised at SEK 214 million.	The group monitors and forecasts earnings development for the group's segments and reports these to the Board. Follow-up and forecasts provide early signals of any impairment risk, giving the group the opportunity to act.

REMUNERATION GUIDELINES

INTRODUCTION

These guidelines cover remuneration to the Chief Executive Officer (CEO) and other members of Nordic Paper's executive management (senior executives). The guidelines are forward-looking, which means that they will be applied to any remuneration agreed, and changes made to already agreed remuneration, after the guidelines were adopted by the Extraordinary General Meeting held on 20 August 2020.

The guidelines do not cover remuneration decided on by the Annual General Meeting, such as programmes for long-term variable remuneration.

REMUNERATION PRINCIPLES

Remuneration and other terms of employment for the CEO and senior executives must be competitive so that Nordic Paper can attract, employ and retain a competent executive management, which is essential for successful implementation of the company's business strategy and for safeguarding Nordic Paper's long-term interests, including its sustainability. The total remuneration offered should also be market-based and give senior executives joint responsibility for the company's overall results, which are aligned with the shareholders' interests.

TOTAL REMUNERATION

The total remuneration to the CEO and senior executives must be competitive in the market in the country where the person is located.

The total remuneration will consist of a fixed cash salary, variable cash remuneration under incentive programmes, pension benefits and other benefits. In addition, and independently of these guidelines, the Annual General Meeting may decide on, for example, share or share price-related remuneration and other forms of remuneration without restrictions.

Fixed cash salary

A review of the fixed cash salary for the CEO and senior executives is to be carried out annually. When determining and reviewing fixed cash salaries, the total remuneration, including pension and local market salary data, primarily for a relevant comparison group of companies, will be taken into account.

Salary increases (as a percentage of existing fixed cash salary) should normally be based on external market practice, other employees in relevant locations and positions, and the individual's performance.

Variable cash remuneration

Variable cash remuneration, as per the annual incentive programmes, must be linked to predetermined and measurable criteria related to the company, designed to promote value creation for the company and strengthen links between performance targets achieved and rewards.

The criteria for incentive programmes are decided on annually by the Board and designed so that they promote the company's business strategy and long-term interests, including its sustainability, by, for example, having a clear connection to the business strategy or promoting the person's long-term development.

The extent to which the criteria for allocating variable cash remuneration have been met is to be measured over a period of one year and evaluated following the measurement period. Annual variable cash remuneration is to be limited and the maximum payment may not exceed 30 percent of the fixed cash salary for senior executives and 50 percent for the CEO.

The Board has, at its own discretion, the right, in whole or in part, to deny a person the right to a variable cash payment in the event that the person has acted in violation of Nordic Paper's Code of Conduct, to recover variable cash compensation paid to a person on incorrect grounds, such as recalculation of financial results due to incorrect financial reporting, non-compliance with financial reporting requirements, etc.

Pensions and other benefits

Nordic Paper is aiming to gradually move towards defined-contribution pension solutions, meaning that Nordic Paper would pay contributions corresponding to a specific percentage of the employee's salary. Pension benefits will be defined-contribution and entitle the individual to a pension from the age of 65, unless the individual is covered by a defined-benefit pension plan in accordance with mandatory collective agreement provisions or mandatory local regulations.

The CEO has a defined-contribution pension plan with a premium limited to 40 percent of annual fixed cash salary. Variable cash

compensation will not qualify for pension benefits, except when it follows from provisions according to a general pension plan (such as the Swedish ITP plan). Other benefits may include, among other things, life insurance, health insurance and car benefits. Such benefits are maximised at 15 percent of annual fixed cash salary.

CONDITIONS FOR TERMINATION OF EMPLOYMENT

The notice period for the CEO and senior executives is six (6) months if the employment is terminated by the company and six (6) months if the employment is terminated by the employee. In addition, severance pay of a maximum of twelve (12) months' fixed cash salary may be paid to the CEO and a maximum of six (6) months to senior executives if the employment ends at the company's request.

The company's CEO and senior executives are to be covered by a non-compete clause that is legally effective for six (6) months following termination of employment, as well as non-recruitment of relevant parties during this period. The company may unilaterally waive the non-compete clause at its own discretion. In compensation for the non-compete clause the CEO will be entitled to remuneration at 60 percent of the monthly remuneration (calculated on fixed cash salary and variable salary) and senior executives at 75 percent of the monthly remuneration (calculated on fixed cash salary).

BOARD MEMBER REMUNERATION IN ADDITION TO BOARD FEES

Board members elected at the Annual General Meeting may in certain cases receive a fee for services performed within their respective areas of expertise, but beyond their board duties.

Compensation for these services are to be paid according to market conditions and approved by the Board.

THE DECISION-MAKING PROCESS

The Board has established a Remuneration Committee. The committee prepares for the Board's decision on proposals for guidelines on remuneration and other terms of employment for the CEO and senior executives.

The committee also monitors and evaluates programmes for variable remuneration paid to executive management, the application of guidelines for remuneration, current remuneration structures

and remuneration levels within the company. The Board is to prepare proposals for new guidelines at least every four years and submit the proposal for resolution at the Annual General Meeting. The guidelines apply until new guidelines have been adopted by the Annual General Meeting.

The members of the Remuneration Committee are independent in relation to the company and executive management. The CEO or other persons in executive management are not present when the Board considers or makes decisions on remuneration-related matters insofar as they are affected by the matters.

DEVIATIONS FROM THE GUIDELINES

The Board of Nordic Paper considers it its responsibility to apply discretion and make well-founded assessments regarding individual remuneration packages or salary levels that may deviate from time to time either above or below the established salary strategy, in whole or in part, if there are specific reasons for deviation in an individual case and a deviation is necessary to meet 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:

- The person's performance and potential in relation to the market.
- Long-term succession planning and strategic talent supply.
- Business conditions in the industry or the overall market, as well as commercial or regulatory requirements within the senior executive's area of responsibility.
- Circumstances where people are asked to assume a new role, responsibility for specific projects or strategic initiatives.

SALARY AND EMPLOYMENT TERMS FOR EMPLOYEES

In preparing the Board's proposal for these remuneration guidelines, salaries and employment terms for the company's employees are taken into account in that information on employees' total income, remuneration components and the remuneration increase and rate over time have formed part of the Remuneration Committee's and Board's decision basis in the evaluation of the suitability of the guidelines and the restrictions arising in them.





From the left: Stefan Lundin, Karin Eliasson, Helene Willberg, Ying Che, Per Bjurbom, Tom Rød, Per Gustafsson and Arne Wallin.

• **PER BJURBOM**

Chair of the Board since 2019

BORN: 1961

EDUCATION: Master of Science in Mechanical Engineering, Paper Engineering, KTH Royal Institute of Technology, Stockholm

OTHER CURRENT POSITIONS: Chair of the Board and CEO of Sutriv Holding AB

PREVIOUS POSITIONS: Several senior positions in the paper industry with responsibility for production, distribution, M&A, marketing and sales, for example at Holmen, Stora Enso and BillerudKorsnäs. CEO of Nordic Paper 2014–2019.

INDEPENDENT IN RELATION TO THE COMPANY/MAJOR SHAREHOLDERS: No/No
SHAREHOLDING: 28,200

• **YING CHE**

Board member since 2019

Member of the Audit Committee

BORN: 1983

EDUCATION: Master of Business Administration, Warwick Business School (WBS), University of Warwick, UK

OTHER CURRENT POSITIONS: Vice President of Sutriv Holding AB (Europe BU, Shanying International), CEO of Creative Space Holdings Ltd., UK

PREVIOUS POSITIONS: Various positions within Shanying International, including position as Vice President of Cyclelink International 2015–2016. Cyclelink operates a waste paper business in Europe, the USA and Asia. Prior to that, PR Manager and Assistant Chair at Shanying International.

INDEPENDENT IN RELATION TO THE COMPANY/MAJOR SHAREHOLDERS: Yes/No
SHAREHOLDING: –

• **KARIN ELIASSON**

Board member since 2020

Chair of the Remuneration Committee

BORN: 1961

EDUCATION: Bachelor's degree, Mid Sweden University

OTHER CURRENT POSITIONS: Board member of Karolinska University Hospital, RLS Global AB, Ruter Dam Chefsutveckling AB and Vice Chair of the Council and Chair of the Nomination Committee of Skandia.

PREVIOUS POSITIONS: Many years of experience as a senior executive in international companies with responsibility for areas such as human resources and sustainability. SVP Group Human Resources and Sustainability at SCA AB from 2003 to 2007 and in a similar position from 2008 to 2014 at TeliaSonera AB. GVP Human Resources and Sustainability for Autoliv Inc. from 2014 to 2019.

INDEPENDENT IN RELATION TO THE COMPANY/MAJOR SHAREHOLDERS: Yes/Yes
SHAREHOLDING: 4,000

• **STEFAN LUNDIN**

Board member since 2019

Member of the Audit Committee

BORN: 1957

EDUCATION: Bachelor's in Business Administration, Örebro University

OTHER CURRENT POSITIONS: –

PREVIOUS POSITIONS: Experience from a number of positions in finance and as a senior executive at industrial companies. CFO at Setra, one of the largest wood product companies in Sweden, for 12 years. CFO at Nordic Paper 2016–2018.

INDEPENDENT IN RELATION TO THE COMPANY/MAJOR SHAREHOLDERS: Yes/Yes
SHAREHOLDING: 3,500

• **ARNE WALLIN**

Board member since 2020

Member of the Remuneration Committee

BORN: 1954

EDUCATION: Master of Science in Mechanical Engineering, KTH Royal Institute of Technology, Stockholm

OTHER CURRENT POSITIONS: –

PREVIOUS POSITIONS: Leading technical roles and management roles in the paper industry, including management of large investment projects and investment programmes within the Holmen Group for 27 years until 2015, positions as head of the Braviken factory, CEO of the Holmen Paper business region and CEO of Holmen Energy.

INDEPENDENT IN RELATION TO THE COMPANY/MAJOR SHAREHOLDERS: Yes/Yes
SHAREHOLDING: 695

• **HELENE WILLBERG**

Board member since 2020

Chair of the Audit Committee

BORN: 1967

EDUCATION: Master's in Accounting and Finance, Stockholm School of Economics

OTHER CURRENT POSITIONS: Chair of the Board of Footway Group AB. Board member of Infrea AB, Profoto Holding AB, Thule Group AB, Aligro Planet Acquisition Company AB, ReNewCell AB, Enzymatica AB, Indecap Holding AB, Xshore AB and Byggfakta Group Nordic HoldCo AB.

PREVIOUS POSITIONS: Authorised Public Accountant. Several senior positions at KPMG AB for 20 years, including CEO 2008 to 2012. From 2017 to 2020 Country Leader at the consulting company Alvarez and Marsal Nordics.

INDEPENDENT IN RELATION TO THE COMPANY/MAJOR SHAREHOLDERS: Yes/Yes
SHAREHOLDING: 20,913

• **PER GUSTAFSSON**

Board member since 2013

Employee representative for Pappers Bäckhammar

BORN: 1959

OTHER CURRENT POSITIONS: –

SHAREHOLDING: 1,000

• **TOM RØD**

Board member since 2022

Employee representative for GAF Greåker

BORN: 1966

OTHER CURRENT POSITIONS: –

SHAREHOLDING: –

DEPUTIES

• **NICKLAS BACKELIN**

Deputy board member since 2013. Employee representative for Unionen Åmotfors

BORN: 1974

OTHER CURRENT POSITIONS: Deputy board member of Eda Bostads Aktiebolag

SHAREHOLDING: –

• **LOTTA KULLANDER**

Deputy board member since 2022. Employee representative for Unionen Säffle

BORN: 1959

OTHER CURRENT POSITIONS: –

SHAREHOLDING: –

The shareholding includes holdings of related parties.



From the left: Niclas Eriksson, Anita Sjölander, Daniel Lindkvist, Christian Persson, Linda Nordqvist, Henrik Essén, Peter Warren and Henrik Asp.

• **ANITA SJÖLANDER**

Chief Executive Officer since 2019, member of executive management since 2018

BORN: 1965

EDUCATION: Master of Science in Chemical Engineering, Chalmers University of Technology, Gothenburg

BACKGROUND: Head of Gruvön Mill, BillerudKorsnäs

SHAREHOLDING: 12,500 and 140,000 warrants 2022/2025

• **NICLAS ERIKSSON**

Chief Financial Officer since 2018

BORN: 1967

EDUCATION: Bachelor's in Business Administration, Karlstad University

SHAREHOLDING: 10,300 and 74,000 warrants 2022/2025

• **HENRIK ASP¹**

Director of Supply Chain & IT since 2022, member of executive management since 2018

BORN: 1981

EDUCATION: MSc in Business Administration, specialisation in finance, Stockholm University and Korea University Business School

SHAREHOLDING: 2,500 and 74,000 warrants 2022/2025

• **HENRIK ESSÉN**

Director of Sustainability & Communication since 2022, member of executive management since 2021

BORN: 1974

EDUCATION: Master of Science in Chemical Engineering, KTH Royal Institute of Technology, Stockholm

SHAREHOLDING: 17,000 and 74,000 warrants 2022/2025

• **DANIEL LINDKVIST**

Director of Human Resources since 2022

BORN: 1975

EDUCATION: Studies in economics, HR, management and informatics, Karlstad University

SHAREHOLDING: 74,000 warrants 2022/2025

• **LINDA NORDQVIST**

Director of Sales and Marketing Kraft Paper since 2022

BORN: 1973

EDUCATION: Bachelor's in Business Administration, Karlstad University

SHAREHOLDING: 74,000 warrants 2022/2025

• **CHRISTIAN PERSSON**

Director of Operations since 2019

BORN: 1972

EDUCATION: Forest industry programme specialising in pulp and paper, Karlstad University

SHAREHOLDING: 940 and 74,000 warrants 2022/2025

• **PETER WARREN**

Director of Sales & Marketing Natural Greaseproof since 2015

BORN: 1960

EDUCATION: Leadership Development Programme, Cranfield Business School, Bachelor of Business Administration, University of Leicester, Postgraduate Diploma in Marketing, Institute of Marketing, UK

SHAREHOLDING: 600

The shareholding includes holdings of related parties.

¹⁾ Henrik Asp held the position Director of Supply Chain & IT until April 1, 2023. From April 1, he was succeeded by David Högström.



FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

SEK m	Note	1 Jan 2022 31 Dec 2022	1 Jan 2021 31 Dec 2021
Net sales	5, 6	4,440	3,083
Other operating income	7	41	45
Raw materials, energy and consumables		-2,139	-1,431
Change in inventories of work-in-progress and finished goods		87	-11
Other external costs	8, 13	-954	-801
Personnel costs	9, 10	-588	-519
Other operating expenses	11	-66	-7
EBITDA	13	821	358
Depreciation, amortisation and impairment losses	12, 13	-145	-150
Operating profit/loss	13	676	208
Financial income	14	83	1
Financial expense	15	-50	-28
Profit before tax		709	182
Income tax	16	-143	-37
Net profit for the year		566	144
Net profit for the year attributable to:			
Owners of the parent		566	144
Earnings per share before and after dilution, SEK	17	8.46	2.15

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Note	1 Jan 2022 31 Dec 2022	1 Jan 2021 31 Dec 2021
Net profit for the year		566	144
Other comprehensive income			
<i>Items that have been or may be reclassified to profit or loss</i>			
Changes in the fair value of cash flow hedges	26	-26	-37
Exchange differences on translation of foreign operations	26	28	12
Tax attributable to items that have been or may be reclassified to profit or loss		6	8
		8	-18
<i>Items that will not be reclassified to profit or loss</i>			
Change in obligations relating to employee benefits		15	-
Translation differences on foreign operations' provisions for employee benefits		6	-
Tax attributable to items that will not be reclassified to profit or loss	16	-6	-
		15	-
Other comprehensive income for the year		24	-18
Comprehensive income for the year		590	126
Comprehensive income for the year attributable to:			
Owners of the parent		590	126

CONSOLIDATED BALANCE SHEET

SEK m	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Property, plant and equipment			
Brands	18	34	31
Customer relationships	18	214	219
Goodwill	18	740	726
Other intangible assets	18	7	6
Buildings and land	19	40	55
Plant and machinery	19	544	466
Equipment, tools and installations	19	7	4
Work in progress	19	151	176
Right-of-use assets	20	32	23
Deferred tax assets	16	18	18
Other financial receivables	21	10	–
Total non-current assets		1,796	1,724
Current assets			
Inventories	22	625	472
Accounts receivable	4	769	546
Current tax assets		–	7
Other receivables	24	85	114
Derivatives	23	2	1
Prepaid expenses and accrued income	25	24	28
Cash and cash equivalents		325	360
Total current assets		1,830	1,528
TOTAL ASSETS		3,626	3,252
EQUITY AND LIABILITIES			
Equity			
Share capital	26	19	19
Reserves		–23	–33
Retained earnings including net profit for the year		1,045	598
Equity attributable to owners of the parent		1,041	584
Non-current liabilities			
Liabilities to credit institutions	28, 32	950	1,350
Non-current lease liabilities	20, 28	20	14
Obligations relating to employee benefits	10	16	31
Deferred tax liabilities	16	228	206
Derivatives		25	–
Other provisions	23	101	97
Total non-current liabilities		1,341	1,698
Current liabilities			
Factoring loan	28, 32	284	273
Accounts payable	23	419	382
Liabilities to associated companies	36	–	14
Current tax liability	16	43	–
Current lease liabilities	20, 28	11	10
Derivatives	23	45	15
Other liabilities	30	17	14
Accrued expenses and deferred income	31	426	263
Total current liabilities		1,245	970
TOTAL EQUITY AND LIABILITIES		3,626	3,252

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK m	Equity attributable to owners of the parent					Retained earnings including profit for the year	Total
	Share capital	Reserves: Translation reserve	Reserves: Hedge reserve	Other paid-in capital			
Equity 1 January 2021	19	-37	22			590	594
Net profit for the year						144	144
Other comprehensive income for the year		12	-30			-	-18
Comprehensive income for the year		12	-30			144	126
Dividend						-134	-134
Total transactions with owners						-134	-134
Equity 31 December 2021	19	-25	-8			598	584
Equity 1 January 2022	19	-25	-8			598	584
Net profit for the year						566	566
Other comprehensive income for the year		28	-20			15	24
Comprehensive income for the year		28	-20			581	590
Transactions with owners of the parent							
Issue of warrants in conjunction with incentive programmes					1		1
Dividend						-134	-134
Total transactions with owners					1	-134	-133
Equity 31 December 2022	19	5	-28	1		1,045	1,041

See also Note 26

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK m	Note	1 Jan 2022 31 Dec 2022	1 Jan 2021 31 Dec 2021
Operating activities			
Operating profit/loss		676	208
Interest received		0	0
Interest paid		-40	-26
Adjustments for non-cash items	37	188	256
Paid income tax		-73	-14
Cash flow from operating activities before changes in working capital		750	425
Cash flow from changes in working capital			
Change in inventories		-148	-19
Change in accounts receivable		-220	-181
Change in current receivables		32	-49
Change in accounts payable		32	173
Change in current liabilities		113	60
Cash flow from operating activities		560	408
Investing activities			
Acquisition of property, plant and equipment	19	-145	-180
Acquisition of subsidiaries	35	21	-644
Divestment of associated companies	36	42	-
Change in financial assets	21	-10	-
Cash flow from investing activities		-92	-824
Financing activities			
Amortisation of loans	37	-400	-
Borrowing	37	-	400
Repayment of lease liabilities	37	-11	-13
Net change in factoring loan	37	11	108
Dividend paid		-134	-134
Cash flow from financing activities		-534	361
Cash flow for the year			
Cash and cash equivalents at beginning of year		360	415
Exchange rate difference in cash and cash equivalents		30	0
Cash and cash equivalents at end of year		325	360

PARENT COMPANY INCOME STATEMENT

SEK m	Note	1 Jan 2022 31 Dec 2022	1 Jan 2021 31 Dec 2021
Net sales	6	57	49
Other operating income	7	0	18
Other external costs	8	-66	-57
Personnel costs	9, 10	-13	-15
Other operating expenses	11	-90	-46
Operating profit/loss		-111	-51
Profit from participations in group companies	36	19	106
Interest income and similar items	14	21	15
Interest expense and similar items	15	-43	-28
Profit after financial items		-114	42
Year-end appropriations	38	610	221
Profit before tax		496	263
Tax on profit for the year	16	-100	-41
Profit for the year and total comprehensive income		396	222

PARENT COMPANY BALANCE SHEET

SEK m	Note	31 Dec 2022	31 Dec 2021
ASSETS			
Property, plant and equipment			
Participations in group companies	34	1,165	1,165
Receivables from group companies	34, 36	345	401
Deferred tax assets	16	10	3
Total non-current assets		1,521	1,568
Current assets			
Receivables from group companies	36	720	242
Current tax assets	16	–	1
Prepaid expenses and accrued income	25	11	11
Cash and bank balances		109	479
Total current assets		839	733
TOTAL ASSETS		2,360	2,302
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	26	19	19
Total share capital		19	19
<i>Non-restricted equity</i>			
Retained earnings		361	272
Net profit for the year		396	222
Total non-restricted equity		757	494
Total equity		776	513
Untaxed reserves	37	508	399
Non-current liabilities			
Liabilities to credit institutions	28	950	1,350
Derivatives		25	–
Total non-current liabilities		975	1,350
Current liabilities			
Liabilities to group companies	36	1	2
Accounts payable	23	2	13
Derivatives	23	45	15
Other liabilities	30	1	0
Current tax liability	16	48	–
Accrued expenses and deferred income	31	5	10
Total current liabilities		101	40
TOTAL EQUITY AND LIABILITIES		2,360	2,302

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEK m	Restricted equity	Non-restricted equity			Total
	Share capital	Issue in respect of incentive programmes	Retained earnings	Net profit for the year	
Equity, 1 January 2021	19		116	289	424
<i>Adjustment due to changed accounting principles</i>				-34	-34
Adjusted equity as of 1 January 2021	19		116	256	390
Appropriation of profit			289	-289	-
Profit for the year and total comprehensive income				256	256
Transactions with owners					
<i>Dividend</i>			-134		-134
Equity 31 December 2021	19		272	222	513
Equity, 1 January 2022	19		272	222	513
Appropriation of profit			222	-222	-
Profit for the year and total comprehensive income				396	396
Issue in respect of incentive programme		1			1
Transactions with owners					
<i>Dividend</i>			-134		-134
Equity 31 December 2022	19	1	361	396	776

PARENT COMPANY STATEMENT OF CASH FLOWS

SEK m	Note	1 Jan 2022 31 Dec 2022	1 Jan 2021 31 Dec 2021
Operating activities			
Operating profit/loss		-111	-51
Interest received		21	15
Interest paid		-43	-28
Adjustments, cash flow	37	-	-
Paid income tax		-58	-41
Cash flow from operating activities before changes in working capital		-191	-104
Cash flow from changes in working capital			
Change in current receivables		8	30
Change in current liabilities		37	31
		45	61
Cash flow from operating activities		-146	-43
Investing activities			
Acquisition of subsidiaries	35	-	-670
Change in non-current receivables		56	-
Cash flow from investing activities		56	-670
Financing activities			
New share issue		1	-
Amortisation of loans		-400	-
Borrowing	37	-	400
Group contributions received		234	199
Group contributions provided		-	-
Dividend received		19	106
Dividend paid		-134	-134
Cash flow from financing activities		-280	571
Cash flow for the year		-370	-142
Cash and cash equivalents at beginning of year		479	621
Cash and cash equivalents at end of year		109	479

NOTES

NOTE 1 INFORMATION ON THE PARENT COMPANY

Nordic Paper Holding AB (publ) with Swedish corporate registration number 556914-1913 is a Swedish-registered limited liability company and its registered office is in Karlstad. The company's shares have been registered on NASDAQ Stockholm AB since 22 October 2020. The address of the head office is Tullhusgatan 1B, 652 09 Karlstad.

The consolidated financial statements for 2022 consist of the parent company Nordic Paper Holding AB and its subsidiaries Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB, Nordic Paper Seffle AB, Nordic Paper AS and Nordic Paper Québec Inc. (formerly Glassine Canada Inc.), collectively referred to as the group.

NOTE 2 SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles for the group set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise stated.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), additional disclosure requirements in the Swedish Annual Accounts Act and interpretations from the IFRS Interpretations Committee (IFRS IC) as adopted by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups and applicable statements (UFR) have also been applied.

Information on the figures recognised in the Annual Report

All amounts are stated in millions of Swedish kronor (SEK m) unless otherwise stated. Rounding differences of SEK +/- 1 million may occur in the totals of amounts. In cases where an underlying amount is SEK 0 million after rounding, the amount is stated as 0. Amounts in parentheses refer to the corresponding period in the previous year.

New and amended standards to be applied in current and future years

No newly issued or amended IFRS standards or interpretations are expected to materially impact Nordic Paper's financial statements.

Measurement bases

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 derivative instruments and plan assets linked to defined-benefit pension plans.

Functional and reporting currency

The functional currency is the currency in the primary economic environments in which the companies operate. The parent company's functional currency is Swedish kronor, which is also the reporting currency for the parent company and for the group. This means that the financial statements are presented in Swedish kronor.

Operating segments

Nordic Paper's business is split into two operating segments that have been identified based on the internal structure of the group's business operations. Results are monitored regularly by the group's chief operating decision maker, who in Nordic Paper is identified as the Chief Executive Officer (CEO). The CEO monitors operations based on the two operating segments Kraft Paper and Natural Greaseproof for the purposes of distributing resources and assessment of results. The CEO uses EBITDA to monitor the group's earnings.

Classification

Non-current assets and non-current liabilities essentially consist of amounts that are expected to be recovered or paid after more than twelve months from the balance sheet date, while current assets essentially consist of amounts that are expected to be recovered or paid within twelve months from the balance sheet date. Non-current

liabilities essentially consist of amounts that the group, at the end of the reporting period, has an unconditional right to choose to pay at a later date than the twelve months following the end of the reporting period. If the group does not have such a right at the end of the reporting period, the debt amount is recognised as a current liability.

Consolidated financial statements

The aim in consolidating accounting is to present statements for a group in which the parent company and its subsidiaries' assets, liabilities, equity, revenue, expenses and cash flows are reported as a single financial entity. Intra-group transactions, balance sheet items and unrealised gains and losses on transactions between group companies are eliminated.

Subsidiaries

Subsidiaries are companies that are under the controlling influence of Nordic Paper Holding AB. The group has a controlling influence over a company when it has influence, is exposed to or has the right to a variable return from its holding in the company and can influence the return through its controlling influence over the company.

Business combinations

Business combinations are reported in the group according to the acquisition method. Subsidiaries are included in the consolidated financial statements from the date on which the controlling influence is transferred to the group. They are excluded from the consolidated financial statements from the date on which the controlling influence ceases. The purchase price for the acquisition of a subsidiary consists of the fair values of transferred assets, liabilities that the group owes to previous owners, shares issued by the group, assets or liabilities that result from an agreement on a contingent purchase price and/or previous equity in the acquired company.

The method means that the acquisition of a subsidiary results in the group indirectly acquiring the subsidiary's assets and taking over its liabilities. The purchase price allocation determines the fair value on the acquisition date of the acquired identifiable assets and assumed liabilities as well as any non-controlling interests. Acquisition-related expenses are recognised directly in profit or loss.

In business combinations where transferred compensation exceeds the fair value of acquired assets and assumed liabilities, the difference is recognised as goodwill. When the difference is negative, known as low-cost acquisitions, this is recognised directly in profit for the year.

Associated companies

Participations in associated companies are recognised in the consolidated financial statements. Receivables from and liabilities to associated companies are recognised in the consolidated financial statements on a separate line in the balance sheet. Upon divestment of participations in associated companies the gain or loss is recognised as a financial item in the consolidated financial statements.

Until 5 October 2022 Nordic Paper Åmotfors AB held 37.6 percent of the shares in Åmotfors Energi AB. The shares were written down to zero in the 2013 financial year and have since been recognised at zero in the consolidated balance sheet.

Foreign currency**Transactions in foreign currency**

Transactions in foreign currency are translated into the functional currency at the exchange rate in effect on the transaction date. Monetary assets and liabilities in foreign currency are translated into the functional currency at the exchange rate in effect on the balance sheet date. Exchange rate differences that arise in translation are recognised in profit or loss for the year.

Exchange rate gains and losses on operating receivables and operating liabilities are recognised net as other operating income or as other operating expenses, while exchange rate gains and losses on cash and cash equivalents and loan liabilities are recognised as financial income or financial expense respectively.

Translation of foreign operations

Assets and liabilities of foreign operations, including goodwill and other surpluses and deficits on consolidation, are translated from the foreign operation's functional currency to the group's reporting currency, Swedish kronor, at the exchange rate in effect on the balance sheet date. Income and expenses of a foreign operation are translated into Swedish kronor at an average exchange rate that constitutes an approximation of the exchange rates that existed at the time of each transaction.

Translation differences that arise from the currency translation of foreign operations are recognised in other comprehensive income and accumulated in a separate component in equity called the translation reserve. Upon the sale of a foreign operation the cumulative translation differences attributable to the operation are realised, at which time they are reclassified from the translation reserve in equity to profit for the year.

Revenue

The group manufactures and sells various types of paper goods. Sales are recognised as revenue when control of the goods is transferred to the customer, which normally occurs in accordance with the applicable shipping terms. Sales take place through agreements with the customer where each delivery is seen as an individual commitment. Revenue from sales is recognised based on prices in the agreement. Variable compensation may occur, in the form of discounts linked to the commitment.

Volume and cash discounts are where the customer receives an agreed discount on condition that purchases up to a certain total level are made during a predetermined period, normally one year. Price reductions are calculated and reserved monthly as accrued debt, based on historical data (see Note 31). Variable compensation is recognised as a reduction in net sales. Accounts receivable are recognised when the goods have been delivered, as this is the moment when the compensation becomes unconditional.

The group does not offer any guarantees linked to the sale, apart from a guarantee regarding the agreed quality of the product.

Customers' credit periods vary and average at around 50 days. However, there are no credit periods exceeding one year, which is why no significant financing component is deemed to exist at the time of sale.

The group has certain expenses for obtaining customer agreements, such as commissions paid to agents. For these, the relief rule in IFRS 15 is applied, which means that they are expensed as they arise.

Financial income and expense

Financial income consists of interest income from bank accounts as well as interest income from customers relating to late payments. Interest income is recognised in accordance with the effective interest method. Dividends received are recognised when the right to receive a dividend is established.

Financial expense includes interest expense on loans and leases and the effects of reversal of provisions measured at present value. Interest expense on financial instruments is recognised according to the effective interest method.

Financial income and expense also include realised exchange rate gains and losses upon translation of cash and cash equivalents as well as unrealised translation effects of foreign currency accounts included in cash and cash equivalents. Upon divestment of associated companies the gain or loss is recognised as a financial item in the consolidated financial statements.

Taxes

The tax expense for the period consists of current tax and deferred tax. Income taxes are recognised in profit for the year except when the underlying transaction is recognised in other comprehensive income or in equity, whereby the associated tax effect is also recognised in other comprehensive income or in equity.

The tax expense for the period is tax that is to be paid or will be received for the current year, applying the tax rates enacted or substantively enacted on the balance sheet date. Tax for the period also includes adjustment of current tax attributable to previous periods.

Deferred tax is calculated according to the balance sheet method based on temporary differences between recognised and taxable values of assets and liabilities. Temporary differences are not taken into account in consolidated goodwill. Also not taken into account are temporary differences attributable to holdings in subsidiaries and associated companies that are not expected to be reversed in the foreseeable future. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or settled. Deferred tax is calculated applying the tax rates and tax rules enacted or substantively on the balance sheet date.

Deferred tax assets relating to tax-deductible temporary differences are recognised only to the extent that it is probable that these will be utilised. The value of

deferred tax assets is reduced when it is no longer considered probable that they can be utilised.

Earnings per share

Earnings per share before dilution is calculated by dividing the net profit for the year attributable to the parent company's shareholders by the weighted average number of outstanding shares for the year.

Earnings per share after dilution is calculated by dividing net profit attributable to owners of the parent company – 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 did not have potential ordinary shares that could give rise to a dilution effect in 2021. In 2022 a warrant programme was implemented, generating a dilution effect of around 0.89 percent.

Financial instruments

Financial instruments recognised in the balance sheet on the asset side include cash and cash equivalents, accounts receivable, accrued income, part of other receivables, and derivatives. On the liability side, non-current liabilities to credit institutions, a factoring loan, liabilities to group companies, accounts payable, liabilities to associates, part of other current liabilities and accrued expenses, and derivatives.

Recognition in and derecognition from the balance sheet

A financial asset or liability is recognised in the balance sheet when the company becomes party to the instrument's contractual provisions. Accounts receivable are recognised in the balance sheet when the goods have been delivered. A liability is recognised when the counterparty has performed and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are recognised when the invoice is received.

Financial assets are derecognised from the balance sheet when the right to receive cash flows from the instrument has expired or been transferred and the group has transferred essentially all risks and benefits associated with ownership.

Financial liabilities are derecognised from the balance sheet when the contractual obligation has been fulfilled or otherwise extinguished. When the terms of a financial liability are renegotiated, and it is not derecognised from 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.

Financial instruments are initially recognised at fair value plus, for an asset or financial liability that is not recognised at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability, such as fees and commissions. Transaction costs for financial assets and liabilities that are recognised at fair value through profit or loss are expensed in the income statement.

Financial assets – classification and measurement

The group classifies and measures its financial assets in the categories at amortised cost and at fair value through profit or loss. The classification of investments in debt instruments depends on the group's business model for managing financial assets and the contractual terms for the assets' cash flows.

Financial assets measured at amortised cost

Assets held for the purpose of collecting contractual cash flows, and where these cash flows only constitute capital amounts and interest, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that have been reported (see "Impairment of financial assets" below). The group's financial assets that are measured at amortised cost include accounts receivable, part of other receivables, accrued income, and cash and cash equivalents.

Financial assets measured at fair value through profit or loss

Assets that do not meet the requirements for recognition at amortised cost are measured at fair value through profit or loss. A gain or loss for a debt instrument that is recognised at fair value through profit or loss, and that is not part of a hedging relationship, is recognised net in the income statement in the period in which the gain or loss arises. Any holdings in derivatives that do not meet the criteria for hedge accounting fall into this category. The group had no derivative instruments classified in this category as of 31 December 2022 or 31 December 2021.

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 measured at amortised cost

The group's other financial liabilities are measured after initial recognition at amortised cost applying the effective interest method. Financial liabilities measured at amortised cost consist of non-current liabilities to credit institutions, a factoring loan, liabilities to associated companies, accounts payable and part of the items other current liabilities and accrued expenses.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading. Financial liabilities measured at fair value through profit or loss are also recognised at fair value in subsequent periods, with the change in value recognised in the income statement.

Any holdings in derivatives that do not meet the criteria for hedge accounting fall into this category. The group has derivative instruments that are classified in this category. These are recognised as financial expense or financial income in the income statement.

Impairment of financial assets**Assets recognised at amortised cost**

The group assesses the future expected credit losses linked to assets recognised at amortised cost. The group reports a credit loss provision for these expected credit losses at each reporting date. For accounts receivable, the group applies the simplified approach to credit provisions, i.e. the provision will correspond to the expected loss over the entire life of the receivable. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and due dates. The group uses forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated income statement under the item other external costs.

Accounts receivable are written off when there is no reasonable expectation of repayment. Indicators that there is no reasonable expectation of repayment include the recovery process failing or the debtor having been declared bankrupt.

Until 5 October 2022 Nordic Paper Åmotfors AB held 37.6 percent of the shares in Åmotfors Energi AB. The shares were written down to zero in the 2013 financial year and have since been recognised at zero in the consolidated balance sheet.

Accounts receivable

Accounts receivable are amounts attributable to customers in respect of goods sold in operating activities. Accounts receivable are classified as current assets. Accounts receivable are initially recognised at the transaction price less expected credit losses. At subsequent reporting dates accounts receivable are measured at amortised cost applying the effective interest method. The group's calculation of expected credit losses is described in Note 4.

The carrying amount for accounts receivable includes receivables covered by a factoring agreement. Under the agreement, the group has transferred receivables to a factoring company in exchange for cash, and the receivables can therefore not be sold or pledged. The group does not sell its accounts receivable to the factoring company but retains the credit risk and late payment risk. The group therefore continues to report the transferred assets in full in the balance sheet. The amount received through the factoring agreement is reported as short-term borrowing against security.

Accounts payable

Accounts payable are obligations to pay for goods or services that have been acquired from suppliers in daily operations. The amounts are usually paid within 30 days. Accounts payable are classified as current liabilities if they fall due within one year or earlier (or during a normal business cycle if this is longer). The liabilities are initially recognised at fair value and thereafter at amortised cost applying the effective interest method.

Borrowing

Borrowing is initially recognised at fair value, net after transaction costs. Borrowing is then recognised at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in the income statement distributed over the loan period, applying the effective interest method.

Currency derivatives and hedge accounting

Derivatives are recognised in the balance sheet on the transaction date and are measured at fair value, both initially and on subsequent remeasurement at the end of each reporting period. The method for reporting the gain or loss arising upon remeasurement depends on whether the derivative has been identified as a hedging instrument, and, if so, the nature of the item being hedged.

The group identifies certain derivatives as hedging of certain risks attributable to cash flow from highly probable forecast transactions (cash flow hedging). When the transaction is entered into, the group documents the relationship between the hedging instrument and the items for which future cash flows are hedged, as well as the group's goals for risk management and the risk management strategy regarding hedging. The group also documents its assessment, both when the hedge is entered into and continuously, of whether the derivative instruments used in hedging transactions have been and will continue to be effective in mitigating changes in cash flows attributable to the hedged items.

Information on the fair value of various derivative instruments used for hedging purposes can be found in Note 4. Changes in the hedge reserve in equity are presented in Note 26. The entire fair value of a derivative that constitutes a hedging instrument is classified as a non-current asset or non-current liability when the remaining term of the hedged item is longer than 12 months. Hedging instruments are classified as current assets or current liabilities if the term is shorter than 12 months. The group does not use currency derivatives that have a maturity longer than 12 months.

Transaction exposure – cash flow hedging

Currency exposure regarding future forecast flows is hedged through currency futures. The futures contracts that protect the forecast flows are recognised in the balance sheet at fair value. The effective portion of fair value changes in the futures contract is recognised in other comprehensive income and accumulated in equity for as long as the hedge is effective. The ineffective portion of the change in value is recognised immediately in the income statement within other operating income (gain) or other operating expenses (loss) respectively. If the hedge is not effective or if the hedged forecast transaction is no longer expected to occur, cumulative gains or losses are recognised immediately in profit or loss.

The amount recognised in equity through other comprehensive income is returned to profit or loss in the same period that the hedged item affects profit or loss and is recognised in other operating income or other operating expenses. When a hedging instrument matures, is sold, settled or redeemed, or the company redesignates the hedging relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the recognised cumulative gain or loss in the hedging reserve remains in equity and is recognised as above when the transaction occurs.

Ineffectiveness in hedge accounting

The effectiveness of a hedge is evaluated when the hedging relationship is entered into. The hedged item and the hedging instrument are evaluated on an ongoing basis to ensure that the relationship meets requirements. When the group hedges the sale of foreign currency, hedging relationships are entered into where critical terms in the hedging instrument match the terms of the hedged item exactly. In this way, a qualitative evaluation of the effectiveness of the relationship is made. When hedging sales of foreign currency, ineffectiveness can arise if the date of the forecast transaction changes compared to the initial estimate.

Intangible assets**Goodwill**

Refers to the difference between the cost of business combinations and the fair value of acquired assets, assumed liabilities and contingent liabilities. Goodwill is measured at cost less any accumulated impairments and is distributed to cash-generating units.

Customer relationships

Amortisation is applied on a straight-line basis over the useful life, which is estimated at 10 years. Customer relationships have been acquired through business combinations and are recognised at fair value on the acquisition date.

Brands

The useful life is indefinite and brands are therefore not amortised. The brands have been acquired through business combinations and are recognised at fair value on the acquisition date.

Other intangible assets

Other intangible assets acquired by the group include software and are recognised at cost. Amortisation is applied on a straight-line basis and the useful life is estimated at five years.

Amortisation principles

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of the intangible assets, unless such useful lives are indefinite. Intangible assets with finite useful lives are amortised from the date they are available for use.

Estimated useful lives are:

– Software	5 years
– Customer relationships	10 years

Useful life periods are reviewed annually.

Impairment and impairment testing

Goodwill and other intangible assets with an indefinite useful life or that are not yet ready for use are tested for impairment annually and also as soon as indications arise that the asset in question has decreased in value according to IAS 36. A number of significant assumptions and assessments must be made when testing the impairment of goodwill and other intangible assets with an indefinite useful life in order to be able to calculate the value in use of the cash-generating unit. These assumptions and assessments relate to expected future discounted cash flows.

Forecasts of future cash flows are based on the best estimates of future revenues and operating expenses, based on historical development, general market conditions, developments in and forecasts for the industry and other available information. The assumptions are made by the executive management and reviewed by the Board. Assets that are amortised are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for 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 costs to sell and its value in use. When testing for impairment, assets are grouped at the lowest levels where there are substantially independent cash inflows (cash-generating units). Assets (other than goodwill) for which an impairment has previously been recognised are tested on each balance sheet date to determine whether a reversal should be made.

Property, plant and equipment

The group's property, plant and equipment are recognised at cost after deducting accumulated depreciation and any impairment. Cost includes the purchase price and expenses directly attributable to the asset in order to bring it to the location and condition to be utilised in line with the purpose of the acquisition.

The carrying amount of an asset is derecognised from the balance sheet upon disposal or divestment or when no future economic benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising from the divestment or disposal of an asset consist of the difference between the selling price and the asset's carrying amount less direct selling expenses. Gains and losses are recognised as other operating income/expenses.

Additional expenses

Additional expenses are added to cost only if it is probable that the future economic benefits associated with the asset will benefit the group and cost can be reliably calculated. All other additional expenses are expensed the period in which they arise. Repairs are expensed on an ongoing basis.

Depreciation principles

Depreciation is applied on a straight-line basis over the asset's estimated useful life. Estimated useful lives are:

– Buildings	20–50 years
– Land improvements	20 years
– Plant and machinery	5–20 years
– Equipment, tools and installations	3–10 years

Depreciation methods used, residual values and useful lives are reviewed annually.

Impairment and impairment testing of property, plant and equipment

IAS 36 is applied in respect of impairment of assets other than financial assets, for which IFRS 9 is applied. The group's assets are tested on the closing date for indications of impairment. If impairment is indicated, the recoverable amount of the asset is calculated. The recoverable amount is the higher of fair value less costs to sell and value in use. When calculating value in use, future cash flows are discounted using a discount factor that takes into account risk-free interest and the risk associated with the specific asset. An impairment loss is recognised when an asset's carrying amount exceeds its recoverable amount.

Leases

The group's leases are for office premises, company cars, work vehicles and machinery. Leases normally have a fixed term of three to six years, but there may be an option to extend as described below. The terms are negotiated separately for each lease and contain various terms and conditions.

Leases may contain both lease and non-lease components. The group allocates the consideration in the agreement between lease and non-lease components based on their relative standalone price.

Leases are recognised as right-of-use assets and a corresponding liability is recognised on the date the asset is available for use by the group. Each payment is divided between amortisation of the debt and financial expense (interest). The financial expense is distributed over the useful life so that each accounting period is charged with an amount corresponding to a fixed interest rate for the debt recognised during the respective period. Right-of-use assets are depreciated on a straight-line basis over the shorter of the asset's useful life and the length of the lease.

Assets and liabilities arising from leases are initially recognised at present value. Lease liabilities include the present value of fixed payments and/or variable lease payments that are dependent on an index or an interest rate. Payments are discounted at the average incremental borrowing rate.

Right-of-use assets are measured at cost and include the initial measurement of the lease liability and payments made at or before the date when the leased asset was made available. The group recognises a right-of-use asset in the balance sheet and a lease liability at the present value of future lease payments. In cash flow the main payment attributable to leases is recognised in financing activities as an outflow for repayment of lease liabilities. The interest component is recognised in operating activities and is included in the item interest paid.

For leases where the underlying asset has a low value and short-term leases of 12 months or less, a relief rule is applied under IFRS 16 whereby the payment is expensed on a straight-line basis over the useful life in the income statement and no right-of-use asset or lease liability is recognised in the balance sheet.

Options to extend and terminate leases

Options to extend or terminate leases are included in the asset and liability for the leases where this possibility exists and when it is deemed reasonably certain that it will be exercised.

The useful life 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 it is reasonably certain is only reviewed if there is a significant event or change in circumstances that affects this assessment and the change is within the lessee's control.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is calculated according to the so-called first-in first-out principle and includes expenses incurred in acquiring the inventory assets and bringing them to their current location and condition. For manufactured goods and work in progress, cost includes a reasonable share of indirect costs based on normal capacity.

Impairment testing

The valuation of inventories at cost is reviewed regularly and an obsolescence assessment is made on the basis of relevance, usability and age.

Cash and cash equivalents

The group's cash and cash equivalents consist of balances in banks.

Employee benefits

Short-term employee benefits

Short-term benefits to employees are measured at an undiscounted amount and are expensed when the related services are rendered. A short-term benefit refers to, among other things, a reduction in working hours or holiday pay and is expected to be settled within 12 months.

Pensions

The group has both defined-contribution and defined-benefit pension plans. A defined-contribution pension plan is a pension plan for which the group pays fixed contributions to a separate legal entity. The group has no legal or informal obligation to pay additional contributions if this legal entity does not have sufficient assets to cover payouts to employees related to the employees' service during the current or previous periods. The group thus has no additional risk. The group's obligations regarding contributions to defined-contribution plans are recognised as an expense in profit for the year at the rate they are earned by the employees performing services for the group within a certain period.

A portion of the pension plans in Sweden are financed through insurance premiums to Alecta. This arrangement constitutes a defined-benefit plan that includes several employers. Alecta is currently unable to provide the information required to report the plan as a defined-benefit plan. As a consequence, this plan is recognised as a defined-contribution plan in accordance with UFR 10 Accounting for the ITP 2 pension plan financed through insurance held with Alecta.

The defined-benefit pension plan that is recognised in the balance sheet as a liability relates to the acquired company Nordic Paper Québec Inc. The liability recognised is measured annually by independent actuaries applying the Project Unit Credit method. The present value of the defined-benefit obligation is determined by discounting estimated future pension disbursements using an interest rate for plan assets issued in the same currency as will be used for disbursement with maturities comparable to the pension liability in question. In Norway the only defined-benefit obligation that existed (SEK 0.3 m last year) was terminated during the year, with the remaining amount converted into a defined-contribution pension plan.

Compensation in connection with notice of termination

A cost for compensation in connection with notice of termination is only reported if the company is demonstrably obliged, without a realistic possibility of withdrawal, by a formal detailed plan to terminate employment before the normal time. When compensation is offered to encourage voluntary termination, a cost is recognised if it is likely that the offer will be accepted and the number of employees who will accept the offer can be reliably estimated.

Share-based payment

Incentive programmes in the form of shares are recognised as share-based payment and settled using equity instruments in accordance with IFRS 2. Fair value is calculated based on the terms and conditions set. The value is apportioned over the vesting period. The company is partly subsidising the participants' acquisitions of warrants. The subsidy is paid out at the end of the programme (see also Note 9). Payroll overheads attributable to share-based payment are expensed proportionately over the vesting periods in accordance with UFR 7. The provision arising is remeasured at each reporting date in order to correspond to the estimated overheads that are to be paid at the end of the vesting period.

Equity

Equity in the group consists of share capital, reserves (including translation differences when translating foreign operations and changes in the fair value of cash flow hedges) and retained earnings, including net profit for the year.

Equity in the parent company consists of share capital and retained earnings, including profit for the year.

Dividends

Dividends are recognised as a liability after the Annual General Meeting has approved the dividend.

Provisions

A provision differs from other liabilities in that there is uncertainty about the time of payment 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 as a result of a past event, and it is probable that an outflow of financial resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are made for an amount that is a best estimate of what is required to settle the existing obligation on the balance sheet date. When the effect of when payment is made is significant, provisions are calculated by discounting the expected future cash flow.

Contingent liabilities

A contingent liability is recognised when there is a possible obligation that arises from past events, whose existence 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 recognised as a liability or provision because it is not probable that an outflow of resources will be required.

Parent company accounting principles

The parent company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities, and the statements issued relating to listed companies are applied.

The differences between the group's and the parent company's accounting principles are set out below and are due to limitations in the possibilities of applying

IFRS for the parent company as a result of the Swedish Annual Accounts Act. The accounting principles for the parent company set out below have been applied consistently to all periods presented in the parent company's financial statements, unless otherwise stated.

Leased assets

The parent company has chosen not to apply IFRS 16 Leases, but has instead chosen to apply RFR 2, IFRS 16 Leases, sections 2–12. This choice means that no right-of-use asset or lease liability is recognised in the balance sheet. Instead, lease payments are expensed on a straight-line basis over the term of the lease. The parent company's leases are not material in the aggregate.

Participations in group companies

The parent company recognises participations in subsidiaries according to the cost method. This means that transaction expenses are included in the carrying amount of holdings in subsidiaries.

Untaxed reserves

Unlike for the group, the parent company's untaxed reserves are recognised in the balance sheet without a breakdown by equity and deferred tax liability. Similarly, in the income statement the parent company does not allocate components of appropriations to deferred tax expense.

Group contributions

Group contributions that the parent company has provided or received from a subsidiary are recognised as year-end appropriations in accordance with the alternative rule in RFR 2. Shareholder contributions provided are recognised as an increase in the item participations in group companies. At the same time, the value of the shares is tested for impairment. This follows normal rules for measurement of an asset item. Shareholder contributions received are recognised directly in non-restricted equity

Financial instruments

The parent company has previously applied the same principles as the group regarding financial instruments, but in 2021 it stopped applying IFRS 9. The parent company instead applies the items specified in RFR 2 (IFRS 9 Financial Instruments, items 3–10).

These mean that financial instruments are measured initially at cost. In subsequent periods, financial assets acquired with the intention of being held short-term are recognised at cost or market value, whichever is lower, according to the lower of cost or market (LCM) principle.

When calculating the net sales value of receivables that are recognised as current assets, the principles for impairment testing and expected loss provisioning in IFRS 9 are to be applied. For a receivable that is recognised at amortised cost at group level, this means that the expected loss provision recognised for the group in accordance with IFRS 9 must also be recognised in the parent company.

NOTE 3 ASSESSMENTS AND ESTIMATES

Preparing the financial statements in accordance with IFRS requires management to make assessments and estimates that affect the application of accounting principles and the recognised amounts of assets, liabilities, income and expenses. Actual outcomes may differ from these estimates.

With regard to IAS 1.125, management has not identified items where there is a material risk of significant future adjustment of the carrying amounts of assets and liabilities.

The estimates and assessments are reviewed regularly. Changes in 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.

NOTE 4 FINANCIAL RISK MANAGEMENT

Through its operations, the group is exposed to a variety of financial risks related to accounts receivable, accounts payable, loans and derivative instruments: market risk (mainly interest rate risk and currency risk), credit risk, liquidity risk and refinancing risk. The group strives to limit potential adverse effects of financial risk on the group's financial results. The objective of the group's financing activities is to ensure that the group can meet its payment commitments, manage financial risks, ensure access to financing and limit volatility in cash flows and revenues.

Financial and risk management is handled by the finance department in accordance with the principles approved by the Board, in order to leverage economies of scale and synergy effects, and to minimise management risks. The finance depart-

Age analysis for accounts receivable

SEK m	Group							
	31 Dec 2022				31 Dec 2021			
	Gross	Credit loss provision, %	Credit loss provision	Net	Gross	Credit loss provision, %	Credit loss provision	Net
Non-overdue accounts receivable	672	0.5%	-3	669	500	0.5%	-3	498
Overdue accounts receivable 0–30 days	100	5%	-5	95	48	5%	-2	46
Overdue accounts receivable >30–60 days	6	10%	-1	5	2	10%	0	2
Overdue accounts receivable >60 days	0	100%	0	0	1	100%	-1	-
Total	778		-9	769	551		-6	546

ment is responsible for the group's loan financing and currency and interest rate risk management, and acts as an internal bank for the group companies' financial transactions.

The finance department identifies, evaluates and hedges financial risks. The Board establishes written principles both for overall risk management and for specific areas, such as currency and credit risk and the use of derivative instruments. The group uses derivative instruments to hedge certain risk exposure related to currency and future cash flows. By using hedge accounting, the hedging instrument's change in value recognised in the income statement is matched to the corresponding change in value of the underlying currency-exposed item.

Credit risk

Credit risk arises through holdings in cash and cash equivalents, positive market value of derivatives and customer credit exposure, including outstanding receivables. Credit risk is the risk that the group's counterparty in a financial instrument will not be able to meet its obligation and thereby cause 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 that have received a credit rating of at least A+ from an independent rating agency are accepted. Counterparties in derivative contracts and cash transactions are limited to financial institutions with high credit ratings. To manage financial credit risk, the group has entered into netting agreements with banks, which limit credit exposure associated with derivatives. The credit quality of the derivative assets is assessed by reference to external credit ratings (S&P).

Credit risk in cash and cash equivalents and derivatives

SEK m	31 Dec 2022	31 Dec 2021
Cash and cash equivalents		
AA-	100%	100%
Total	100%	100%
Derivative instruments		
AA-	100%	100%
Total	100%	100%

The group has established guidelines to ensure that products are sold to customers with suitable credit backgrounds, taking into account the customer's financial position, historical experience and other factors. To minimise the risk in exposure to customers, the group applies credit insurance for customers where possible. The insurance company used for credit insurance has a credit rating of AA. In cases where the customer is not credit-insured, a letter of credit (LC) guaranteeing delivery terms or advance payment are widely used.

(ii) Collateral

Customers are credit-insured on an ongoing basis and only a small portion of accounts receivable includes customers who currently do not have credit insurance. For accounts receivable where credit insurance is not in place, a letter of credit (LC)

is widely used to guarantee payment. The group's goal is for 90 percent of total accounts receivable to be insured.

(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 in accordance with IFRS 9; however, the impairment that could arise is deemed insignificant. The scope of application also includes accrued income and receivables from factoring companies.

Accounts receivable

The group uses a model involving stages to estimate expected credit losses. The percentage of credit loss on accounts receivable from external customers is estimated with deductions made for any advance payments from customers. The estimate amount also includes receivables that are managed via factoring companies as the risk still accrues to the group. The stages below are used in assessing accounts receivable credit loss:

Non-overdue accounts receivable

- 0.5% of the amount to credit loss provision.

Overdue accounts receivable

- 1–30 days 5% of the amount to credit loss provision.
- 31–60 days 10% of the amount to credit loss provision.
- > 60 days 100% of the amount to credit loss provision.

To calculate expected credit losses, accounts receivable have been grouped based on credit risk characteristics and number of days overdue. The percentages used in assessing credit loss are based on historical data for the 24 months prior to 31 December 2022 and 31 December 2021, and taking into account the loss history for the same period.

Historical losses are then adjusted to take into account current and forward-looking information about market factors that may affect customers' ability to pay the receivable.

Accounts receivable amounted to SEK 769 (546) million at the end of December 2022. On average, accounts receivable amounted to SEK 657 (456) million in 2022. In 2022 the group had confirmed customer losses totalling SEK 3 (1) million.

The change in the loss provision over the financial year is specified below:

Change in loss provision for accounts receivable

SEK m	2022	2021
Provision as of 1 January	-6	-11
Reversal of previously made provisions	-	11
Provision according to a new calculation method for accounts receivable provisions	-	-6
Increase in the loss provision, change recognised in the income statement	-3	-
As of 31 December	-9	-6

Market risk**(i) Currency risk**

The group operates internationally and is exposed to currency risk that arises from various currency exposures, primarily with regard to the euro (EUR), British pound (GBP), US dollar (USD) and Norwegian kroner (NOK). Currency risk arises from payment flows in foreign currencies, so-called transaction exposure, and from the translation of balance sheet items in foreign currencies, which primarily consist of transactions in the currencies EUR, GBP and USD. Currency risk also arises when translating foreign subsidiaries' income statements and balance sheets into the group's reporting currency of Swedish kronor (SEK), known as translation exposure, since the group has a Norwegian subsidiary and a Canadian subsidiary.

Cash flow relating to intra-group loans in CAD to the Canadian subsidiary is hedged using currency swaps.

Impact of hedge accounting on the group's financial position and earnings

Nordic Paper's main transaction exposure involves EUR, GBP and USD. The group hedges net exposure to the currency flows, largely when the sales revenues in the respective currency exceed the purchasing flows. To minimise the currency risk in sales revenues, currency hedges are made in the currencies where the net exposure is significant, which is currently EUR, GBP and USD.

The effects of hedge accounting of the impact of currency risk on the group's financial position and earnings are shown below:

The impact of hedge accounting on the group's financial position

SEK m	Nominal amount of currency futures on the balance sheet date, USD m	Nominal amount of currency futures on the balance sheet date, EUR m	Nominal amount of currency futures on the balance sheet date, GBP m	Carrying amount fair value SEK m	Balance sheet item that contains hedging instruments
Maturing Jan 2023–Dec 2023	31 Dec 2022				
Currency futures, hedging instruments for cash flow hedging	3	–	0	2	Current asset: Derivatives
Currency futures, hedging instruments for cash flow hedging	3	105	12	45	Current liability: Derivatives
Maturing Jan 2022–Dec 2022	31 Dec 2021				
Currency futures, hedging instruments for cash flow hedging	–	28	1	1	Current asset: Derivatives
Currency futures, hedging instruments for cash flow hedging	5	62	12	12	Current liability: Derivatives

The hedging reserve reconciliation can be found in Note 25.

The hedging instrument has a hedging ratio of 1:1 (1:1). The change in value of the hedging instrument (forward exchange contract), which is found under derivative instruments under current liabilities, was SEK –45 (–12) million at year-end. The change in value of hedging instruments (the futures contract) which is found under derivative instruments under current assets was SEK 2 (1) million at year-end.

The change in value of the hedged highly-probable future transactions (the hedged item) corresponds to changes in the value of the futures contracts (hedging

instruments) but with the opposite sign as they are the same currencies and nominal amounts.

All derivative instruments are classified as current assets and current liabilities as of 31 December 2022 and 31 December 2021, as the hedged transactions are expected to occur within 12 months.

No ineffectiveness has been recognised in the income statement in either 2022 or 2021. The weighted average for futures prices is as follows:

Weighted average for futures prices for outstanding hedging instruments

SEK m	USD	EUR	GBP	USD	EUR	GBP
	31 Dec 2022			31 Dec 2021		
<i>Current receivable</i>						
Weighted average price for outstanding futures	10.68	–	12.51	–	10.28	11.47
<i>Current liability</i>						
Weighted average price for outstanding futures	9.28	10.77	12.25	8.39	10.18	11.89

Transaction exposure

The group's foreign currency risk exposure at the end of the reporting period, expressed in millions of Swedish kronor for each currency, was as follows:

SEK m	CAD	USD	EUR	GBP	NOK	DKK	Total	CAD	USD	EUR	GBP	NOK	DKK	Total
	31 Dec 2022							31 Dec 2021						
Accounts receivable	1	184	341	58	11	3	598	9	98	283	43	5	2	440
Cash and cash equivalents	1	75	198	30	59	6	369	73	17	80	3	8	1	182
Accounts payable	–	–168	–91	–	–48	–	–307	–0	–90	–89	–0	–114	–0	–293
Factoring loan	–	–11	–176	–35	–11	–2	–235	–	–53	–149	–30	–5	–1	–238
Net amount per currency	2	81	272	53	10	6	424	82	–28	125	16	–106	2	91

Instruments used by the group

The group's currency exposure primarily relates to the euro (EUR), British pound (GBP) and US dollar (USD) and arises through future business transactions and when recognised assets and liabilities are expressed in a currency that is not the entity's functional currency. The group uses currency derivatives to hedge the part of the net exposure to currency risk that arises in the subsidiaries. According to the group's Financial Policy, in currencies where the exposure for the year is significant, the net exposure must be hedged. In 2022 this applied to EUR, GBP and USD. These are hedged using currency derivatives at the following levels: For the upcoming six months, the estimated net exposure is hedged at between 50 and 75 percent, while the subsequent six months' net exposure is hedged at between 25 and 50 percent.

Currency hedging for the upcoming 12 months

Currency	Average forward rate	Exchange rate 31 Dec 2022	Nominal amount in local currency (m)	Total SEK m	Market value SEK m	Currency hedging as a percentage of net exposure (1–6 months ahead)	Currency hedging as a percentage of net exposure (7–12 months ahead)
EUR	10.77	11.13	105	1,131	–38	77%	48%
USD	9.95	10.44	6	57	–2	66%	48%
GBP	12.26	12.58	12	147	–3	66%	42%
Total				1,335	–43		

As stated in this section, the group is primarily exposed to changes in the exchange rates EUR/SEK, GBP/SEK and USD/SEK. The table below shows how earnings for the full year could be affected by the stated exchange rate changes, based on transactions that occurred over the year. The amounts are stated excluding the effect of cash flow hedges and including the effect of cash flow hedges.

Sensitivity analysis of the currency's impact on earnings before and after hedging instruments 2022

	This year's average net exposure in local currency (USD/EUR/GBP m)	Estimated impact on earnings in SEK m with currency movement of +/- 5%	This year's average net exposure taking into account outstanding hedging instruments in local currency (USD/EUR/GBP m)	Estimated impact on earnings taking into account hedging instruments in SEK m with currency movement of +/- 5%
SEK m	Before hedging instruments	Before hedging instruments	After hedging instruments	After hedging instruments
USD/SEK	31	16	25	3
EUR/SEK	140	78	35	19
GBP/SEK	23	14	11	7

Sensitivity analysis of the currency's impact on earnings before and after hedging instruments 2021

	This year's average net exposure in local currency (USD/EUR/GBP m)	Estimated impact on earnings in SEK m with currency movement of +/- 5%	This year's average net exposure taking into account outstanding hedging instruments in local currency (USD/EUR/GBP m)	Estimated impact on earnings taking into account hedging instruments in SEK m with currency movement of +/- 5%
SEK m	Before hedging instruments	Before hedging instruments	After hedging instruments	After hedging instruments
USD/SEK	21	9	16	7
EUR/SEK	113	58	23	12
GBP/SEK	15	9	3	2

The group's exposure to other exchange rate changes is not significant in terms of transaction exposure*Translation exposure*

The group also has translation exposure that arises from the translation of foreign subsidiaries' earnings and net assets to SEK. The main translation exposure is to Norwegian kroner (NOK) and Canadian dollars (CAD). The exposure on the balance sheet date amounts to SEK 65 (68) million relating to the Norwegian subsidiary and SEK 334 (268) million to the Canadian subsidiary. The group does not hedge translation exposure. A change of +/-5% in the SEK against the NOK would have an impact on equity of around SEK +/-3 (+/-3) million and on profit after tax of SEK +/-1 (+/-1) million. A change of +/-5% in the SEK against the CAD would have an impact on equity of around SEK +/-17 (14) million and on profit after tax of SEK +/- 11 (10) million.

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 that affects interest rate risk is the fixed interest period. In 2022 the group had two long-term loans. One was taken out in autumn 2020 and carries a variable interest rate. The second was taken out in December 2021 in connection with the acquisition of the company now known as Nordic Paper Québec and carried a variable interest rate during the year. This loan has been paid off and no longer exists as of 31 December 2022. The group's policy states that when financial expense relating to loans is estimated at 10 percent of profit before financial expense, Nordic Paper must hedge the interest rate for a future period. If the interest rate should change by +/-1 percent over the coming years, this would generate an increased interest expense of SEK 10 (15) million.

Other than the above-mentioned loans, the group only has current liabilities in the form of a factoring loan that carries a variable interest rate and whose interest rate risk in cash flow is partially neutralised by cash with a variable interest rate. All borrowing is currently carried out at variable interest rates and the margin varies according to the net debt/EBITDA ratio. During the year no hedging at a fixed interest rate took place. The group continuously monitors the financial target of net debt/EBITDA. The goal is for net debt not to exceed 2.5 times EBITDA, but for the group to still be able to temporarily exceed this on specific occasions, for example in connection with acquisitions. At the end of 2022 the net debt/EBITDA ratio was 1.2 (3.7).

Liquidity risk

Through responsible liquidity management, the group ensures that sufficient cash is available to meet the needs of operating activities.

Executive management monitors rolling forecasts of the group's cash and cash equivalents based on expected cash flows.

The group has overdraft facilities which, as of 31 December 2022, amount to SEK 200 (200) million, of which SEK 0 (0) million has been used. During parts of the year the group utilised SEK 400 million of its available SEK 600 million in credit facilities. This was repaid in 2022. SEK 400 million was used to finance the acquisition of the company now known as Nordic Paper Québec Inc. As of 31 December 2022, the group's unutilised credit facilities are SEK 800 (400) million, of which the overdraft facility is SEK 200 (200) million.

The group has no liabilities to credit institutions other than the loans mentioned.

Maturity analysis for financial liabilities

The table below analyses the group's financial liabilities, broken down by the time remaining on the balance sheet date until the contractual maturity date, for: a) non-derivative financial liabilities and b) gross-settled derivative instruments (forward exchange contracts). The amounts included in the table are the instruments' contractual undiscounted cash flows. The amounts that fall due within 12 months from the balance sheet date correspond to the carrying amount of the items, given that the discounting effect is insignificant. Future cash flows in foreign currency and variable interest rates have been calculated on the basis of the exchange rate and interest rate applicable on the balance sheet date.

Capital management

The group's capital structure goal is to guarantee a short-term and long-term supply of capital for the group. To maintain this, the group aims to use several lenders for financing as well as varying maturities for liabilities (see Note 28).

Contractual maturities for financial liabilities

	< 3 months	3–12 months	1–2 years	3–5 years	> 5 years	Total contractual cash flows	Carrying amount
SEK m	31 Dec 2022						
Financial liabilities (excl. derivatives)							
Liabilities to credit institutions	10	31	41	997		1,080	950
Factoring loan	284	–	–	–		284	284
Accounts payable	419	–	–	–		419	419
Lease liabilities	2	9	10	13	0	35	31
Other liabilities	5	–	–	–	–	5	5
Total financial liabilities						1,822	1,689
Financial liabilities relating to derivatives							
Gross currency futures – cash flow hedges							
Inflow (SEK m)	409	882				1,291	45
Total inflow	409	882				1,291	45
Total outflow in each currency							
Outflow (EUR m)	33	72				105	–
Outflow (USD m)	2	1				3	–
Outflow (GBP m)	4	8				12	–

	31 Dec 2021						
SEK m							
Financial liabilities (excl. derivatives)							
Liabilities to credit institutions	6	17	22	1,374	–	1,418	1,350
Factoring loan	273	–	–	–	–	273	273
Liabilities to associated companies	14	–	–	–	–	14	14
Accounts payable	382	–	–	–	–	382	382
Lease liabilities	2	6	6	9	–	25	24
Other liabilities	–	–	–	–	–	–	–
Total financial liabilities	676	23	29	1,382	–	2,111	2,042
Financial liabilities relating to derivatives							
Gross currency futures – cash flow hedges							
Inflow (SEK m)	216	590	–	–	–	806	12
Total inflow	216	590	–	–	–	806	12
Total outflow in each currency							
Outflow (EUR m)	16	46	–	–	–	62	–
Outflow (USD m)	2	3	–	–	–	5	–
Outflow (GBP m)	3	8	–	–	–	12	–

NOTE 5 OPERATING SEGMENTS

The two segments are presented according to the group's internal processes for monitoring and reporting to the CEO. The business segments are Kraft Paper and Natural Greaseproof. The CEO uses EBITDA to monitor the group's earnings.

Kraft Paper

The group's companies in Bäckhammar and Åmotfors, which produce and sell iamKraft® products, are in the Kraft Paper segment.

Natural Greaseproof

The Natural Greaseproof segment includes the group's companies in Säfte in Sweden, Greåker in Norway and Québec in Canada. The segment produces paper designed for baking and food preparation, among other things.

Net sales

Sales transactions between the segments take place on market terms. Revenue generated from external customers and reported for the segments to executive management is measured in the same way as in the consolidated income statement.

EBITDA (earnings before interest, taxes, depreciation and amortisation) consists of operating profit plus depreciation, amortisation and impairment losses.

Operating segments

SEK m	2022				2021			
	Net sales including intra-group sales	Eliminations	Net sales	EBITDA	Net sales including intra-group sales	Eliminations	Net sales	EBITDA
Kraft Paper	2,388	-72	2,316	768	1,772	-66	1,706	392
Greaseproof Paper	2,124	-	2,124	126	1,377	-	1,377	-34
Parent company and undistributed items	57	-57	0	-72	49	-49	0	0
Group	4,569	-129	4,440	821	3,197	-114	3,083	358
Depreciation, amortisation and impairment losses				-145				-150
Financial items, net				33				-27
Profit before tax for the group				709				182

Property, plant and equipment	31 Dec 2022	31 Dec 2021
Sweden	1,004	946
Norway	113	116
Canada	679	662
Non-current assets by segment	1,796	1,724
Kraft Paper		
Intangible assets	350	349
Property, plant and equipment	402	374
Total	753	723
Natural Greaseproof		
Intangible assets	641	633
Property, plant and equipment	364	358
Total	1,004	991
Parent company and undistributed items	39	11
Total non-current assets	1,796	1,724

NOTE 6 BREAKDOWN OF NET SALES**Net sales by type of revenue**

SEK m	Group		Parent company	
	2022	2021	2022	2021
Sale of goods	4,440	3,083	–	–
Total	4,440	3,083	–	–
Sweden	428	261	31	25
Italy	562	402	–	–
Germany	487	345	–	–
UK	302	204	–	–
Rest of Europe	1,096	894	26	24
USA	706	253	–	–
Rest of world	861	725	–	–
Total	4,440	3,083	57	49

Net sales by segment, geographic market

SEK m	Natural Greaseproof		Kraft Paper	
	2022	2021	2022	2021
Sweden	57	65	371	196
Italy	258	216	304	185
Germany	156	103	330	242
Rest of Europe	643	508	756	590
USA	693	253	13	0
Rest of world	317	231	542	493
Total	2,124	1,377	2,316	1,706

Nordic Paper's 10 largest customers account for around 20 percent of the company's net sales. No individual customer accounts for more than 10 percent of net sales. Where Nordic Paper invoices for deliveries to Swedish trading houses for export, these sales are also recognised as exports above. The table above shows actual end-customers.

NOTE 7 OTHER OPERATING INCOME**Other operating income**

SEK m	Group		Parent company	
	2022	2021	2022	2021
Carbon offset, Norway	18	6	–	–
Fair value, gains on cash flow hedges	–	18	–	18
Sales of district heating, by-products and similar	16	11	–	–
Exchange rate effect (net) on remeasurement of receivables/liabilities	6	9	–	–
Other	1	1	0	–
Total	41	45	0	18

NOTE 8 AUDITOR'S FEES AND COMPENSATION FOR EXPENSES

SEK m	Group		Parent company	
	2022	2021	2022	2021
PwC (elected accounting firm)				
Audit assignment	-1.8	-1.6	-1.7	-1.5
Other services	-0.4	-1.2	-0.3	-0.3
Total	-2.2	-2.8	-2.0	-1.8

Audit assignments involve reviewing the annual accounts and accounting records, and the administration of the company by the Board and CEO, other tasks that the company's auditors are to perform, and advice and other assistance based on observations made in connection with audit assignments or performance of such duties. The above-mentioned fees are as follows: Öhrlings PricewaterhouseCoopers AB Sverige, audit assignment SEK -1.7 (-1.6) million and other services SEK 0.3 (-1.2) million. Other services (group) in 2021 consisted of due diligence work.

NOTE 9 EMPLOYEES AND PERSONNEL COSTS

Senior officials of the company include the Board of Directors, the Chief Executive Officer and other senior executives. The board fees totalled SEK 2.4 (2.4) million.

Decision process for remuneration

Remuneration for the Chief Executive Officer and other senior executives is decided on by the Board of Directors.

Remuneration and terms of employment for senior executives

Remuneration for the Chief Executive Officer and other senior executives consists of a fixed cash salary, variable cash remuneration and pension benefits. Other senior executives are the other 8 (9) individuals who, together with the CEO, make up executive management.

The period of notice for the CEO and other senior executives is six (6) months if employment is terminated by the company and six (6) months if employment is terminated by the employee. In addition, severance pay of a maximum of twelve (12) months fixed cash salary may be paid to the CEO and a maximum of six (6) months to other senior executives if employment is terminated at the company's request.

The company's CEO and other senior executives are subject to a non-competition clause with legal effect lasting six (6) months after termination of employment, as well as non-recruitment of relevant parties during the same period. The company may unilaterally waive the non-competition clause at its own discretion. In return for the competition restriction, the CEO will be entitled to remuneration of 60 percent of the monthly remuneration (based on fixed cash salary and variable salary) and senior executives 75 percent of the monthly remuneration (based on fixed cash salary).

The CEO has a defined-contribution pension plan with a premium limited to 40 percent of annual fixed cash salary. For other senior executives, pension premiums are mainly aligned with the ITP plan or similar.

Other benefits may include health insurance and car benefits. Such benefits are maximised at 15 percent of annual fixed cash salary in total.

Share-based payment

In accordance with a proposal from the Board of Directors, the Annual General Meeting on 19 May 2022 approved the issue of a maximum of 600,000 warrants as part of a long-term incentive programme for senior executives of the Nordic Paper group. The rationale for the incentive programme is to create opportunities to motivate and retain senior executives within the Nordic Paper group. Outstanding warrants after the subscription period ended amounted to 584,000.

The warrants are offered at market price. Each warrant entitles the holder to subscribe for one new share in the company. The exercise price was 120 percent of the volume-weighted average price of the company's share during the period of 10 trading days falling immediately prior to the offer to subscribe for the warrants, but no less than the quota value of the share. The final price of the warrants was SEK 1.55. The value of the warrants has been calculated according to the Black-Scholes model.

The company is partly subsidising the participants' acquisitions of warrants. The subsidy is paid out at the end of the programme. The subsidy to the participants is equal to 50 percent of the participants' investment net after tax. The total cost of the subsidy, based on a warrant value of SEK 1.55 and an estimated marginal tax rate of 55 percent, amounts to SEK 1.3 million including social security contributions. With some exceptions, in order to be eligible for the subsidy the participant must be employed by the company at the time of payment of the bonus, must remain employed until the warrants can be exercised and must not have transferred their warrants prior to this.

Based on the number of shares in Nordic Paper as at the date of the annual general meeting, the maximum dilution effect of the warrant programme will be around 0.89 percent. The company has no previous incentive programmes outstanding.

Employees and personnel costs

Average number of employees	Of which women		Of which women	
	Total	Total	Total	Total
SEK m	2022	2021		
Parent company				
Sweden	2	1	2	1
Subsidiaries				
Sweden	538	127	532	121
Norway	115	16	101	19
Canada	65	4	54	4
Group, total	720	148	689	144

Gender distribution, senior executives

Percent	Percent- age of women	Percent- age of men	Percent- age of women	Percent- age of men
	2022	2021	2022	2021
Group and parent company				
Board of Directors	30%	70%	30%	70%
– excl. employee representatives	50%	50%	50%	50%
– incl. employee representatives	38%	62%	38%	62%
Chief Executive Officer and other senior executives	25%	75%	22%	78%

note 9 cont.

Cost of employee remuneration

SEK m	Group		Parent company		SEK m	Group		Parent company	
	2022	2021	2022	2021		2022	2021	2022	2021
Salaries and other remuneration etc.	-410	-355	-9	-10	Salaries and other remuneration				
Payroll overheads	-107	-106	-2	-2	Board members, CEO and other senior executives	-20	-18	-9	-10
Pension costs	-47	-38	-2	-3	– of which bonuses etc.	-3	-2	-3	-2
– of which defined-benefit	-4	–	–	–	Other employees	-390	-336	–	–
– of which defined-contribution	-43	-38	-2	-3	– of which bonuses etc.	-14	-14	–	–
Other pension costs	-23	-20	0	0	Total	-410	-355	-9	-10
Total	-588	-519	-13	-15	Payroll overheads				
					Pension costs				
					– board members, CEO and other senior executives	-4	-4	-2	-3
					– other employees	-43	-34	–	–
					Other payroll overheads	-107	-106	-2	-2
					Total	-155	-144	-4	-5

Board of Directors and senior executives

	Board fees	Basic salary ¹	Variable remuneration	Incentive programme	Pension costs	Total
SEK	2022					
Arne Wallin, Board member	-332,500	–	–	–	–	-332,500
Helene Willberg, Board member	-465,000	–	–	–	–	-465,000
Per Bjurbom, Chair of the Board	-550,000	–	–	–	–	-550,000
Stefan Lundin, Board member	-382,500	–	–	–	–	-382,500
Ying Che, Board member	-318,750	–	–	–	–	-318,750
Karin Eliasson, Board member	-365,000	–	–	–	–	-365,000
Anita Sjölander, CEO	–	-3,209,588	-848,569	-108,500	-963,494	-5,130,151
Other senior executives ²	–	-11,381,381	-2,013,839	-344,100	-3,524,605	-17,263,925
Total	-2,413,750	-14,590,969	-2,862,408	-452,600	-4,488,099	-24,807,826
SEK	2021					
Arne Wallin, Board member	-325,000	–	–	–	–	-325,000
Helene Willberg, Board member	-450,000	–	–	–	–	-450,000
Per Bjurbom, Chair of the Board	-550,000	–	–	–	–	-550,000
Stefan Lundin, Board member	-375,000	–	–	–	–	-375,000
Ying Che, Board member	-375,000	–	–	–	–	-375,000
Karin Eliasson, Board member	-350,000	–	–	–	–	-350,000
Anita Sjölander, CEO	–	-3,084,582	-745,700	–	-926,400	-4,756,682
Other senior executives	–	-9,893,530	-1,483,138	–	-3,507,000	-14,883,668
Total	-2,425,000	-12,978,112	-2,228,838	–	-4,433,400	-22,065,350

¹ Basic salary including holiday pay.² Other senior executives includes the year's changes among senior executives.

Incentive programmes for senior executives

SEK	2022
<i>Number of share options, and weighted average exercise price:</i>	
Outstanding at beginning of period	–
Allotted during the period	600,000
Forfeited during the period	–16,000
Exercised during the period	–
Expired during the period	–
Outstanding at end of period	584,000
Available for exercise at year-end	–
Weighted average exercise price	45.77
<i>Effect on financial statements in the income statement and balance sheet</i>	
Expense in income statement (incl. payroll overheads and pay-related expenses)	452,961
Liabilities in the balance sheet in respect of share-based payment	452,961
Payment of the options via equity	905,200

NOTE 10 PENSION PROVISION AND PENSION COSTS

Nordic Paper's employees in Sweden have defined-benefit plans for company officials through the ITP plan. The company also has defined-contribution pension plans. All newly earned amounts within the ITP 2 plan are secured through Alecta pension insurance. For employees in Norway there are defined-contribution plans. Employees in Canada have defined-benefit plans and the pension obligation that arose in connection with the acquisition of Nordic Paper Québec Inc. is secured through a provision in the balance sheet according to IAS 19.

Defined-benefit plans

The ITP plan secured by Alecta is classified as a defined-benefit plan which, according to a statement from the Swedish Financial Accounting Standards Council, UFR 10 Accounting for pension plan ITP 2 financed through Alecta insurance, is a defined-benefit plan that covers multiple employers.

As Alecta is unable to provide the required information to be able to report the ITP 2 plan as a defined-benefit plan, it is reported as a defined-contribution plan (see the table on the right).

This means that no pension cost for newly earned defined-benefit pension is reported as defined-benefit. The reported defined-benefit pension cost is attributable to previous periods, and to pensions managed outside of Alecta's pension system.

For the 2022 financial year, the company has not had access to information in order to report its proportionate part of the plan's obligations, plan assets and costs, and it has therefore not been possible to report the plan as a defined-benefit plan.

At the end of 2022 Alecta's surplus in the form of the collective funding ratio was 172 (172) percent. The collective funding ratio is the market value of Alecta's assets as a percentage of the insurance obligations calculated according to Alecta's actuarial methods and assumptions, which are not aligned with IAS 19. The collective funding ratio is normally permitted to vary between 125 and 175 percent. If Alecta's funding ratio falls below 125 percent or exceeds 175 percent, steps are to be taken to bring the funding ratio within the normal interval.

Expected contributions in the next reporting period for ITP 2 insurance with Alecta amount to SEK 8 (9) million.

The defined-benefit pension plan that is recognised in the balance sheet as a liability relates to Nordic Paper Québec. The liability recognised is measured annually by independent actuaries applying the Project Unit Credit method. The present value of the defined-benefit obligation is determined by discounting estimated future pension disbursements using an interest rate for plan assets issued in the same currency as will be used for disbursement with maturities comparable to the pension liability in question. The full pension provision recognised in the balance sheet is related to Canada. In 2022 the remaining significant benefit obligation (SEK 0.3 million) in Norway was renegotiated and replaced by a defined-contribution plan.

Defined-contribution plans

The group has defined-contribution pension plans paid for in full by the company. Contributions to these plans are made on an ongoing basis according to the rules applying in the respective plan.

Pension costs

	Group		Parent company	
SEK m	2022	2021	2022	2021
Defined-contribution plans	–35	–30	–2	–2
– of which ITP 2 plan financed by Alecta	–8	–6	–2	–2
Other defined-benefit plans	–4	–	–	–
Payroll tax	–8	–8	0	–1
Total	–47	–38	–2	–3

Provisions for pensions

	Group	
	2022	2021
Amount reported in the balance sheet		
Present value of pension obligation, funded plans	187	210
Fair value of plan assets	171	179
Net liability(+) funded plans	16	31
Net claim(-) funded plans (not recognised in the balance sheet)	-	-
Present value of pension obligation, unfunded plans	-	-
Total	16	31
Amount reported in the balance sheet		
Provisions for pensions	16	31
Total	16	31
Specification of total costs		
<i>Costs relating to defined-benefit plans</i>		
Costs relating to service during current year	-4	-
Net interest	-1	-
Settlements	-	-
Other	-0	-
Costs for defined-benefit plans	-6	-
Costs for defined-contribution plans	-	-
Pension cost recognised in the income statement	-6	-
<i>Of which</i>		
Amount charged to personnel costs	-4	-
Amount charged to financial expense	-1	-
	-6	-
Change in present value of obligations		
1 January	210	-
Pension obligations	-	210
Interest	7	-
Costs relating to service during current year	6	-
Remeasurement of pensions		
- Actuarial gains (-) and losses (+) - demographic assumptions	-	-
- Actuarial gains (-) and losses (+) - financial assumptions	-43	-
- Experience-based adjustments	-	-
Payments made	-12	-
Settlements	-	-
Other	-	-
Translation effects, currency	20	-
31 December	187	210

Note 10 cont.

	Group	
	2022	2021
Change in fair value of plan assets		
1 January	179	–
Plan assets in connection with acquisitions	–	179
Interest	6	–
Remeasurement of plan assets	–22	–
Contributions from employer	3	–
Contributions from employee	1	–
Payments made from plan assets	–12	–
Other	0	–
Translation effects, currency	16	–
31 December	171	179
Specification of plan assets		
Bonds and other interest-bearing securities	32%	35%
Shares	41%	44%
Property	15%	11%
Other	13%	10%
	100%	100%
Actuarial assumptions		
Discount rate	4.6%	2.9%
Future salary increases	2.9%	2.8%
Expected return on plan assets	4.6%	2.9%
Inflation	1.9%	1.8%
Life expectancy / mortality	CPM-2014, CPM-B	CPM-2014, CPM-B

Sensitivity analysis, defined-benefit pension liability

SEK m	2022	
	Pension liability	Change in liability
Pension liability with current assumptions	187	–
Change in assumption:		
Discount rate +0.5 percentage points	–10	–5%
Discount rate –0.5 percentage points	11	6%
Salary increase +0.5 percentage points	3	2%
Salary increase –0.5 percentage points	–3	–2%

The sensitivity analysis is based on a change in an individual actuarial assumption, while other assumptions remain unchanged. This method shows the sensitivity of an individual assumption. This is a simplified method as the actuarial assumptions are normally correlated.

Forecast of defined-benefit pension plans' impact on the group's cash flow in future years

	Group	
	2022	2021
Funded plans, employer contributions	4	3
Unfunded plans, pension disbursement	–	–
Total	4	3

NOTE 11 OTHER OPERATING EXPENSES

SEK m	Group		Parent company	
	2022	2021	2022	2021
Fair value, losses on cash flow hedges	-64	-7	-90	-46
– of which derivatives reclassified to profit for the year	-8	-7	-	-
Exchange rate effects, net upon remeasurement of operating receivables/liabilities	-2	-	-	-
Total	-66	-7	-90	-46

See Note 26

NOTE 12 DEPRECIATION, AMORTISATION AND IMPAIRMENT LOSSES

SEK m	Group	
	2022	2021
<i>Depreciation/amortisation:</i>		
Brands	-	-
Customer relationships	-24	-
Other intangible assets	-2	-1
Buildings and land improvements	-9	-11
Plant and machinery	-96	-91
Equipment, tools and installations	-2	-1
Right-of-use assets	-12	-12
<i>Impairment losses:</i>		
Impairment of property, plant and equipment relating to closure of Säffle pulp mill	-	-32
Total	-145	-150

NOTE 13 ITEMS AFFECTING COMPARABILITY

SEK m	2022	2021	Found in the income statement
Cost of restructuring of Säffle pulp mill			
– Provision for land restoration	-	-76	Other external expenses
– Impairment of property, plant and equipment	-	-32	Depreciation/amortisation
– Capital gain on sale of associated company	42	-	Financial income
Total items affecting comparability	42	-108	

Items affecting comparability are presented in order to provide opportunity to adjust earnings and give a picture of the underlying operations.

Adjusted EBITDA

SEK m	2022	2021
EBITDA	-	358
Reversal of land restoration	-	76
Adjusted EBITDA	-	434

Adjusted operating profit/loss

SEK m	2022	2021
Operating profit/loss	-	208
Reversal of land and building restoration and impairment loss on pulp mill	-	108
Adjusted operating profit/loss	-	316

NOTE 14 FINANCIAL INCOME

SEK m	Group		Parent company	
	2022	2021	2022	2021
Interest income	0	0	14	15
Capital gain on divestment of associated company	42	-	-	-
Realised exchange rate gains	0	-	-	-
Unrealised exchange rate gains	41	1	7	-
– of which unrealised changes in value of bank balances	27	1	-6	-
– of which unrealised changes in value of currency swaps (net)	14	-	13	-
Total	83	1	21	15

NOTE 15 FINANCIAL EXPENSE

SEK m	Group		Parent company	
	2022	2021	2022	2021
Interest expense	-48	-26	-41	-25
– of which lease interest	-1	-1	0	0
Realised exchange rate losses	-2	-2	-2	-1
Unrealised exchange rate losses	-	-	-	-2
Total	-50	-28	-43	-28

NOTE 16 TAX FOR THE YEAR

SEK m	Group		Parent company	
	2022	2021	2022	2021
Tax on profit for the year				
Current tax expense relating to profit for the year	-122	-46	-106	-41
Adjustment of tax relating to previous years	-1	-3	-1	-3
Total	-122	-48	-107	-44
Deferred tax				
Deferred tax on temporary differences	-21	12	7	2
Total	-143	-37	-100	-41
Reconciliation of effective tax				
Profit before tax	709	182	496	263
Tax according to parent company tax rate (20.6%)	-146	-37	-102	-54
Effect of other tax rates for foreign subsidiaries	-2	-0	-	-
Non-deductible expenses	-9	0	-8	-8
Tax-exempt income	13	0	5	22
Tax relating to previous years	-1	-3	-1	-3
Other	2	2	6	2
Total	-143	-37	-100	-41

Change in deferred tax, group

SEK m	1 January	Recognised in profit or loss	Recognised directly in equity	Recognised in other comprehensive income	Deferred tax from acquisitions	31 December
Deferred tax assets						
Right-of-use assets	-	0	-	-	-	0
Pensions and other	18	-0	-	0	-	18
Total	18	0	-	0	-	18
Deferred tax liabilities						
Intangible assets and property, plant and equipment	69	-2	-	-	-	67
Untaxed reserves	131	24	-	-	-	156
Financial assets	5	0	-	-	-	5
Total	206	22	-	-	-	228
SEK m						
2021						
Deferred tax assets						
Right-of-use assets	4	-4	-	-	-	-
Pensions and other	5	-2	-	7	8	18
Total	9	-6	-	7	8	18
Deferred tax liabilities						
Intangible assets and property, plant and equipment	14	-11	-	-	66	69
Untaxed reserves	137	-6	-	-	-	131
Financial assets	7	-2	-	-	-	5
Total	158	-19	-	-	66	206

NOTE 17 EARNINGS PER SHARE

SEK m	Group	
	2022	2021
Profit for the year attributable to owners of the parent	566	144
Average number of ordinary shares outstanding	66,908,800	66,908,800
Earnings per share before and after dilution, SEK	8.46	2.15

NOTE 18 INTANGIBLE NON-CURRENT ASSETS

SEK m	Brands		Customer relationships		Goodwill		Other intangible assets		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Cost										
Cost, 1 January	31	–	219	–	726	343	26	19	1,002	362
Acquisitions during the year	–	31	–	219	–	383	–	–	–	633
Acquired during the year	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–21	–	3	7	–18	7
Translation effects	3	–	20	–	35	–	–	–	58	–
Accumulated cost, 31 December	34	31	240	219	740	726	29	26	1,042	1,002
Accumulated amortisation										
Amortisation, 1 January	–	–	–	–	–	–	–20	–19	–20	–19
Acquired during the year	–	–	–	–	–	–	–	–	–	–
Reclassifications	–	–	–	–	–	–	–	–	0	–
Amortisation during the year	–	–	–24	–	–	–	–2	–1	–26	–1
Translation effects	–	–	–2	–	–	–	–	–	–2	–
Accumulated amortisation, 31 December	–	–	–26	–	–	–	–22	–20	–48	–20
Carrying amount	34	31	214	219	740	726	7	6	995	982

Impairment testing

Of the group's goodwill of SEK 740 (726) million, SEK 343 (343) million upon acquisition of Wermland Paper AB in January 2008 and the remaining SEK 397 (383) million upon acquisition of Nordic Paper Québec on 31 December 2021. Goodwill from Nordic Paper Québec is translated annually since it is reported in CAD. The acquisition of Nordic Paper Québec Inc. gave rise to the item brands at SEK 31 million. This item is deemed to have an indefinite useful life since the acquired company's product range is considered strong and recognisable in the market. Nordic Paper will continue to support these brands and to work on continual product development. Goodwill attributable to Kraft Paper is tested for impairment in the Kraft Paper business segment. Goodwill attributable to Nordic Paper Québec is tested for impairment in Nordic Paper Québec.

Impairment testing of goodwill attributable to Kraft Paper and of goodwill as well as brands attributable to Nordic Paper Québec consists of assessing whether the entity's recoverable amount is higher than its carrying amount. The recoverable amount has been calculated on the basis of the entity's value in use, which constitutes the present value of the entity's anticipated future cash flows without taking into account any future business expansion and restructuring. The value-in-use calculation was based on:

- Discount factor
Before tax: 9.5 (8.7)¹ percent for Kraft and for Nordic Paper Québec
11.5 (-) percent.
After tax: 7.5 (6.9) percent for Kraft and for Nordic Paper Québec
8.4 (-) percent.
- A forecast of cash flows over the next five years.
- An annual growth rate of 1 (1) percent for the first five years.
A long-term growth rate of 2.1 percent for Kraft's future cash flows and 2 percent as a long-term growth rate for Nordic Paper Québec.

The discounted cash flow model involves forecasting future cash flows from operations, including estimates of revenue volumes based on orders received, the economy and market situation, and production costs based on current pay agreements, previous years' gross margins and expenses, adjusted to an expectation for the coming year according to aspects such as those mentioned for the sales forecast. Expected investments in working capital and plants are largely connected to sales growth.

The important assumptions driving anticipated cash flows over the next five years consist of forecasts and a long-term growth rate. The amounts have been estimated for these variables based primarily on and in accordance with past experience and outcomes. The assumptions that have the greatest effect on the recoverable amount are gross margin, WACC and long-term growth rate. The calculations indicate no impairment and do not suggest that any reasonably possible changes in important assumptions such as a one percentage point increase in the discount rate or a one percentage point decrease in the long-term growth rate would result in an impairment loss.

¹ The discount rate is calculated as weighted average cost of capital (WACC).

NOTE 19 PROPERTY, PLANT AND EQUIPMENT

SEK m	Buildings and land		Plant and machinery		Equipment, tools and installations		Work in progress		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Cost										
Cost, 1 January	323	291	2,684	2,489	102	97	176	83	3,284	2,959
Acquired during the year	0	–	1	–	–	–	144	181	145	181
Acquired during the year through business combinations	0	30	–	100	–	2	–	–	–	132
Sales / disposals	0	–	–202	–4	–5	–0	–	–	–207	–4
Reclassifications	–34	–	205	79	2	2	–169	–89	4	–10
Translation effects	5	2	19	21	1	2	0	1	25	26
Accumulated cost, 31 December	294	323	2,706	2,684	99	102	151	176	3,251	3,284
Accumulated depreciation										
Depreciation, 1 January	–268	–236	–2,218	–2,005	–98	–93	–	–	–2,584	–2,436
Acquired during the year	–	–	–	–	–	–	–	–	–	–
Acquired during the year through business combinations	–	–19	–	–81	–	–2	–	–	–	–
Sales / disposals	–	–	166	4	5	0	–	–	167	4
Reclassifications	26	–	–	2	4	–	–	–	30	2
Depreciation during the year	–9	–11	–96	–91	–2	–1	–	–	–107	–103
Impairment losses for the year	–	–	–	–32	–	–	–	–	0	–32
Translation effects	–3	–2	–14	–15	–1	–2	–	–	–18	–19
Accumulated depreciation, 31 December	–254	–268	–2,162	–2,218	–92	–98	–	–	–2,512	–2,584
Carrying amount	40	55	544	466	7	4	151	176	742	702

Impairment losses in 2021: In the second quarter of 2021, Nordic Paper decided to discontinue paper pulp production at the company's mill in Säffle in the fourth quarter of 2021 and replace it with pulp purchased externally. In connection with the pulp line closure in the fourth quarter of 2021, an impairment of property, plant and equipment of SEK 32 million was recognised in the Natural Greaseproof segment. The recoverable amount of the assets is their fair value less the cost of selling and disposing of equipment.

NOTE 20 RIGHT-OF-USE ASSETS AND LEASES

SEK m	Group	
	31 Dec 2022	31 Dec 2021
Right-of-use assets		
Office premises	7	10
Company cars	2	2
Work vehicles and machinery	23	12
Total	32	23
Lease liability¹		
Current	11	10
Non-current	20	14
Total	31	24

¹ See Note 4 Maturity analysis for lease liabilities.

Amounts for right-of-use assets recognised in the income statement

SEK m	Group	
	31 Dec 2022	31 Dec 2021
Depreciation of right-of-use assets		
Office premises	-3	-3
Company cars	-1	-1
Work vehicles and machinery	-8	-9
Total	-12	-13
Interest expense and lease expenses		
Interest expense (included in financial expense)	-1	-1
Expenses relating to short-term leases (in- cluded in Other external costs)	-2	-3
Total	-3	-4

Other information

SEK m	Group	
	31 Dec 2022	31 Dec 2021
Right-of-use assets added		
Office premises	-	12
Company cars	1	1
Work vehicles and machinery	21	6
Total	22	19
Total cash flow for leases	14	14
Undelivered lease obligations	-	-

NOTE 21 FINANCIAL NON-CURRENT ASSETS

SEK m	Group	
	31 Dec 2022	31 Dec 2021
Contingent receivable	10	-
Total	10	-

NOTE 22 INVENTORIES

SEK m	Group	
	2022	2021
Raw materials and consumables	375	313
Finished goods and goods for resale	250	159
Total	625	472

A reserve for obsolescence is included in the inventory value. The inventory's obsolescence reserve as of 31 December 2022 is SEK 22 (16) million. The amounts are included in operating expense.

NOTE 23 FINANCIAL ASSETS AND LIABILITIES

	Amortised cost	Derivatives used in hedge accounting	Derivatives, no hedge accounting	Total carrying amount	Amortised cost	Derivatives used in hedge accounting	Derivatives, no hedge accounting	Total carrying amount
Level in fair value hierarchy	Level 2				Level 2			
SEK m	2022				2021			
Assets in the balance sheet								
Accounts receivable	769	–	–	769	546	–	–	546
Derivatives	–	2	–	2	–	1	–	1
Other receivables	48	–	–	48	62	–	–	62
Cash and cash equivalents	325	–	–	325	360	–	–	360
Accrued income	0	–	–	0	4	–	–	4
Total	1,142	2	-	1,144	972	1		973
Liabilities in the balance sheet								
Liabilities to credit institutions	950	–	–	950	1,350	–	–	1,350
Factoring loan	284	–	–	284	273	–	–	273
Lease liabilities	31	–	–	31	24	–	–	24
Liabilities to associated companies	–	–	–	–	14	–	–	14
Derivatives	–	45	25	70	–	12	3	15
Accounts payable	419	–	–	419	382	–	–	382
Other liabilities	5	–	–	5	0	–	–	0
Accrued expenses and prepaid liabilities	403	–	–	403	224	–	–	224
Total	2,092	45	25	2,162	2,266	12	3	2,281

Amounts payable to leasing companies have been measured according to IFRS 16. The items above are treated as current assets and liabilities, the interest being expected to be non-existent. Derivatives that are not reported at level 2 consist of a currency swap for cash flow from the internal loan taken out in connection with the acquisition of Nordic Paper Québec.

Nordic Paper has made an assessment of the risk of loss relating to all financial assets. Credit loss provisions have been made for accounts receivable, including factoring receivables, but the risk of loss on other financial assets has been determined to be insignificant and therefore no provision has been made (see also Note 4 Credit risk).

Calculation of fair value

The group has derivatives that are measured at fair value according to level 2 of the fair value hierarchy. Fair value of long-term loans is estimated to be the same as the carrying amount, as the interest rate is variable and in line with market interest rates. Other financial instruments have short maturities and for these, fair value is assessed to be equivalent to the carrying amount.

The different levels are defined as follows:

(a) Financial instruments at level 1

Listed prices (unadjusted) on 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 (that is, as quotes prices) or indirectly (that is, derived from quoted prices).

(c) Financial instruments at level 3

In cases where individual or multiple significant input data is not based on observable market information, the instrument in question is classified at level 3.

Financial instruments at level 2

The fair value of financial instruments that are not traded on an active market (for example OTC derivatives) is established using valuation models. Here, market information, where available, is used to the greatest extent possible, while company-specific information is used as little as possible. If all significant input data required to measure the fair value of an instrument is observable, the instrument is classified at level 2. There has been no transfer between the levels during the year.

There are contracts in place with set-off rights but no set-off transactions have taken place.

NOTE 24 OTHER RECEIVABLES

SEK m	Group		Parent company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Receivables from factoring companies	31	30	–	–
Value added tax receivables	37	53	–	–
Average tax account balance	17	31	–	–
Other	–	–	–	–
Total	85	114	–	–

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group		Parent company	
	2022	2021	2022	2021
Prepaid insurance premiums	1	7	1	4
Prepaid service and support agreements	7	10	7	1
Accrued income	11	4	0	–
Other items	6	7	3	6
Total	24	28	11	11

NOTE 26 EQUITY**Share capital**

As of 31 December 2022 the registered share capital consisted of 66,908,800 ordinary shares with a quota value of 0.285715. Shareholders with ordinary shares are entitled to a dividend subsequently established and their shareholding entitles them to vote at shareholders' meetings with one vote per share. All shares carry the same right to remaining assets in Nordic Paper Holding AB.

Reserves*Translation reserve*

The translation reserve covers all exchange rate differences arising in the translation of the financial statements of foreign operations that have prepared their financial statements in a currency other than the presentation currency of the group's financial statements. The parent company and the group present their financial statements in Swedish kronor (SEK). Any accumulated translation difference is recognised in profit or loss when foreign operations are divested.

Translation reserve

SEK m	Group	
	2022	2021
1 January	–25	–37
Translation effect for the year from foreign operations	28	12
Translation reserve, 31 December	5	–25

Hedge reserve

The hedge reserve contains the effective portion of the accumulated net change in fair value of a cash flow hedging instrument pertaining to highly likely, forecast future transactions that have not yet taken place.

Change in hedge reserve (cash flow hedging)

SEK m	Group	
	2022	2021
1 January	–8	22
<i>Cash flow hedges:</i>		
Added: Changes in fair value of hedging instruments recognised in other comprehensive income	–34	–44
Added: Deferred tax on change in fair value	6	8
Deducted: Reclassification to income statement (in other operating expenses/other operating income)	8	7
Deducted: Deferred tax on derivatives reclassified to the income statement	–1	–1
Hedge reserve, 31 December	–28	–8

Retained earnings

Retained earnings include profit for the year combined with earnings of the parent company and its subsidiaries and associates.

Dividend

After the balance sheet date the Board proposed a dividend to the Annual General Meeting of SEK 4.65 per ordinary share, totalling SEK 311 million. The proposal is subject to adoption at the Annual General Meeting on 24 May 2023.

	Group	
	2022	2021
Average number of shares outstanding	66,908,800	66,908,800
Dividend per ordinary share, SEK	4.65	2.00
Dividend, SEK m	311	134

NOTE 27 PROPOSED APPROPRIATION OF PROFIT**Non-restricted equity in the parent company:**

SEK	31 Dec 2022
Retained earnings	361,038,712
Net profit for the year	395,545,771
Total	756,584,483

The Board of Directors proposes

Dividend to shareholders, 66,908,800 shares, SEK 4.65 per share	311,125,920
To be carried forward	445,458,563
Total	756,584,483

NOTE 28 INTEREST-BEARING LIABILITIES

SEK m	Group		Parent company		
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021	
Non-current liabilities					
Liabilities to credit institutions, 1–4 years after the closing day	950	1,350	950	1,350	
Lease liabilities, 1–4 (5) years after the closing day	20	14	–	–	
Total	970	1,364	950	1,350	
Current liabilities					
Factoring loan	284	273	–	–	
Lease liabilities	11	10	–	–	
Total	295	283	–	–	
Utilised overdraft facility	–	–	–	–	
Granted overdraft facility	200	200	200	200	
Granted credit facility	600	200	600	200	
Terms and repayment schedule			31 Dec 2022	31 Dec 2021	
SEK m	Currency	Year due	Interest	Carrying amount	Carrying amount
Liabilities to credit institutions	SEK	2025	Variable	950	1,350
Factoring loan	SEK	2023	Variable	284	273
Lease liabilities	SEK	Varies	Variable/Marginal	31	24
Total				1,265	1,647

The parent company signed a credit agreement in September 2020. The credit agreement is for a loan of SEK 950 million taken out in October 2020 and two credit facilities totalling SEK 800 million, of which SEK 200 million is an overdraft facility and SEK 600 million is a loan facility. The loan of SEK 950 million in October 2020 was to finance dividend payments in the same amount to the previous parent company Sutriv Holding AB. In 2021 SEK 400 million of the loan facility in the amount of SEK 600 million was utilised to finance a portion of the acquisition of Nordic Paper Québec. This was repaid in full during 2022.

Attached to the loans are certain covenants regarding, for example, the ratio of net debt to EBITDA, and interest coverage ratio measured as the ratio of EBITDA to net interest income/expense. The loans carry variable interest decided on quarterly based on these covenants.

The terms of the loan were met in 2022.

NOTE 29 OTHER PROVISIONS

SEK m	Group	
	2022	2021
1 January	97	18
Provisions during the year	4	80
Reversals during the year	–	–1
31 December	101	97

Other provisions are for the anticipated cost of restoration, partly for a deposit site in Bäckhammar and partly for older contamination of oil in the ground discovered in 2019. The cost of the oil contamination has been estimated by a third party. The cash outflow for restoration of the deposit site in Bäckhammar will continue until 2032, but it is not yet clear how the outflow will break down over time. As of 31 December 2021 the assumption concerning the ground contamination with oil is dealt with and thus concluded. Additional provisions in 2021 were for restructuring costs for the Säffle plant, including the cost of land restoration at the Säffle pulp mill of SEK 76 million (see also Note 13). Land restoration in Säffle will take place in stages over the next five to seven years. The costs associated with the pulp mill have been estimated by a third party.

NOTE 30 OTHER LIABILITIES

SEK m	Group		Parent company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Payroll taxes and other employee-related expenses	16	14	0	0
Other	1	0	0	–
Total	17	14	1	0

NOTE 31 ACCRUED EXPENSES AND DEFERRED INCOME

SEK m	Group		Parent company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
Accrued salaries and holiday pay	81	74	3	4
Accrued payroll overheads	37	39	2	1
Accrued interest	1	1	1	1
Customer bonuses	32	26	–	–
Agent commissions	10	7	–	–
Goods in transit	94	–	–	–
Freight	23	–	–	–
Accrued raw material and energy costs	101	69	–	–
Other items	48	47	0	4
Total	426	263	5	10

NOTE 32 PLEDGED ASSETS

SEK m	Group		Parent company	
	31 Dec 2022	31 Dec 2021	31 Dec 2022	31 Dec 2021
For liabilities to credit institutions				
Accounts receivable, factoring	284	273	–	–
Total	284	273	–	–

NOTE 33 CONTINGENT LIABILITIES IN THE PARENT COMPANY

The subsidiaries Nordic Paper Bäckhammar AB and Nordic Paper Seffle AB have entered into factoring agreements and leases with credit institutions. Under the terms of these agreements, the parent company guarantees up to SEK 300 (300) million, plus interest and fees, relating to any future claims on the subsidiaries.

NOTE 34 PARTICIPATIONS IN GROUP COMPANIES**Parent company's holding**

SEK m	Registered office	Share	Number of shares	Carrying amount	
				31 Dec 2022	31 Dec 2021
Nordic Paper Bäckhammar AB, 556044-8952	Kristinehamn, Sweden	100%	50,000	702	702
Nordic Paper Seffle AB, 556000-2221	Säffle, Sweden	100%	5,000	70	70
Nordic Paper AS, 983633080	Sarpsborg, Norway	100%	47,792	124	124
Nordic Paper Québec Inc. 102107257	Québec, Canada	100%	489,000	269	269
Total				1,165	1,165

Participations in group companies

SEK m	Parent company	
	2022	2021
Carrying amount, 1 January	1,165	896
Acquisitions	–	269
Carrying amount, 31 December	1,165	1,165

Indirect holdings

	Registered office	Share	Owned by
Nordic Paper Åmotfors AB, 556209-7294	Eda, Sweden	100%	Nordic Paper Bäckhammar AB

NOTE 35 BUSINESS COMBINATIONS

In 2021 Nordic Paper Holding AB acquired the company then known as Glassine Canada Inc., which now goes under the name Nordic Paper Québec Inc. Nordic Paper Québec is included in the Natural Greaseproof segment. The preliminary purchase consideration on a debt-free basis and adjustment of the net cash amounted to SEK 644 million on the acquisition date, which resulted in payment of SEK 670 million being transferred. In 2022 the final purchase consideration was established as SEK 649 million. As a result, goodwill was adjusted downwards by SEK 21 million in 2022. The effect on cash flow in 2022 is SEK 21 million.

Effects of the acquisition of Nordic Paper Québec Inc., SEK m	Carrying amounts after adjustment of final purchase consideration during Q2 2022		
	Book value	Fair value, adjustment	Fair value
Carrying amount of identifiable net assets			
Brands	–	31	31
Customer relationships	0	218	218
Buildings and land	10	–	10
Plant and machinery	19	–	19
Deferred tax assets	0	8	8
Total non-current assets	30	258	287
Inventories	24	–	24
Accounts receivable	30	–	30
Current tax assets	5	–	5
Cash and cash equivalents	58	–	58
Total current assets	116	–	116
Total assets	146	258	404
Obligations relating to employee benefits	–	–31	–31
Deferred tax liabilities	–4	–70	–70
Net identifiable assets and liabilities	126	160	286
Goodwill		363	363
Compensation transferred			649

NOTE 36 TRANSACTIONS WITH RELATED PARTIES

This note describes transactions with the group's associate Åmotfors Energi AB and the subsidiaries. For further information on senior executive remuneration, see Note 9, *Employees and personnel costs*. In 2022 all interests in Åmotfors Energi AB were sold and the company is no longer considered an associate as of 5 October 2022. There are no transactions with related parties after the disposal.

SEK m	Sale of goods/services up to 30 Sep 2022	Purchase of goods/services up to 30 Sep 2022	Dividend	Receivable on balance sheet date	Liability on balance sheet date
GROUP					
Associates					
2022	14	64	–	–	–
2021	14	65	–	–	14

SEK m	Sale of goods/services	Purchase of goods/services	Dividend	Receivable on balance sheet date	Liability on balance sheet date
PARENT COMPANY					
Subsidiaries					
2022	57	44	18	1,065	1
– of which long-term receivable, group company	–	–	–	345	–
2021	48	37	106	642	2
– of which long-term receivable, group company	–	–	–	401	–

On 5 October 2022 Nordic Paper Åmotfors AB entered into an agreement to sell its minority interest of 37.6 percent of the shares in Åmotfors Energi AB. As a result of the transaction Nordic Paper is reporting a capital gain and positive cash flow of SEK 42 million.

Sale of associate	% shareholding	Number of shares	Registered office	Carrying amount	Date of sale	Selling price (SEK m)
Åmotfors Energi AB	37.60%	16,938,800	Eda, Sweden	0	5 October 2022	42

NOTE 37 CASH FLOW STATEMENT

SEK m	Group		Parent company	
	2022	2021	2022	2021
Adjustments for non-cash items				
Depreciation, amortisation and impairment losses	145	150	–	–
Changes in exchange rates	–28	–5	–	–
Change in fair value of derivatives	35	21	–	–
Provision for restoration of building and land in Säffle	–	76	–	–
Other	35	14	–	–
Total	188	256	–	–

SEK m	Group							
	Liabilities to credit institutions	Leases	Factoring loan	Utilised overdraft facility	Liabilities	Leases	Factoring loan	Utilised overdraft facility
	2022				2021			
Financing activities, change in liabilities								
1 January	1,350	24	273	–	950	19	165	–
Changes affecting cash flow	–400	–11	11	–	400	–13	108	–
Other changes not affecting cash flow	–	18	–	–	–	18	–	–
31 December	950	31	284	–	1,350	24	273	–

SEK m	Parent company							
	Liabilities to credit institutions	Leases	Factoring loan	Utilised overdraft facility	Liabilities to credit institutions	Leases	Factoring loan	Utilised overdraft facility
	2022				2021			
Financing activities, change in liabilities								
1 January	1,350	–	–	–	950	–	–	–
Changes affecting cash flow	–400	–	–	–	400	–	–	–
Other changes not affecting cash flow	–	–	–	–	–	–	–	–
31 December	950	–	–	–	1,350	–	–	–

NOTE 38 YEAR-END APPROPRIATIONS

SEK m	Parent company	
	2022	2021
Group contributions received/provided	720	233
Change in tax allocation reserve	–110	–12
Total	610	221

NOTE 39 EVENTS AFTER THE BALANCE SHEET DATE

On January 31, 2023, the Land and Environmental Court in Vänersborg published its decision for new production permit for Nordic Paper Bäckhammar.

The new production permit allows an increase of the production to 280 000 tons of pulp and 180 000 tons of paper, in line with the company's application which was sent in August 2020. The published permit includes terms related to the increase of production. The published permit was appealed by a private person in February 2023 and the appeal process must be closed before the permit gains legal force.

THE UNDERSIGNED HEREBY PROVIDE an assurance that the consolidated financial statements and annual financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and provide a fair and true representation of the group's and the parent company's position and results.

The Directors' Report for the group and the parent company provides a fair representation of operations within the group and the parent company, their financial position and results, and describes

the material risks and uncertainties facing the parent company and its subsidiaries.

The Annual Report and Sustainability Report and the consolidated financial statements have been approved by the Board of Directors to be issued on 13 April 2023.

The consolidated income statement, statement of comprehensive income and balance sheet, and the parent company's income statement, statement of comprehensive income and balance sheet are subject to adoption by the Annual General Meeting on 24 May 2023.

Karlstad, 13 April 2023

Per Bjurbom
Chair

Helene Willberg

Stefan Lundin

Karin Eliasson

Arne Wallin

Ying Che

Anita Sjölander
Chief Executive Officer

Per Gustafsson
Employee representative

Tom Rød
Employee representative

Our audit report was submitted on 13 April 2023

Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorised Public Accountant



AUDITOR'S REPORT

Unofficial translation

To the general meeting of the shareholders of Nordic Paper Holding AB (publ), corporate identity number 556914-1913

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

OPINIONS

We have audited the annual accounts and consolidated accounts of Nordic Paper Holding AB (publ) for the year 2022 except for the corporate governance statement on pages 66-72. The annual accounts and consolidated accounts of the company are included on pages 63-65 and 73-124 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of parent company and the group as of 31 December 2022 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. 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 2022 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 66-72. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

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 parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit

Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

OUR AUDIT APPROACH

Audit scope

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgments; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the group operates.

Nordic Paper Group manufactures and sells various types of paper goods and comprises the Parent Company and its five subsidiaries. As of 31 December 2021, Glassine Inc, Canada was acquired and the acquired company's balance sheet has been consolidated from the same date. Two operating segments have been identified in Nordic Paper's business- Kraft Paper and Natural Greaseproof. For the Group audit, we have selected the Parent Company and three subsidiaries, which represent two operating segments with 100% coverage of the Group's sales.

In addition to the above, our audit of Nordic Paper's financial statements contained a review of the company's procedures, processes and internal controls of the financial reporting, analytical review of financial information and a detailed examination of the accounting documentation.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole. These, together with qualitative considerations, helped us to deter-

mine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

Cut-off in revenue recognition

Reporting in the correct periods are of core importance in terms of revenue. The manner in which correctness and allocation of amounts are addressed in the Group's revenue recognition comprised a key audit matter in our audit due to many different types of freight terms being applied within the Group, entailing that revenue recognition may differ between various transactions depending on the underlying freight terms for delivery.

For this reason, a special follow up is required of sales transactions with freight terms that entail that delivery is determined as occurring at a different time than in connection with the outbound delivery from the plant or warehouse.

Given the large volume of transactions conducted and that automatic bookkeeping occurs for the outbound delivery of goods, this can have a major impact on revenue recognition, which requires particular attention from the company's management.

See also Note 2, *Accounting policies*

How our audit addressed the key audit matter

The most significant areas of focus in our audit comprised, though not limited to, the following:

- Detailed reviews together with management aimed at understanding the market, customers and business model.
- Auditing of procedures and processes to assess the application of policies for the recognition of sales transactions with different freight terms.
- Auditing of the automatic management of the company's revenue recognition that occurs in connection with outbound delivery from the system.
- Automatic auditing methods to ensure the correctness of the revenue recognition from delivery to invoicing. Testing of internal control in relation to the recognition and follow-up of the cut-off of sales revenues.
- Review and follow-up of material contracts.
- Review of notes and assessment of accounting policies concerning revenue recognition.

IMPAIRMENT TEST OF GOODWILL, BRANDS AND CUSTOMER RELATIONS

As of December 31, 2022, goodwill, brands and customer relations amount to SEK 988 million. According to IFRS, an annual impairment test must take place.

This impairment test is based on judgments and assumptions that are complex and contain a high degree of material judgments by management. Note 18 shows how the management made its assessment. No need for impairment has been identified based on the assumptions made. Impairment test takes place for individual segments such as cash-generating units.

See also Note 2, *Accounting policies* and Note 18, *Intangible assets*

In our audit, we have assessed the management's assumptions and assessments. This has taken place, for example, through analysis of how well previous year's assumptions have been achieved. Analysis has also taken place of any adjustments that have been made to assumptions from previous years as a result of the development of the business as well as external factors. We have challenged the management in the assessments made regarding future cash flows and assessed the WACC used in the impairment test. We have performed our own sensitivity analysis to test the safety margins. We have tested the impact changes in essential assumptions such as growth rate and WACC have on the safety margins and based on these tests assessed the risk that a need for impairment would arise.

We have also assessed the accuracy of the information that appears in the annual report.

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts. Such other information is found on pages 1-10, 12-15, 18-32 and 130-134. This other information also contains the *Remuneration report* that has been published on the company's website the date as this report. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTOR'S AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and 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 intend to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and 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 these annual accounts and consolidated accounts.

A further description of our responsibility for the audit of the annual accounts and consolidated accounts is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Director's and the Managing Director of Nordic Paper Holding AB (publ) for the year 2022 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Director's and the Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with 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 parent company and 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 DIRECTOR'S AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

A further description of our responsibility for the audit of the administration is available on Revisorsinspektionen's website: www.revisorsinspektionen.se/revisornsansvar. This description is part of the auditor's report.

THE AUDITOR'S EXAMINATION OF THE ESEF REPORT

OPINION

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for Nordic Paper Holding AB (publ) for the financial year 2022.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the Esef report has been prepared in a format that, in all material respects, enables uniform electronic reporting.

BASIS FOR OPINIONS

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the Esef report. Our responsibility under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of Nordic Paper Holding AB (publ) 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 evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for ensuring that the Esef report has been prepared in accordance with the Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a validation that the Esef report has been prepared in a valid XHTML format and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the consolidated statement of financial performance, financial position, changes in equity, cash flow and disclosures in the Esef report has been marked with iXBRL in accordance with what follows from the Esef regulation.

THE AUDITOR'S EXAMINATION OF THE CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 66-72 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevR 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act/ the Annual Accounts Act for Credit Institutions and Securities Companies/ the Annual Accounts Act for Insurance Companies.

Öhrlings PricewaterhouseCoopers AB, Torsgatan 21, 113 97 Stockholm, Sweden, with Martin Johansson as auditor in charge was appointed auditor of Nordic Paper Holding AB (publ) by the general meeting of the shareholders on the 19 May 2022 and has been the company's auditor since the company was listed in 2020.

Stockholm 13 April 2023
Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant



THE SHARE

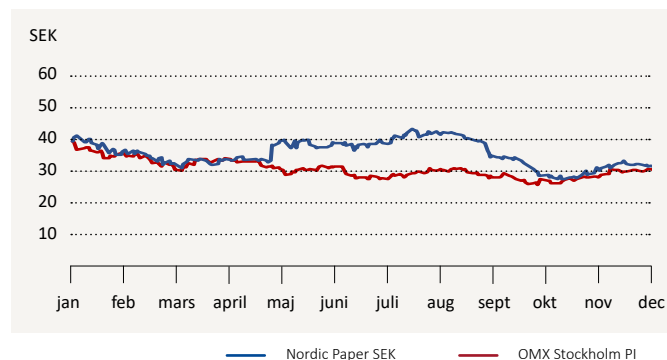
Nordic Paper's shares have been listed in Nasdaq Stockholm's Mid Cap segment since 22 October 2020 under the ticker NPAPER.

SHARE PRICE AND TURNOVER

The closing price for Nordic Paper's shares on the final trading day in December 2022 was SEK 33.00, which is equivalent to a market cap of SEK 2,208 million. This represents a decrease of 16.2 percent from the closing price on the first trading day of the year.

During the corresponding period the OMX Stockholm PI index fell by 25.2 percent. The highest closing price for Nordic Paper's shares during the period was SEK 43.45, which was listed on 18 July. The lowest price of SEK 27.65 was listed on 10 October.

SHARE PRICE IN 2022



LARGEST SHAREHOLDERS

Shareholders 31 December 2022	Votes and capital (%)
Sutriv Holding AB	48.2%
AMF – Försäkring och Fonder	8.8%
Swedbank Robur Fonder	6.7%
Handelsbanken Fonder	3.2%
Third Swedish National Pension Fund (AP3)	3.0%
CBNY – Norges Bank	2.9%
UBS Switzerland AG	2.2%
BNY Mellon SA	1.5%
Ålandsbanken	1.5%
Ålandsbanken ABP (Finland)	1.3%
Other	20.7%
Total	100.0%

SHARE CAPITAL DEVELOPMENT

Year	Event	Change in number of shares	Number of shares	Change in share capital, SEK	Share capital, SEK
2012	New share issue	47,792	47,792	19,116,800	19,116,800
2020	Split 1,400:1	66,861,008	66,908,800	0	19,116,800

LIQUIDITY

In 2022 the average turnover of Nordic Paper shares on Nasdaq Stockholm was around 70,000 per day, equivalent to around SEK 2.4 million. An average of around 220 transactions were executed per day.

SHARE CAPITAL AND VOTES

As of 31 December 2022 there were 66,908,800 shares in total in Nordic Paper. Each share entitles the holder to one vote at shareholders' meetings. The share capital was SEK 19,116,800. The quota value per share is SEK 0.285715.

OWNERSHIP STRUCTURE

Nordic Paper had 4,969 shareholders on 31 December 2022. Sutriv Holding AB, which is wholly owned by Shanying International, is the only shareholder that has a holding equivalent to at least 10 percent of the votes and shares in Nordic Paper.

DIVIDEND AND DIVIDEND POLICY

According to the Dividend Policy, the dividend is to be 50–70 percent of net profit for the year. The proposed dividend is to take into account Nordic Paper's financial position, liquidity, future investment needs and the general macroeconomic and operational conditions. For the 2022 financial year the Board is proposing a dividend of SEK 4.65 per share, to be distributed on one occasion. Under this proposal the total dividend will be SEK 311 million.

OWNERSHIP STRUCTURE

Holding	Number of shareholders	Number of shares	Holding (%)
1–500	3,726	536,582	0.80
501–1,000	526	414,566	0.62
1,001–5,000	503	1,156,282	1.73
5,001–10,000	88	652,006	0.97
10,001–15,000	36	452,950	0.68
15,001–20,000	12	206,362	0.31
20,001–	78	63,490,052	94.89
Total 31 December 2022	4,969	66,908,800	100.00



GROUP PERFORMANCE FIVE-YEAR OVERVIEW

SEK m	2022	2021	2020	2019	2018
Key performance measures					
Net sales	4,440	3,083	2,903	3,231	3,035
EBITDA	821	358	458	629	509
Adjusted EBITDA	821	434	458	629	509
EBITDA margin, %	18.5	11.6	15.8	19.5	16.8
Adjusted EBITDA margin, %	18.5	14.1	15.8	19.5	16.8
Operating profit/loss	676	208	348	530	420
Adjusted operating profit/loss	676	316	348	530	420
Operating margin, %	15.2	6.8	12.0	16.4	13.8
Adjusted operating margin, %	15.2	10.3	12.0	16.4	13.8
Profit for the period	566	144	258	414	319
Cash flow from operating activities	560	408	352	451	338
Working capital	497	378	439	442	464
Investments	145	180	102	100	91
Return on operating capital, 12 m, %	32.5	15.9	26.9	39.4	32.8
Cash Conversion, %	70.5	67.5	77.9	87.6	67.2
Return on equity, %	69.5	24.6	22.3	35.9	41.0
Equity/assets ratio, %	28.7	18.0	25.3	57.6	44.0
Net debt/EBITDA, multiple	1.2	3.7	1.6	-0.0	0.8
Earnings per share before dilution, SEK ¹	8.46	2.15	3.85	6.19	4.76
Earnings per share after dilution, SEK ¹	8.46	2.15	3.85	6.19	4.76
Number of employees at year-end	672	688	632	619	615
Sales volume, ktonnes	284.5	280.6	266.9	271.9	266.7

¹ Restated for the split in the company's ordinary shares, 1,400:1, decided on at an extraordinary general meeting on 1 October 2020.

DEFINITIONS

DEFINITIONS

Non-IFRS performance measures	Description	Reasons for use
Sales volume	Sales of paper and pulp by segments or the group, expressed in tonnes.	Shows if the business is expanding or contracting.
EBITDA	EBITDA (earnings before interest, taxes, depreciation and amortisation) consists of operating profit plus depreciation, amortisation and impairment losses.	A measure that eliminates costs that do not affect cash flow and indicates the ability of business to generate cash flow.
Significant items affecting comparability	Significant items affecting comparability may include effects of substantial restructuring of production plants, impairment losses, revaluation, specific effects of disputes or strategic decisions of a non-recurring nature. Significant items affecting comparability are not part of the underlying operating activities.	Provides a better understanding of the development of operating activities over time.
Adjusted EBITDA	EBITDA adjusted for significant items affecting comparability.	Increases comparability in EBITDA between different periods and provides a better understanding of the development of operating activities over time.
EBITDA margin	EBITDA as a percentage of net sales.	Shows the ability of the business to generate cash flow in relation to revenue.
Adjusted EBITDA margin	Adjusted EBITDA as a percentage of net sales.	Increases comparability in the EBITDA margin between different periods.
Operating profit/loss	Profit before financial income, financial expense and tax.	Shows the result of the company's operating activities.
Adjusted operating profit/loss	Operating profit adjusted for significant items affecting comparability.	Increases comparability of operating profit between different periods and provides a better understanding of the development of operating activities over time.
Operating margin	Operating profit as a percentage of net sales.	Shows operating profit in relation to net sales and is a measure of the profitability of the company's operating activities.
Adjusted operating margin	Adjusted operating profit as a percentage of net sales.	Increases comparability in the operating margin between different periods.
Cash flow from operating activities	Cash flow before acquisitions of intangible non-current assets, property, plant and equipment, and financial non-current assets and before loan repayments, group contributions and dividends to shareholders.	Indicates how much liquidity an entity generates through its operating activities.
Cash conversion¹	Total EBITDA minus change in working capital minus investments, divided by EBITDA, expressed as a percentage.	Cash conversion shows how effective an entity is at generating cash flow in relation to EBITDA.
Investments	The effect of acquisitions of property, plant and equipment and intangible non-current assets on cash flow.	Shows the amount of property, plant and equipment and intangible assets acquired to maintain and develop operations.
Working capital	Total inventories, accounts receivable, other operating assets and operating liabilities, excluding derivatives, and other provisions (non-interest-bearing).	Shows the net of current assets and current liabilities used in operating activities.
Change in working capital	Working capital for the current period minus working capital for the previous period.	Shows development of the company's working capital.
Working capital as a percentage of net sales¹	Working capital divided by net sales.	Indicates how effectively the company is using working capital.
Operating capital	Working capital plus intangible non-current assets and property, plant and equipment, deferred tax assets and tax liabilities.	Shows the total capital used in operating activities.
Return on operating capital¹	Operating profit as a percentage of operating capital.	Shows the company's performance in generating profit from the capital used in operating activities.
Return on equity¹	Profit/loss for the period as a percentage of equity.	Shows the return generated on equity invested in the business.
Interest-bearing liabilities	Interest-bearing liabilities, current and non-current plus interest-bearing provisions.	Shows the extent of the company's financing in the form of interest-bearing liabilities.
Net debt	Interest-bearing liabilities less cash and cash equivalents.	A measure of the company's financial position. Shows how much liquidity would remain if all liabilities were to be settled.
Net debt/EBITDA multiple¹	Net debt in relation to EBITDA, expressed as a multiple.	A measure of financial risk and an indication of repayment capacity.
Net debt/equity ratio	Net debt divided by equity, expressed as a percentage.	Shows the relationship between externally financed capital and equity.
Equity/assets ratio	Equity divided by total assets, expressed as a percentage.	Shows what proportion of the assets are financed through equity.

¹ Calculated on the basis of the last 12-month period, as an average of 12 months. The 12-month figure has not been adjusted for the effect of adaptation to IFRS 16 on 1 January 2019. The 12-month amount enables comparisons that reflect both current and seasonal variations, which improves the ability to make comparisons over time.

