

ANNUAL REPORT
AND SUSTAINABILITY REPORT

2020



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ANNUAL AND SUSTAINABILITY REPORT 2020

Nordic Paper's statutory Annual Report includes the Directors report and Financial Statement and comprises pages 46-99. The statutory Sustainability Report in accordance with the Annual Accounts Act is included in the Annual Report (pages 8-11, 31-45 and 61-64).

ANNUAL GENERAL MEETING

Annual General Meeting will be held
Thursday 20 May 2021.

Due to the extraordinary situation resulting from the Covid-19 pandemic, Nordic Paper's annual general meeting will be carried out through mandatory advance voting (postal voting) pursuant to temporary legislation. No meeting with the possibility to attend in person or to be represented by a proxy will take place. Hence, the meeting will be held without physical presence.

All information about the General Meeting and how shareholders can use voting rights and request information will be available on Nordic Paper's web site,
www.nordic-paper.com

FINANCIAL CALENDAR

Interim Report Q1 2021	28 April 2021
Interim Report Q2 2021	20 July 2021
Interim Report Q3 2021	28 October 2021
Year-end Report 2021	28 January 2022

THE NATURAL LEADER IN SPECIALITY PAPER

Nordic Paper is a Scandinavian speciality paper producer that manufactures top-quality paper.

Nordic Paper produces kraft paper and natural greaseproof paper that our customers develop into products such as shopping bags, sacks, bags, interleaving paper for steel and plexiglass, baking cups and baking/cooking paper. With our global sales network, we work close to our customers to ensure that our paper meets their specific needs.

We consider it critically important to contribute to the transition to a circular and biobased economy. Our products are based on renewable wood raw material from local forests, and we only manufacture paper from natural raw materials, without additions of fluorochemicals or other foreign substances.



630 employees

4 production units

267 ktonnes sales volume

700 customers

95 % export

70 countries

2 segments:

- Kraft Paper
- Natural Greaseproof

2020 IN NUMBERS

KEY FIGURES

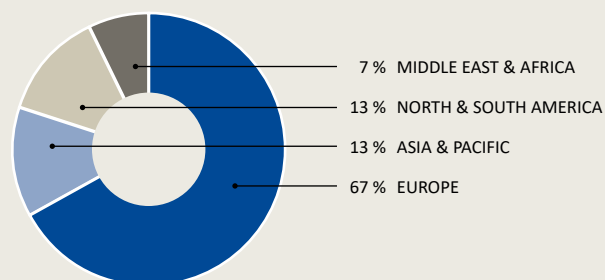
SEK m	2020	2019	Δ, %
Net sales	2,903	3,231	-10
EBITDA	458	629	-27
EBITDA-margin, %	15.8	19.5	
Operating profit/loss SEK	348	530	-34
Operating margin, %	12.0	16.4	
Profit for the year	258	414	-38
Earnings per share, SEK	3.85	6.19*	
Cash flow from operating activities	352	451	-22
Return on operating capital 12 m, %	26.9	39.4	
Net debt/EBITDA 12 m, ratio**	1.6	-0.0	
Sales volume, ktonnes	267	272	-2

*Recalculated for a 1,400:1 split of the company's ordinary shares, authorised by the Extraordinary General Meeting on 1 October 2020.

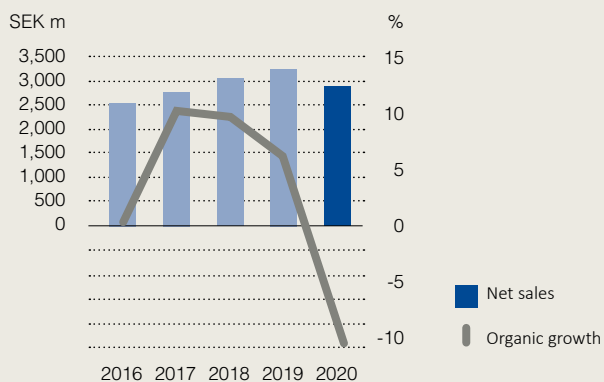
**Negative value due to net cash.

NET SALES

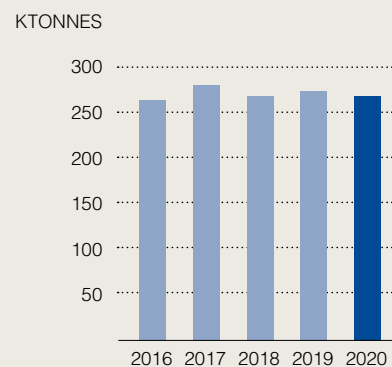
PER GEOGRAPHICAL LOCATION



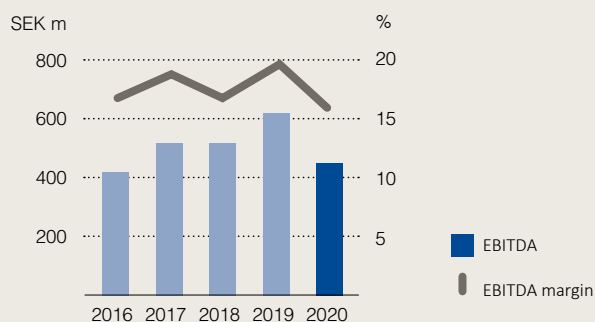
NET SALES AND ORGANIC GROWTH



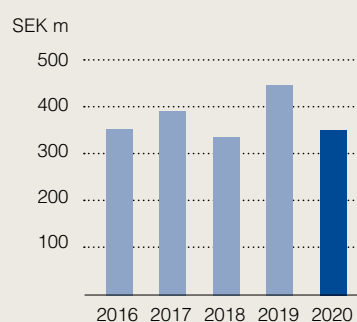
SALES VOLUME



EBITDA & EBITDA MARGIN



CASH FLOW FROM OPERATING ACTIVITIES



2020 IN BRIEF

Q1 The year started with robust demand for Nordic Paper's products, with Covid-19 having a limited impact on our markets.

Sales volumes were positive for both kraft paper and natural greaseproof. Prices for kraft paper were lower compared to the very strong market levels seen in 2019. The lower prices had a negative effect on EBITDA, while lower energy prices and pulp costs had a positive impact on profit.

Net sales: SEK **827** m EBITDA: SEK **174** m

Q2 The effects of Covid-19 started to feed through in the second quarter. This affected demand negatively for Natural Greaseproof's products for the professional food sector in countries imposing strict lockdowns. This was partly offset by increased demand for products destined for the retail sector. Nevertheless, sales volumes remained positive for both kraft paper and natural greaseproof.

The low price levels for kraft paper continued. EBITDA was down on the corresponding quarter in 2019, mainly due to lower kraft paper prices, and unplanned production stops at Bäckhammar. Lower energy, pulp and wood costs had a positive impact on profit.

Net sales: SEK **767** m EBITDA: SEK **154** m

Q3 The market trend in the third quarter was in line with the second quarter. Covid-19 mainly affected the professional market for greaseproof paper in countries with the most extensive restrictions. Prices were down on the corresponding period in 2019, especially for kraft paper.

A slower ramp-up of production after the maintenance stop at Bäckhammar negatively affected volumes. The lower volumes and prices had a negative profit effect, while lower pulp costs had a positive profit impact.

A 1,400:1 split of the ordinary shares was completed.

Net sales: SEK **639** m EBITDA: SEK **-13** m

Q4 There were no major changes in the market situation in the fourth quarter. The pandemic continued to affect the market for greaseproof paper in particular, where end users are active in the professional sector. Prices were down compared to 2019, especially for kraft paper, although prices remained stable against the third quarter 2020. The market's increased interest in unbleached products benefited Nordic Paper.

Volumes increased slightly, although net sales decreased, mainly due to lower prices. EBITDA increased year-on-year.

In 2019, the annual maintenance stop at Bäckhammar affected the fourth quarter, instead of the third quarter as normal. Lower pulp prices and energy costs had a positive profit impact.

A dividend of SEK 950 m was paid to the former parent company Sutriv Holding AB, financed through a bank credit facility of SEK 950 m.

Nordic Paper's shares were listed on Nasdaq Stockholm on 22 October 2020.

Net sales: SEK **670** m EBITDA: SEK **144** m



STABLE DELIVERIES DESPITE A CHALLENGING YEAR

2020 was an unusual year with a pandemic that affected the whole world, including Nordic Paper. For us, it was also the year we took the historic step of becoming a listed company. We are proud that Nordic Paper now has close to 2,700 new shareholders.

The year started with a strong market and solid demand, and the market outlook was positive before the outbreak of the pandemic. Even though the pandemic has had only limited financial effect on Nordic Paper, demand from some of our customers started to slow from the second quarter onwards. The slowdown was most pronounced in countries where strict lockdowns were imposed, with sectors such as restaurants and cafés, where our natural greaseproof paper is normally used, being the most affected. During the spring, this was offset by sales growth in products destined for the retail sector. However, the lower sales were not fully offset in the autumn, and we chose to proactively adapt production volumes to slightly weaker demand.

The market for kraft paper was strong throughout the year. Demand was solid, although competition increased slightly on our largest market in Europe. The weaker market in Asia meant that distributors who usually supply Asian customers with sack paper started to approach our European customers. This affected prices, although we successfully handled this on the solid ground of our long standing and strong customer relationships. Our customers know that we are by their side through upturns and downturns, which means that they do not switch supplier and we do not lose volumes.

RECORD PROFIT FOR NATURAL GREASE-PROOF

Despite the challenging situation in the surrounding world, and two unplanned production stops in the kraft paper production, sales volumes

remained close to 2019 levels. However, Group profit for the year was down, with the main negative impact derived from lower prices in Kraft Paper. Natural Greaseproof achieved record EBITDA at over SEK 200 m, despite slightly lower demand. Lower prices of input goods, in our case fibre and energy, had a positive impact on profit.

INITIATIVES FOR CONTINUED GROWTH AND PROFITABILITY

Nordic Paper has historically shown continuous and stable growth. In order to meet increased demand for products produced with renewable materials, we need to increase our production capacity.





On 22 October 2020, trading on Nasdaq Stockholm started with the symbolic bell ringing ceremony when the Nordic Paper share was launched on the stock market.

The focus is on investments that eliminate bottlenecks. We have now reached a stage where the current production permits at both Bäckhammar and Greåker are no longer sufficient. In Norway, where the process is faster, our application for a new production permit has already been approved. In Sweden, where the process takes slightly longer, we expect the new production permit to be granted in approximately two years. The application was submitted in August 2020.

The development program for the Bäckhammar production plant will continue in three stages. The first stage ensures cost-efficient fibre and energy processing through a new wood room that facilitates raw materials sourcing, reduces costs and increases the energy value of the bark. The second stage implies a significant environmental investment in rerouting clean and purified process water to improve the local environment. In order to increase pulp and paper production capacity, the final stage involves a number of smaller investments.

In parallel with the investment at Bäckhammar, we are examining the possibility of replacing internal pulp production in Säffle with purchasing external pulp. The pulp mill in Säffle is one of the oldest in Sweden and the investments needed to maintain production are not financially viable given current production volumes. In the short term, this would imply sourcing more pulp externally. However, the planned increase in pulp production at Bäckhammar exceeds production at the Säffle mill, which means that we retain our pulp neutrality.

“ With its high quality speciality paper, Nordic Paper contributes to making people’s everyday lives more sustainable.

RESPONSIBILITY, RESPECT, COLLABORATION AND DEVELOPMENT

Our core values *responsibility, respect, collaboration* and *development* are central to our operations. The safety of our employees and collaboration partners is always top of the agenda and has become even more important in 2020. I would like to thank all our employees for the thorough implementation of all the measures and extended

routines that have allowed us to continue to carry out production safely.

Nordic Paper contributes to the transition towards a more sustainable society because our products can replace plastic products. Our paper is manufactured from renewable raw materials, is recyclable and biodegradable. With a focus on sustainability and high quality, and our existing food certifications, we intend to capitalise on the new opportunities that

arise as a result of our ability to provide alternatives to plastics. We collaborate with existing and potential customers to find solutions where our paper can replace plastics. This is an exciting development, where our products are finding new and expanded areas of application.

With our experienced and committed employees, Nordic Paper contributes to making people’s daily lives more sustainable. We are convinced that this creates value for our customers, shareholders and other stakeholders.

Karlstad April 2021

Anita Sjölander
CEO Nordic Paper

VISION AND VALUES



VISION

Our vision is for Nordic Paper to be the natural leader in speciality paper.

VALUES

RESPONSIBILITY – We take responsibility for our own and our colleagues' wellbeing at work and create a safe and attractive workplace. We create satisfied customers by taking responsibility for quality and delivery. We take environmental responsibility, for current and future generations, to achieve sustainable results.

RESPECT – For us, the equal value of all human beings is paramount. We respect each other and treat everyone we meet as we want to be treated ourselves.

COLLABORATION – We collaborate with each other and our stakeholders to generate success. We are better together because we build on people's differences and strengths.

DEVELOPMENT – We challenge ourselves and set new and challenging goals. Our culture of continuous improvements ensures new levels of success.

BUSINESS MODEL SUPPORTS GREEN URBANISATION

Nordic Paper contributes to the transition towards a sustainable urban lifestyle through our fibre-based and recyclable products. Our products are manufactured from renewable raw materials derived from sustainably managed local forests, where the trees bind carbon dioxide during the growth phase.

Fibre-based recyclable products have been recognised as an important sustainable alternative to products that would otherwise be manufactured using plastics. Our production processes focus on resource efficiency and our mills mainly use renewable energy sources. We also provide job opportunities in rural areas.



OPERATIONS

Nordic Paper has been producing paper in Scandinavia since the end of the 19th century. Today we mainly produce two types of high quality speciality paper, natural greaseproof and kraft paper, both used in a variety of packaging solutions and applications.

We focus on the premium quality segment, which is characterised by high demands on paper quality and properties. We are the market leaders in our specific niches. Our products are based on renewable wood raw material from local forests without additives like fluorochemicals. This means that our paper is well suited to be used for food products.

SPECIALITY PAPER

Our unbleached kraft paper is characterised by its strength and flexibility, and its suitability for many different uses such as various kinds of shopping bags, food packaging and construction materials.

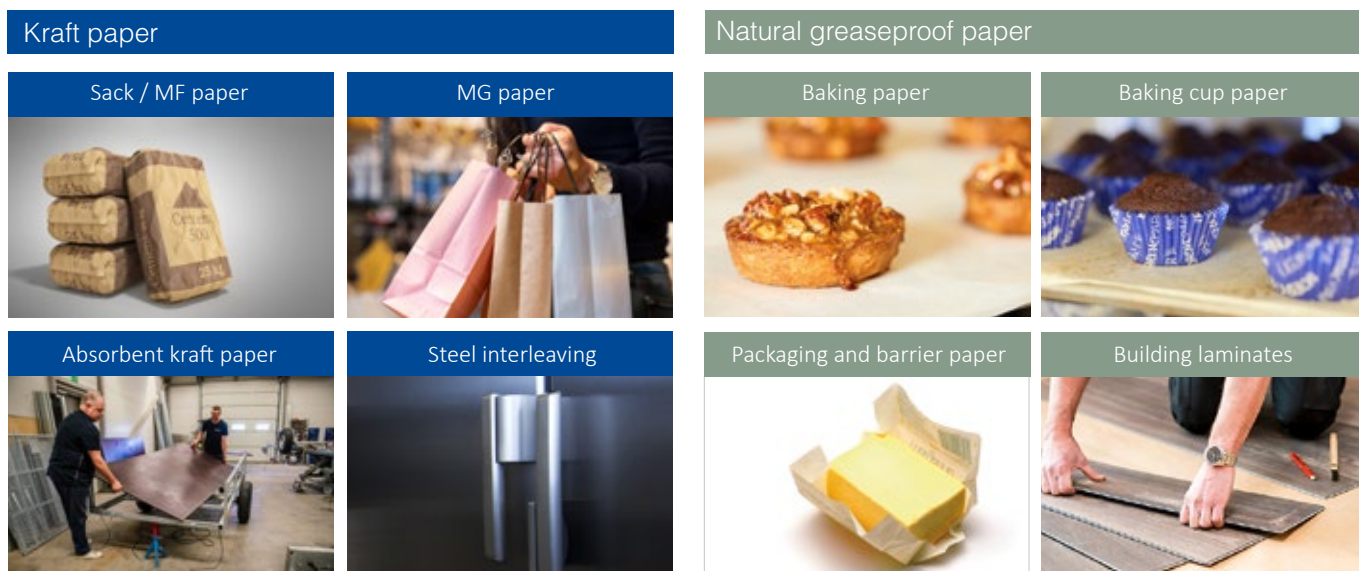
Greaseproof paper is characterised by its strength and flexibility and is used in a wide range of applications, including baking and cooking and various types of food packaging. Nordic Paper creates the greaseproof paper barrier by mechanical processing of the fibre and

does not use additives such as fluorochemicals. This is why we call it natural greaseproof paper.

INDEPENDENT SUPPLIER WITH LONG-STANDING CUSTOMER RELATIONS

Our customers are mainly converter companies, and to some extent wholesalers. Approximately 85 percent of sales are destined for converters. Kraft paper is primarily sold to packaging converters, who convert the paper to end-use products. Nordic Paper is an independent supplier, which means that we do not compete with our customers.

Approximately 85 percent of our natural greaseproof paper is sold to converters, while 15 percent is sheeted and sold directly to wholesalers. Sales take place both directly through Nordic Paper's sales representatives and via sales agents.



NORDIC PAPER'S POSITION IN THE VALUE CHAIN

Nordic Paper focuses on customers with high product quality requirements on selected niche markets, where we can offer products that enhance our customers' offering.

We work in close collaboration with our customers and continuously develop our product portfolio to ensure that our products support our customers' development and meet their needs. This means that our customer relationships are typically close and stable. More than 80 percent of net sales are attributable to customers that have bought products from us for six years or longer.

The speciality paper market is fragmented and we have a customer base of approximately 700 businesses. In 2020, Nordic Paper's ten largest customers accounted for approximately 22 percent of net sales.

FLEXIBLE PRODUCTION SET-UP AIMED AT SHORT RUNS

Nordic Paper's production set-up is specifically designed for production of unbleached kraft paper and natural greaseproof paper. Our paper machines are flexible and can be customised to several different niche product series in accordance with customers'

specifications and quality requirements. This requires extensive experience and know-how of producing technically demanding papers. The production set-up is unique and would be difficult and costly to replicate.

MILLS WITH OPERATIONAL SYNERGIES

Nordic Paper's production takes place in four production mills – Säffle, Bäckhammar and Åmotfors in Sweden and Greåker in Norway. The two mills in Säffle and Greåker are focused on production of natural greaseproof paper, whereas the Åmotfors and Bäckhammar mills focus on the production of kraft paper.

All four mills are located within a 250-kilometre radius of each other, which allows for efficient management and operational synergies. The Säffle and Bäckhammar mills are integrated pulp and paper mills, and supply pulp internally to the Åmotfors and Greåker mills.

In 2020, sales volumes amounted to 267 ktonnes, of which 97 percent comprised paper and 3 percent pulp.

OUR VALUE CHAIN



PRODUCTION UNITS



BÄCKHAMMAR

Integrated pulp and paper mill, producing unbleached kraft paper.

Sulphate pulp supplied to Åmotfors mill and Säffle mill, as well as sold externally.

BUSINESS AREA: Kraft Paper

NUMBER OF PAPER MACHINES: 2

PRODUCTS: Sack, MF paper and MG paper



ÅMOTFORS

Paper mill producing unbleached kraft paper from pulp supplied from Bäckhammar mill.

BUSINESS AREA: Kraft Paper

NUMBER OF PAPER MACHINES: 2

PRODUCTS: Steel interleaving and absorbent paper



SÄFFLE

Integrated pulp and paper mill, producing natural greaseproof paper.

Unbleached sulphate pulp is supplied from the Bäckhammar mill and purchased externally. The bleached sulphite pulp produced is used internally or supplied to Greåker mill.

BUSINESS AREA: Natural Greaseproof

NUMBER OF PAPER MACHINES: 2

PRODUCTS: Baking paper, baking cups and food containers



GREÅKER

Paper mill producing natural greaseproof paper. Bleached sulphite pulp supplied from Säffle mill as well as external suppliers

BUSINESS AREA: Natural Greaseproof

NUMBER OF PAPER MACHINES: 2

PRODUCTS: Baking paper, baking cups and barrier paper

WE ARE HERE



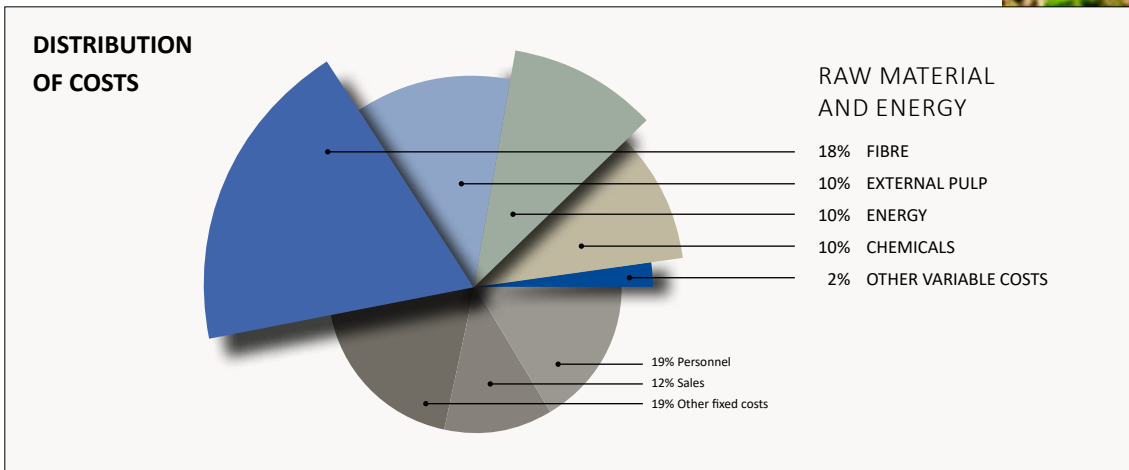
EFFICIENT RESOURCE UTILISATION

Input goods constitute approximately half of Nordic Paper’s costs. We continuously seek to increase resource efficiency and streamline costs.

FIBRE RAW MATERIAL FROM LOCAL SUPPLIERS

Fibre raw material constitutes a majority of Nordic Paper’s variable costs. We have no proprietary forest assets, and purchase all forest raw materials for the production process from external suppliers. Our production mills are strategically located in an area with numerous suppliers and favourable access to long-fibre wood. The cold climate in Scandinavia makes the trees grow slowly, leading to strong long-fibres, enabling the production of strong paper. By setting requirements on our suppliers we can offer the customers FSC® and PEFC™ certified paper.

All purchasing of wood is done from a large number of local suppliers, where we have long-standing relations. This provides access to high quality long-fibres, and implies short lead times and low transportation costs. We have a good mix of large and small suppliers, which contributes to stability in the wood supply. Agreements with suppliers span between three and six months. The planned investment in a new wood room at Bäckhammar will increase our flexibility in terms of raw materials supply, as it ensures that we use only round wood for production, which reduces raw materials costs.





PULP NEUTRAL AT GROUP LEVEL

External pulp is the second largest of Nordic Paper's variable costs. As a result of our integrated pulp and paper production, we are close to pulp neutral over time at Group level, although we do buy and sell some pulp externally.

The production units at Säffle and Bäckhammar are integrated pulp and paper mills, which supply pulp internally to the Åmotfors and Greåker mills. Any surpluses stemming from internal unbleached kraft pulp production are sold externally to the market. We also purchase some bleached softwood kraft pulp (NBSK pulp).

The integrated pulp production creates several advantages:

- Limits exposure to volatile pulp prices and increases cost control.
- Good control over the production process and high product quality, and reduces dependency on external suppliers.
- Reduced energy consumption, since pulp production produces an energy surplus, which can be used in the production of paper, and the pulp can be used directly in the paper manufacturing process without requiring drying.

In 2020, our net exposure to external pulp was 42 ktonnes, corresponding to 15 percent. Exposure to external pulp prices will be affected by the planned projects at Bäckhammar and Säffle. The investment at Bäckhammar will increase internal pulp production, while the possible closure of the Säffle pulp mill will decrease internal pulp production.

INTERNALLY GENERATED ENERGY FROM PULP PRODUCTION

Paper production is an energy-intensive process. Nordic Paper's energy consumption is mainly composed of electricity and steam. Because we have internal pulp production, we generate a majority of the electricity we consume at Bäckhammar internally. We have flexibility in the type of energy we use, including biofuels, gas and oil. Nordic Paper's geographical location also ensures abundant access to renewable energy sources.

Because energy is produced internally, and we have flexibility in terms of externally purchased energy, we ensure control of energy costs. We work with long-term contracts with electricity suppliers at several of the mills, but also purchase some electricity on the spot market. The conversion of the evaporation plant, which is included in the planned investment at Bäckhammar, will reduce energy costs.

RESTRICTIVE USE OF CHEMICALS

Chemicals are used in the manufacture of pulp and paper, although we continually seek to streamline our manufacturing processes and to be restrictive with chemicals. The main input chemicals include silicon emulsion, which is used for natural greaseproof paper coatings for example, and lime and liquid caustic soda which are used in pulp production.

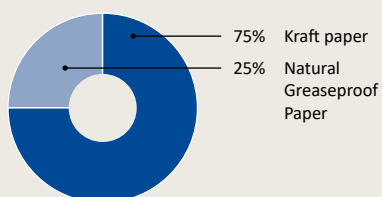


SEGMENT

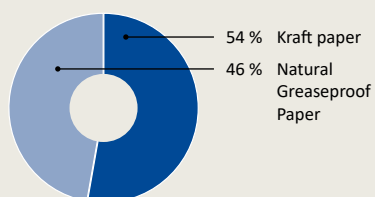
Nordic Paper operates through two business segments – Kraft Paper and Natural Greaseproof – both of which offer high quality paper used in a variety of packaging solutions, food handling and industrial applications. In 2020, the Kraft Paper segment generated 54 percent of Nordic Paper’s net sales, while the Natural Greaseproof segment provided 46 percent of the group’s net sales.



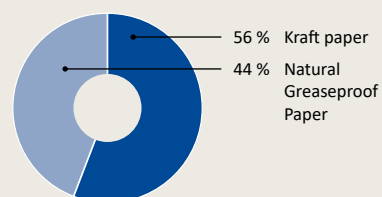
SALES VOLUME
PER SEGMENT



NET SALES
PER SEGMENT



EBITDA
PER SEGMENT



KRAFT PAPER

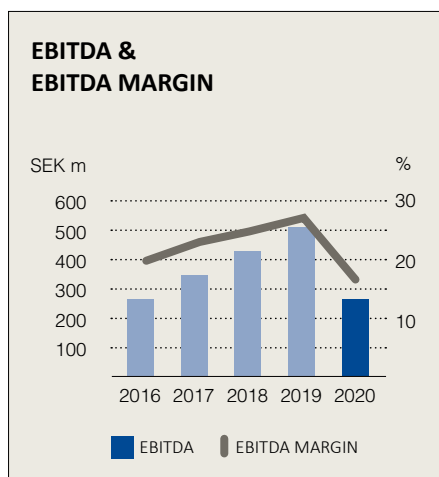
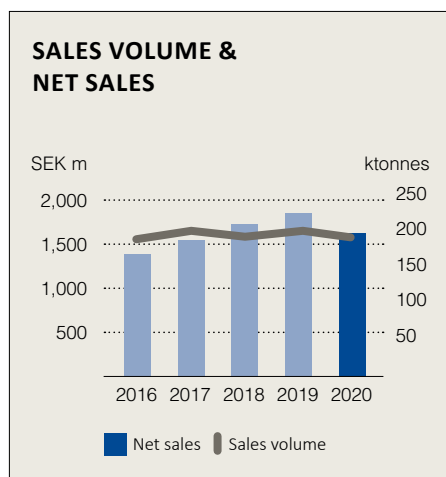
Kraft paper is used for a wide range of consumer-facing applications, such as shopping bags and food packaging, as well as packaging for a wide range of industrial applications such as building materials and several other industrial applications.

The kraft paper market can be divided into three different paper grades: sack paper and MF (machine finished paper), MG (machine glazed paper) and other.

Nordic Paper's unbleached kraft paper is one of the market's strongest. Sack paper is our largest product group, providing approximately half of the segment's net sales. MG paper is the second largest group, with just under a quarter.

The demands placed on the quality and properties of kraft paper is dependent on the area of end use. When kraft paper is used in different types of packaging applications (e.g. for food or construction materials), the strength of the paper is important. Industrial filling lines, such as cement, sugar or flour, also require kraft paper which combines strength with high porosity as the sack needs to quickly release air during filling in order to not explode.

Our customers place high demands on the quality and properties of the paper, as well as demands on flexibility regarding the widths of the paper reel and grammages. Our flexible operational set-up enables the production of kraft paper to be adapted to a range of specifications and properties.



SEK m	2020	2019	Δ, %
Net sales	1,613	1,855	-13
EBITDA	266	504	-47
EBITDA margin, %	16.5	27.2	
Sales volume, ktonnes	200	204	-2



SACK / MF PAPER (MACHINE FINISHED PAPER)

- Nordic Paper's sack and MF paper is characterised by high elasticity and tear resistance and is used for the production of sacks and other packaging solutions, both for food and non-food materials.
- The strength of the sack paper reduces the amount of packaging required and can be produced in a wide range of combinations of extensibility, strength, wet strength and porosity.
- End-use applications comprise food packaging (e.g. sacks for potatoes and flour), building materials (e.g. sacks for cement), compostable bags and chemicals packaging.
- Key customers are primarily converters.



MG PAPER (MACHINE GLAZED PAPER)

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



OTHER

ABSORBENT KRAFT PAPER

- Used for a range of products used in building and furniture manufacturing. Impregnated absorbent kraft paper creates a hard and durable surface. Laminates made with Nordic Paper's impregnated paper is used in areas such as moulds for casting concrete and for laminate floors.
- The paper is also used for cells in humidifier and evaporative climate-control systems, including those used extensively in livestock and poultry farms.
- Customers include impregnators and laminate producers.

STEEL INTERLEAVING PAPER

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

ELECTROTECHNICAL KRAFT PAPER

- Used for insulating electrical components. Applications include cables, transformers and electrical laminates.

MARKET

Nordic Paper is focused on producing unbleached kraft paper primarily for the European market. Europe is the largest kraft paper market in terms of demand, although demand is expected to increase on the Asian markets. The demand for premium quality kraft paper is closely correlated to regional preferences for plastic as a competing packaging material. The Asian market tends in general to use more plastics than the European market.

Demand for kraft paper was strong in 2020, although prices of sack paper were down significantly compared to previous years. The market for sack paper in the cement and construction industry outside Europe was weak for most of the year, which increased competition on Nordic Paper's main market in Europe. The Asian market started to recover towards the end of the year, which reduced competition on the European market and prices were stabilised.

PERFORMANCE IN 2020

Net sales decreased by 13 percent to SEK 1,613 m (1,855) for the full year 2020, mainly due to a price drop of 10 percent due to significantly lower market prices of kraft paper in 2020 compared to 2019. Sales volumes decreased by 2 percent, for reasons including the unplanned production stop at Bäckhammar in May, and a slower start-up after the maintenance stop in September.

The exchange rate effect was negative by 1 percent in the 12-month period. EBITDA decreased by 47 percent to SEK 266 m (504). The decrease was largely due to lower sales prices. The effect on EBITDA and operating profit from the unplanned production stops totalled SEK 48 m. The EBITDA-margin decreased to 16.5 percent (27.2).



PulPac provides new technology that can replace single-use plastics with paper

PulPac is a tech company on a mission to replace single-use plastic with wood fibres globally, using a new and unique technique. The company expects to have replaced one million tonnes of single use plastics within the next five years.

Unlike established wet moulding methods, PulPac's technology enables the conversion of paper raw material to finished product in an entirely dry process. This has several sustainability advantages, such as reduced water and energy consumption. But in particular, the dry process ensures quick manufacturing, which reduces costs. Dry-moulded paper products are very competitive, which means that it becomes commercially viable to replace single use plastics with paper.

"We've collaborated with Nordic Paper from the start, because they meet our requirements and demands as a supplier. To begin with, there was some difficulty sourcing materials, because many of the large mills could not or would not supply the smaller volumes we initially required. But our contacts at Nordic Paper saw the benefit, potential and innovations we would enable, and provided us with materials so we could carry out test runs," Niklas Westerberg explains.

PulPac licenses its technology globally to converters wanting to replace existing plastics production or switch from wet moulding of fibres to dry moulding. There are few limitations in terms of what the technology can ultimately be used for, and it is already market-ready for several different applications,

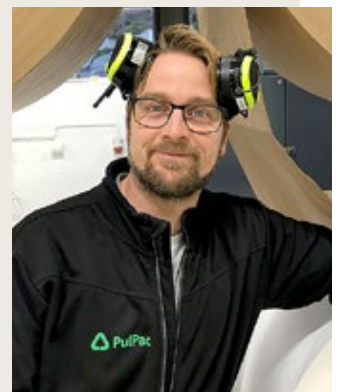
ranging from coat hangers to disposable drinks lids.

"Barrier development is an important part of making it possible for paper to replace plastics," Niklas Westerberg continues, and adds that the paper from Nordic Paper ensures an excellent liquid barrier with the PulPac technique.

He goes on to say that PulPac always seeks to optimise the combination of materials and barrier properties in its development projects alongside customers.

"We buy the iamKraft FlexaPlain grade of paper from Nordic Paper. This material has attracted a lot of attention from our licensees as it exhibits excellent wet strength without needing extra additives," Niklas Westerberg at PulPac explains.

At present, PulPac has a handful of licensees that are currently working to start production of dry moulded fibre. The first products are expected to reach the market in 2021.



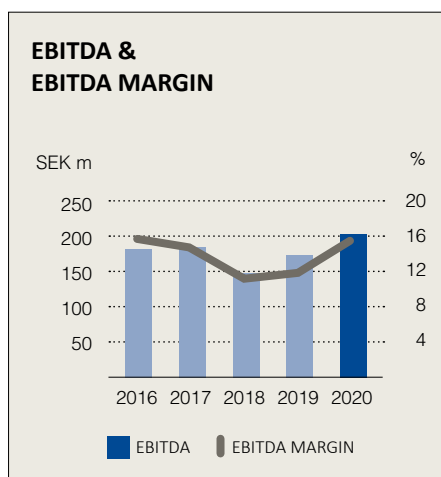
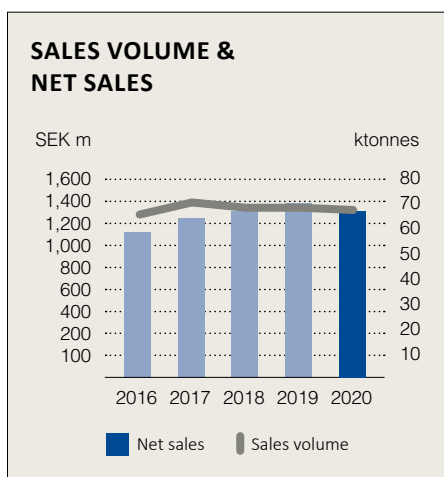
NATURAL GREASEPROOF

Greaseproof paper is a family of paper grades characterised by its resistance to grease. Greaseproof paper is mainly used in the food industry and food service sector, but also has several industrial applications.

Nordic Paper’s greaseproof paper products comprise baking paper, baking cups, food containers, barrier papers and building laminates. Baking paper is the largest product categories, representing 70 percent of net sales. Baking cups is the second largest, representing some 20 percent. Packaging made with our greaseproof paper can go straight from the freezer to a microwave or conventional oven.

Different end uses place different demands on the quality and properties of the greaseproof paper. For example, baking and cooking paper is intended to make food preparation easier, and minimise cleaning. Therefore, the greaseproof paper should be heat- and freeze-proof, as the food may need to go straight from the freezer to a microwave or conventional oven. Additionally, baking paper should combine greaseproof properties with good release properties, so that food can easily be removed from the paper once it is ready. The paper used in food containers and wrappers should ensure that products stay fresh with a barrier against fat, light, air and moisture, while also making it easy to serve and consume the food.

Nordic Paper’s natural greaseproof paper meets global standards for food handling, and is highly flexible in terms of properties and can be adjusted to match our customers’ demands. Our greaseproof paper does not contain fluorochemicals (PFAS). Instead, we process cellulose fibres mechanically. This creates a natural barrier of pure cellulose without toxic fluorochemicals, which is why we call the paper natural greaseproof paper. Our natural greaseproof paper is characterised by high quality and flexibility and can be adapted to several different manufacturing processes and quality requirements. It has been certified for food use.



SEK m	2020	2019	Δ, %
Net sales	1,327	1,412	-6
EBITDA	205	171	20
EBITDA margin, %	15.4	12.1	
Sales volume, ktonnes	67	68	0



BAKING PAPER

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



BAKING CUPS

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



OTHER

- Other includes speciality paper such as food containers, barrier papers and building laminates.
- Food containers are used for packaging oven heated ready-meals and frozen prepared food. Barrier papers are used for wrapping butter, meat and other fatty foods as well as oxygen barriers.
- The products can be laminated to improve the barrier properties.
- Customers include converters and laminators.
- Building laminates are used in the manufacture of high pressure laminates for furniture, flooring and kitchens.

MARKET

Nordic Paper focuses on the global market for natural greaseproof paper. This market is characterised by high entry barriers due to the need for specialised know-how in paper manufacturing, and specialised production plants. In addition, natural greaseproof paper production requires access to high quality pulp.

The trend towards eating out and take-aways drives demand for greaseproof paper. Demand for natural greaseproof paper is expected to outstrip the market for greaseproof paper as a whole due to growing awareness of the health risks associated with the fluorochemicals used to create the greaseproof barrier in some non-natural greaseproof papers.

The market was strong at the beginning of 2020. From the second quarter onwards, demand for professional food industry products slowed on those of Natural Greaseproof's markets where strict lockdowns were imposed. This was partly offset by increased demand for retail products and unbleached greaseproof paper.

PERFORMANCE IN 2020

Net sales in 2020 totalled SEK 1,327 m (1,412), a decrease of 6 percent. Despite the effects of Covid-19, sales volumes for the year remained largely unchanged on the previous year. The sales decrease was mainly due to prices dropping by 4 percent compared to 2019, when the market was strong. The exchange rate effect was a negative 1 percent.

Natural Greaseproof's EBITDA increased by 20 percent to SEK 205 m (171), the segment's highest EBITDA ever. The profit increase was mainly due to lower raw materials costs and a positive effect on the Group's production costs due to a weaker NOK. The EBITDA-margin increased to 15.4 percent (12.1). Operating profit improved to SEK 164 m (136) and operating margin to 12.4 percent (9.6).



LIC – An Italian innovator

LIC is an Italian market-leading packaging company with one of the country's most modern plants, where Nordic Paper is the main supplier.

The collaboration between LIC and Nordic Paper started eight years ago, when LIC specialised in manufacturing food containers, i.e. boxes for food storage and packaging. At the time, LIC purchased approximately 100 tonnes of paper annually from Nordic Paper. Now, deliveries are considerably more extensive.

"In summing up 2020, we can see that all of 800 tonnes of our Single proof golden and Golden LF manufactured at PM3 in Säffle were destined for LIC," Patrik Hjärpe, Sales Manager at Nordic Paper explains. He goes on to say that LIC is actively moving away from plastics to paper-based packaging for its food storage products, and that this process is now gathering momentum based on a successful concept.

PRINTING CUSTOMISED PRODUCTS

LIC is currently in the process of extending its premises and warehouses, and have invested heavily in this. This includes an industrial printer, which means that they can now print their own products.

"We are investing in the future," Piero Bertoldo, CEO of LIC Packaging SPA explains. *"We have installed new conversion and moulding lines to improve our packaging offering, and have placed orders for other lines. These will be delivered in 2021. For LIC Packaging, it is important to find reliable suppliers that can maintain and increase their supply of the speciality paper that we offer, test and certify for a highly quality-oriented market. It is no coincidence that we are at an advanced stage of BRC certification, where strict regulations also govern our suppliers' performance. Nordic Paper is definitely a reliable supplier in this respect."*

Patrik Hjärpe believes that LIC is at the leading edge of development in the segment, while interest in environmental paper-based solutions without fluorochemicals is attracting growing interest in the packaging sector as a whole.

ENVIRONMENTALLY FRIENDLY PACKAGING SOLUTIONS

"A great deal has happened over the last few years, and we are continually looking for products suited to LIC's and our customer's requirements and needs. This is exciting progress, which we believe has unlimited potential," Patrik Hjärpe explains.

It is clear to Nordic Paper that the market is keen to replace plastic containers with paper products.

"The packaging solutions analysed by LIC Packaging led to the creation of the HT Board® brand," Giorgio Mariani, R&D Raw Materials at LIC Packaging explains.

He goes on to say that HT Board® contains different materials manufactured from speciality paper sourced from Nordic Paper. These materials are converted using moulding machines that satisfy various specifications, such as the suitability for inclusion in packaging lines and transport for industrial and distribution customers.

In addition, end users and consumers are offered packaging solutions for cooking, heating and eating any type of food directly in the packaging. Because the packaging is paper-based and plastics free it can be recycled, which reduces the environmental impact.

Foot-note: BRC, British Retail Consortium food safety standard



STRATEGY

Nordic Paper's overall strategic ambition is to achieve profitable growth and maintain a leading market position in selected premium niche segments on the global kraft and greaseproof paper markets that are driven by structural growth.

HIGH QUALITY PAPER AND SERVICE

Nordic Paper focuses on customers that place high demands on product quality and paper specifications. By offering select customers high quality paper and service, we have established long-term relationships.

We work in close collaboration with customers on product development to ensure a competitive product offering that caters to our customers' needs. In future, we will also mainly focus on customers in low-cyclical industries.

ORGANIC GROWTH AND INCREASED MARGINS THROUGH STRATEGIC INVESTMENTS

Nordic Paper's historic growth has primarily been organically driven, which will remain an important strategic focus going forward. We invest in existing production facilities to increase volumes, but also to increase efficiency and reduce costs.

As part of our investment program, we have applied for a permit to increase production at the Bäckhammar mill, which would permit us to increase annual pulp and paper production by up to 50,000 and 20,000 tonnes respectively.

MARKET LEADERSHIP IN SELECTED KEY NICHE SEGMENTS

Nordic Paper aims to maintain and strengthen its position as one of the leading providers of high quality products, and targets premium segments in selected key niche markets.

We will continue to target growing and profitable niches where we can offer customers a competitive edge in terms of high product quality, product properties and service.

EXPANSION THROUGH SELECTIVE ACQUISITIONS

The speciality paper market is highly fragmented, and we continuously evaluate acquisition opportunities. The acquisitions should provide opportunities in existing or adjacent product groups and imply potential for expansion to new geographies.

The strategy is to maintain a balanced and well-diversified product portfolio. The main focus is on smaller, complementary and horizontal acquisitions, rather than vertical M&A.



INVESTMENTS AND STRATEGIC INITIATIVES

Nordic Paper's investment strategy is based on a deep understanding of production processes, efficient project execution and the structural benefits provided by the location of production units and the size of process equipment. The focus is on capacity increases that provide volume and sales growth, de-bottlenecking operations and improvements that generate tangible profitability improvements while simultaneously reducing the environmental impact.

The investment projects are mainly carried out with internal resources so that projects are implemented with a high level of expertise in terms of the specific conditions at our mills. Our operations are located in a region where many other paper industries are based, which ensures access to expertise and suppliers with key know-how. We have also minimised investment costs by installing pilot equipment and pre-used machinery. In addition to ongoing investments aimed at increasing production capacity and plant maintenance, we also plan for two major strategic initiatives.

EXPANSION AT BÄCKHAMMAR AND INCREASED PRODUCTION AT ÅMOTFORS

Nordic Paper plans to invest in increased capacity at Bäckhammar and has applied for a new production permit to reflect this. The investment is expected to amount to approximately SEK 1,200 m and to increase production capacity by approximately 40,000 tonnes of pulp per year and a total of 10,000 tonnes of paper, of which 5,000 at Bäckhammar and 5,000 at Åmotfors. The increase at Åmotfors will be the result of improved pulp quality from Bäckhammar. The investment in a new wood room will also generate annual cost savings of some SEK 60 m from the end of 2022 onwards. Approximately 85 percent of the capital expenditure related to the Bäckhammar mill will occur during a three-year period (2021–2023), provided that a new permit is granted.

The project involves three phases.

FURTHER ENVIRONMENTAL BENEFITS

Phase 1 includes investment in an effluent pipe to Lake Vänern, and an electrostatic precipitator for the recovery boiler. The investments will substantially reduce emission of particles to air from the Bäckhammar mill, and lead the purified process water directly to the larger water recipient Lake Vänern which has better capacity, rather than as is currently the case to the smaller, more sensitive, river Visman.

COST EFFICIENT WOOD AND ENERGY SOURCING

Phase 2 includes investments in a new wood room and conversion of the evaporation plant. By investing in a new wood room our flexibility in raw material sourcing will increase, which reduces the cost of sourcing fibre raw material. The installation of a barkpress and modification of the evaporation plant to handle the filtrate, provides conditions to produce drier bark which has a higher value in the biofuel market. It also opens up the possibility of supplying bark to Säffle, thereby reducing energy costs. In total, this investment phase is estimated to generate annual cost savings of some SEK 60 m by late 2022.

CAPACITY EXPANSION

The investment program at Bäckhammar is expected to lead to a comparatively steep ramp up of pulp production from 2024 onward, with full capacity of 40,000 tonnes reached in 2027 or 2028. At the same time, Nordic Paper is planning to increase production by 10 ktonnes, of which 5 ktonnes at Åmotfors as a result of higher quality pulp from Bäckhammar. The transition to the new, increased capacity production equipment at Bäckhammar will largely take place during the annual maintenance stop.

PAPER PRODUCTION BASED ON EXTERNAL PULP FROM SÄFFLE

The Säffle pulp mill is one of the oldest sulphite pulp mills in continuous operation. The low production levels result in relatively high production costs compared to externally purchased pulp. Ensuring continued production would require extensive investments. If the pulp production will be closed, it will be replaced by external pulp. A possible closure of the Säffle pulp mill is estimated to reduce the fixed cost by approximately SEK 50 m annually.

Total one-off effects are estimated to amount to approximately

SEK 120 m, of which MSEK 80 affect the cash and is mainly attributable to demolition of buildings and remediation of soil adjacent to the pulp mill.

The environmental costs at approximately SEK 80 m, would impact cash flows over a period of five to ten years after a potential closure. In connection with a possible decision to close the pulp production the residual asset value of the Säffle pulp mill will be written down by approximately SEK 40 m, which will not affect cash flow.

Increased production permit at Bäckhammar

On the 19 August 2020, Nordic Paper submitted an application to extend production at the Bäckhammar mill. The application also includes a new pipeline for purified process water directly into Lake Vänern, instead of to the current water recipient, River Visman. Lake Vänern is a considerably larger water recipient than the river Visman, which will minimise the environmental impact. The new pipeline will be used from 2024 onwards, provided the permit is granted. The new water pipeline will be located next to the mill and run parallel with the existing water main.

To assure all aspects of a possible production increase, the company has carried out a pilot study and extensively researched the potential alongside external experts. This has resulted in a far-reaching environmental impact statement.

“This would mean a lot for the Bäckhammar mill. It is an excellent opportunity to develop Bäckhammar and Nordic Paper, and is of critical importance to our future,” Factory Manager Kristin Israelsson concludes.





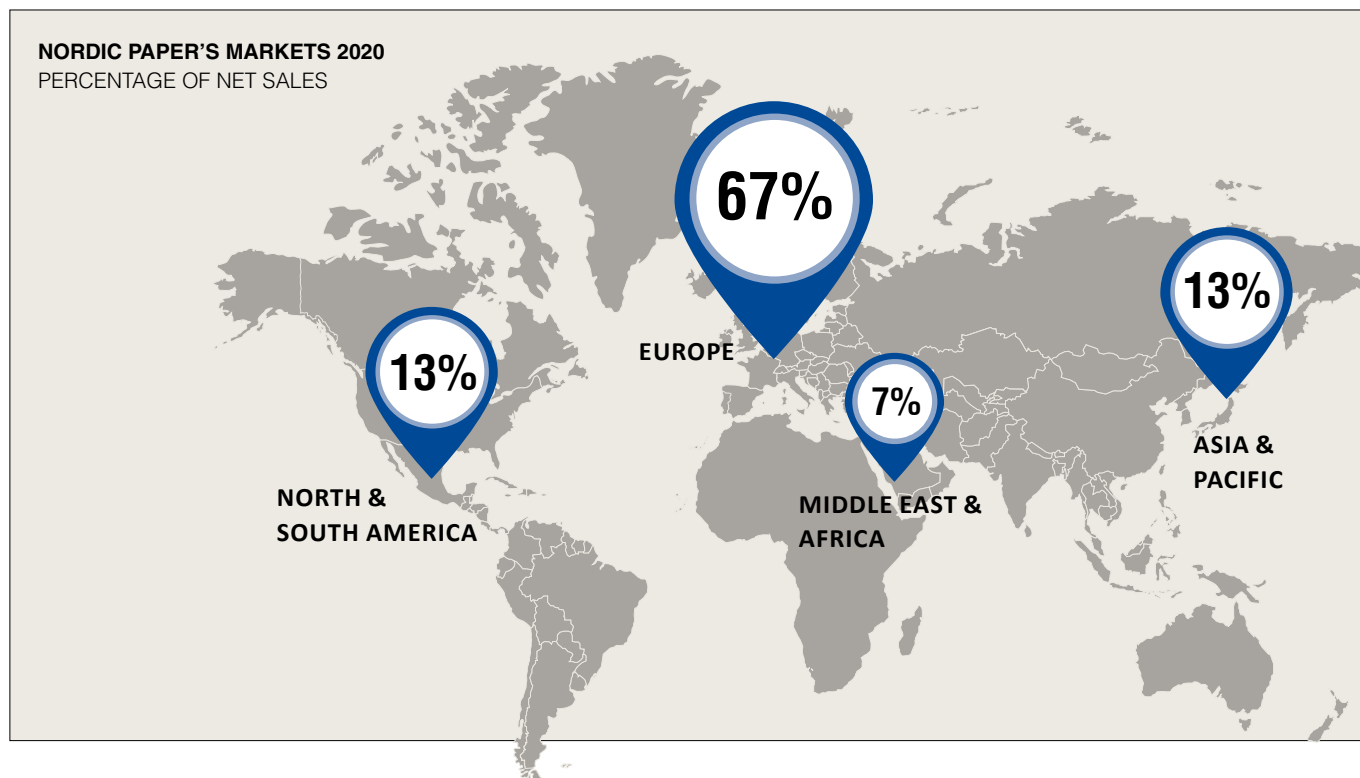
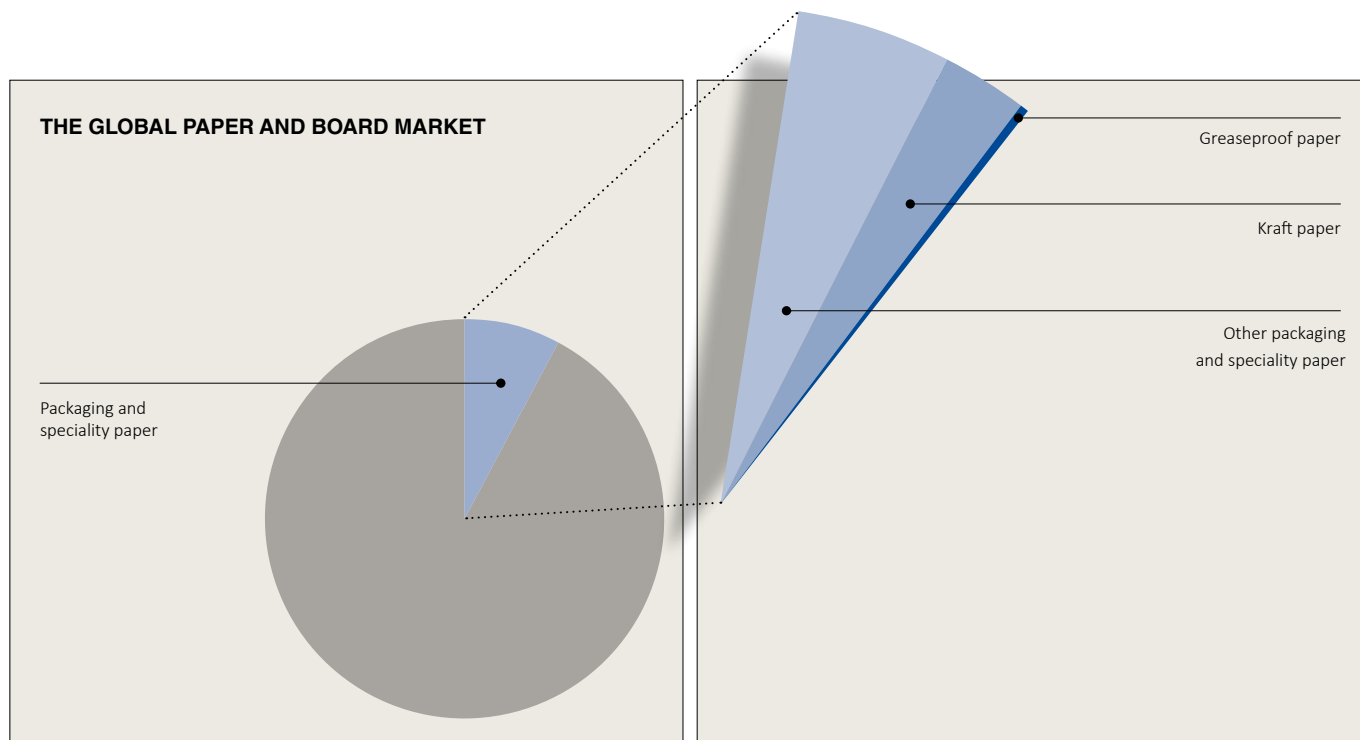
FINANCIAL TARGETS

Nordic Paper's Board has set the following financial targets:

GOAL		ACTUAL 2020	COMMENT
Growth 2–4%	Annual long-term net sales growth of 2–4 percent. In addition, Nordic Paper is looking to opportunistically grow through selective acquisitions.	-10%	Significantly lower prices in Kraft Paper compared to 2019.
EBITDA margin ~ 20%	EBITDA margin of approximately 20 percent in the medium term.	15.8%	Significantly lower prices in Kraft Paper compared to 2019, costs of the IPO and two unplanned production stops.
Net debt/EBITDA <2.5x	Net debt in relation to EBITDA not to exceed 2.5x. However, the net debt to EBITDA ratio may temporarily exceed 2.5x, for example in connection with acquisitions.	1.6 X	
Dividend policy 50–70%	Approximately 50– 70 percent of net profit to be paid as dividend. The proposed dividend shall take Nordic Paper's financial position, liquidity position, future investment needs and general macroeconomic and business conditions into account.	52%	Strong financial position. Taking into account planned investment programs as well as uncertainty about the continued effects of Covid-19.

MARKET

Nordic Paper is active in select niches on the global paper and board market, where our selected segments in kraft paper and greaseproof paper comprise a smaller share of the overall market. In our niches, we focus on the premium segments which are characterised by high customer demands on paper quality, properties and customer service. 95 percent of our production is exported.



MEGATRENDS SUPPORT NORDIC PAPER

The market for kraft and greaseproof paper is supported by a number of structural drivers and global megatrends. Historically, global demand for kraft and greaseproof paper has outstripped the global paper and board market as a whole.

INCREASED SUSTAINABILITY AWARENESS

Increased sustainability awareness in society as a whole means growing demand for materials with reduced climate impact, such as paper.



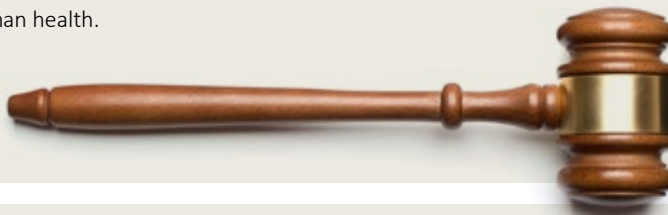
IMPACT Paper production is based on renewable raw materials and can take place with less climate impact than plastics production, for example.

The recycling rate is relatively high and biodegradability is faster than for most types of comparable plastic packaging.

REGULATIONS

Many governments imposing restrictions on the use of plastic. According to the UN, 127 countries have introduced some form of restriction on the use of plastics.

Some suppliers use fluorochemicals to create the grease resistant barrier in greaseproof paper. Some countries have introduced restrictions on the use of fluorochemicals in food contact materials, as fluorochemicals have been found to be hazardous to human health.



IMPACT Paper can replace plastics in several applications, including bags and packaging solutions.

Several projects are underway alongside potential and existing customers to develop new applications.

Nordic Paper does not use fluorochemicals in its greaseproof paper, instead creating the greaseproof barrier mechanically and satisfying the stringent requirements placed on paper that comes into contact with food.

CHANGING FOOD HABITS

The global food service sector is growing, driven by the fast food segment. People are increasingly eating out, visiting cafés and getting take-away food.

IMPACT Professional food producers often use greaseproof paper and tend to have higher quality requirements, which Nordic Paper satisfies.

Food containers for ready meals frequently need to withstand both freezing and heating, demands with Nordic Paper satisfies.

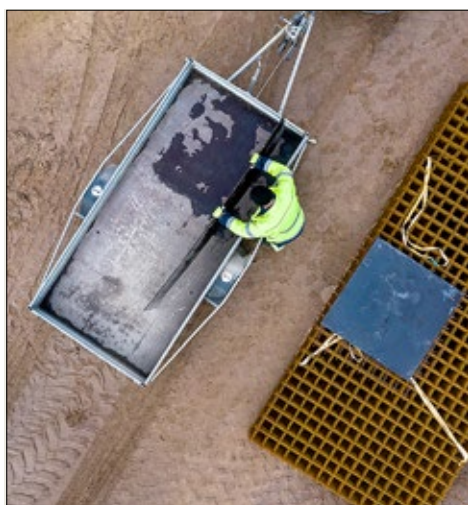


POPULATION GROWTH AND URBANISATION

The global population is growing and becoming increasingly urban. An increased proportion of the global population is expected to live in cities and the middle class is expected to grow. More people are living further away from raw materials and local food supply, which increases demand for packaging for distribution.



IMPACT Nordic Paper's sales are global and our paper is used in many packaging solutions for various sectors, and satisfies food industry safety requirements.



ECONOMIC GROWTH AND GLOBALISATION

Industrial expansion and gradually improving standards of living create growing consumption expectations and drives the construction industry and investments in areas such as infrastructure, particularly in rapidly expanding growth economies.

IMPACT Kraft paper sacks are a key alternative for packaging of building materials. Nordic Paper's sack paper is mainly used for food, cement and chemicals.

Kraft paper is also used for a wide range of other industrial applications such as interleaving paper in the stainless steel industry.

COMPETITIVE SITUATION

Nordic Paper holds a leading market position across its niche segments. Some paper producers have integrated converting, i.e. they both sell paper to other converters and convert themselves. Paper producers without integrated converting capacity, like Nordic Paper, can be termed as independent producers. Paper producers with integrated converting compete directly with their customers – we consider it an advantage that we do not compete with our customers.

On the European kraft paper market, Nordic Paper is one of few major producers without integrated converting. On the greaseproof paper market, Nordic Paper's main competitors consist of both integrated and non-integrated producers. Nordic Paper's natural greaseproof paper is entirely free from added fluorochemicals, unlike many competitors' products.

“ We see it as an advantage that we do not compete with our customers.

PAPER QUALITY	COMPETITOR
Unbleached sack/MF paper	BillerudKorsnäs AB Mondi plc
Unbleached MG paper	Mondi plc
Absorbent paper	Kotkamills Oy
Stainless steel interleaving paper	Ahström-Munksjö Oyj
Greaseproof paper	Metsä Tissue Oy Ahström-Munksjö Oyj

NORDIC PAPER'S COMPETITIVE ADVANTAGES

Integrated high-quality pulp production

- Proximity to slow growing trees which gives access to long-fibre softwood needed for producing strong kraft paper
- Integrated pulp production allows production of cost competitive unbleached pulp.

Paper quality and properties

- One of the strongest kraft papers on the market.
- Flexible production processes allows us to produce kraft paper with several combinations of properties e.g. extensibility, wet strength and porosity.
- The natural greaseproof paper meets global standards for food handling and is free from fluorochemicals.

Customer service

- A well-established distribution network, extensive know-how in speciality paper manufacturing and end-use applications.



Natural Greaseproof – close collaboration with Svenska Bagarlandslaget

Nordic Paper has collaborated with Svenska Bagarlandslaget (the Swedish National Baking Team), with its many internationally renowned and prize winning bakers.

In 2020, Nordic Paper launched one of its largest marketing campaigns to date alongside Svenska Bagarlandslaget. The aim was to increase awareness of the properties of baking paper and provide information about the fact that Nordic Paper does not add toxic fluorochemicals, PFAS, to its papers. In the long term, the goal was also to increase sales of our unbleached baking paper Golden.

“Sales and demand for Golden have increased steadily from 11,000 tonnes in 2016 to 16,000 tonnes in 2020,” Henrik Kjellgren, Technical Manager and Head of Sales Natural Greaseproof, explains.

The campaign was carried out online and more traditionally with physical consignments of baking paper being sent to the largest bakeries in several European countries where we plan to expand further. Alongside the bakers, we recorded three films that then played digitally in various channels, at the same time as the large bakeries received their samples. The samples also included an information leaflet and a link to a special landing page for the campaign, where visitors could participate in a quiz. This ensured good follow-up and measurements of reach, interest and end recipients of the campaign.

“This was a successful campaign, we aimed high and the initiative was effective in digital channels.” In addition, we are now selling more of the quality we call Golden than ever,” Henrik Kjellgren concludes.





SUSTAINABILITY REPORT

2020

SUSTAINABILITY

Nordic Paper's sustainability work is an integrated part of the Group's operations and a long-term sustainability strategy that creates value and profitability over time. Environmental, financial and social sustainability is the foundation of our work.

Nordic Paper wants to play a key role in the transition to a sustainable world, by contributing to creating a biobased economy, one of the key building blocks that are now emerging. This Sustainability Report is part of Nordic Paper's Annual Report. Our chosen focus areas summarize how our business creates value.

SUSTAINABILITY IN NORDIC PAPER

Nordic Paper actively works with sustainability on the basis of long-term goals spanning five-year periods. The long-term goals are broken down into annual targets. Each paper mill also has its own sub-targets and strategies. For a description of our business model see pages 8-11. Overall, the goals and plans are intended to contribute to the goals of Agenda 2030. Sustainability is a pre-requisite for our vision and long-term profitability.

Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs. At Nordic Paper, we have chosen three strategic focus areas: Sustainable work environment, responsible production and sustainable business conduct.

Fossil-free Sweden started as a government initiative ahead of the Paris climate summit in 2015, with the aim that Sweden would become one of the world's first fossil-free welfare states. The goal is that by 2045, the forestry industry's overall climate benefit and contribution to creating a fossil-free society will have increased by using more biobased products and phasing out the use of fossil energy in operations.

Apart from showing our customers how our products can wholly or partly replace fossil-based alternatives, Nordic Paper is also working to phase out fossil oil. Since 2003, direct fossil oil consumption has decreased by 90 percent at the Bäckhammar mill, our largest production site. In 2018, the Group's total consumption of fossil oil was 6,560 tonnes, in 2019 the corresponding figure was 4,765 tonnes. The proportion of biogenic oil will also be reported in future.

The major sustainability risks that arise from our operations are environmental risks such as emissions to air and water from production and transport, health and safety risks such as workplace accidents and business ethics risks. For a more detailed description of the Group's risks and risk management, see section *Risks and risk management* on pages 61-64.

PRIORITISED FOCUS AREAS

On the basis of the stakeholder and materiality analysis, we have chosen to concentrate on three focus areas that cover all aspects of operations.

SUSTAINABLE WORK ENVIRONMENT

RESPONSIBLE PRODUCTION

SUSTAINABLE BUSINESS CONDUCT



A SHARED ROADMAP



Agenda 2030, including the 17 Sustainable Development Goals set by the UN, comprises a shared roadmap for long-term sustainable development for all the world's nations and businesses.

During 2018, Nordic Paper analysed its operations within the framework of the global Sustainable Development Goals Agenda 2030. During autumn 2020, we analysed our focus areas to ensure that we are on the right track. We did this by carrying out a materiality analysis in accordance with GRI. A number of stake-

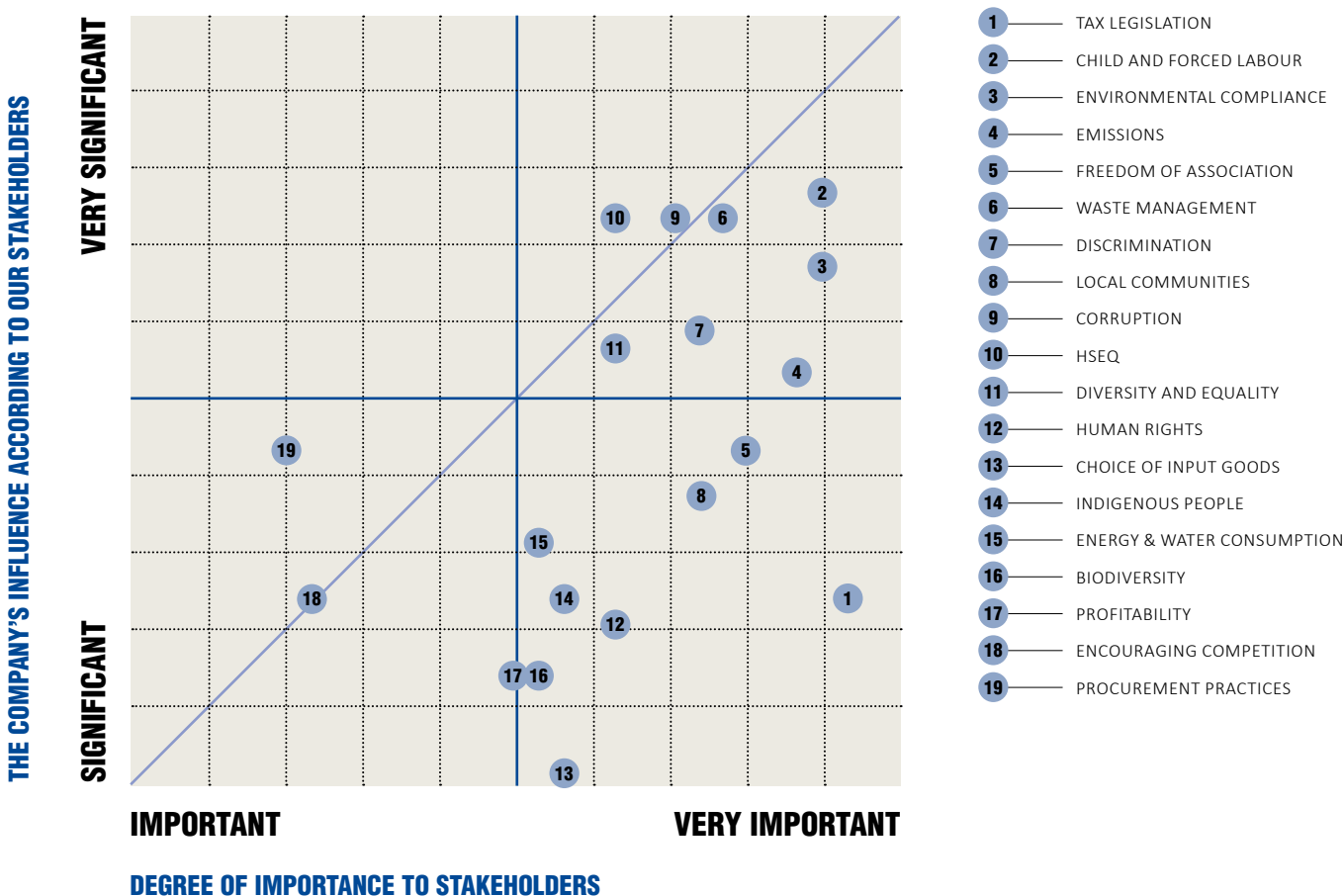
holders were invited to present what they consider the key areas for Nordic Paper to prioritise in the field of sustainability. The results of the materiality analysis, in line with our strategy, indicated that we continue to have the most significant potential for influencing goals 8, 12 and 15.

Read more about how we contribute to the sustainability goals locally and globally in the sections on our focus areas.



NORDIC PAPER'S MATERIALITY ANALYSIS

The sustainability areas of major significance to Nordic Paper's stakeholders are founded on the materiality analysis carried out in 2020.



GOVERNANCE FOR A SUSTAINABLE COMPANY

The paper and pulp industry is subject to regulatory frameworks that govern production. The EU issues directives, national authorities issue legislation and the Swedish Land and Environment Court issues environmental permits. In addition, local and global lobbying organisations exert an influence.

We report to the County Administrative Board, which acts as supervisory authority and which ensures that we comply with allocated environmental permits and EU directives.

In addition to the regulatory framework, Nordic Paper's policies support regulatory compliance. Nordic Paper's values and methods for achieving sustainable operations are communicated internally and externally. Our policy portfolio and Code of Conduct support sustainable business conduct.

Our ambition is to ensure a consistent quality standard across all units, and we have obtained ISO 9001 quality certification for multiple areas. ISO22000 certification guarantees safe products throughout the process, from paper manufacture, through the transport stage and out to the end user.

The environmental standard Nordic Swan contributes to ensuring

that Nordic Paper's environmental work meets the UN global sustainability goals, and we actively pursue sustainable development within this framework. It is important to Nordic Paper that the forestry resources we use in our products are managed sustainably. We offer both FSC® and PEFC™ certified wood raw material.

STAKEHOLDER DIALOGUE

Nordic Paper's materiality analysis is based on stakeholder dialogue, targeted surveys, external trends and strategic management priorities. In autumn 2020, we carried out a targeted survey based on the GRI standard (Global Reporting Initiative). The aim was to gain a deeper insight into our stakeholders' priorities in the area of sustainability.

The survey encompassed investors, owners, customers, end consumers, suppliers, politicians, employees (current and previous, and trade union representatives) and the neighbours of our paper mills.

The results show that our stakeholders' top priorities are compliance with tax legislation, preventing forced and child labour, compliance with environmental standards, emissions, and freedom of association. This demonstrates that Nordic Paper's sustainability focus is in line with our stakeholders' prioritised areas.

OUR SOCIAL IMPACT

Nordic Paper contributes to employment and livelihoods, both directly as an employer and indirectly through, for example, supplier assignments. Our renewable products contribute to a green urbanization of society by replacing non-sustainable products.

We also have a close relationship with the society we live and work in. The company is dependent on employees and our citizens are dependent on employment. Our mills are located in smaller towns and rural areas where this fact becomes even more important. As a large employer and player in the various localities, we support various local organizations and associations because we believe, among other things, that it is important for children and young people to be able to pursue their leisure interests in their home area. Our involvement in

schools and universities as well as in-house training enables competence development in the local community.

CLOSE RELATIONSHIP WITH SOCIETY

In order to have a good relationship with society, we try to have a close and transparent dialogue with local residents and municipal actors. During the past year, just as in previous years, issues and views from the public have concerned the water quality in the current recipient as well as the application for a change of recipient at Bäckhammar's mill. Information and communication has been conducted via our website and through individual information via telephone and email. Physical meetings have been difficult to hold due to the prevailing pandemic.





FOCUS AREAS

FOCUS AREA 1: SUSTAINABLE WORK ENVIRONMENT

A sound working environment with thriving employees is what makes Nordic Paper an attractive workplace. We prioritise and systematically pursue a safe working environment that is free from injuries, with high attendance rates and minimal safety risks.

Our key values and our Code of Conduct are critical to our HSEQ (Health, Safety, Environment and Quality) work. The HSEQ work is integrated into our daily operations. Clearly defined HSEQ targets are achieved through systematic training, follow-up and communication. One example of work carried out on the basis of what our stakeholders consider important in the materiality analysis is “freedom of association”, and the trusting collaboration we have with trade unions also contributes to the company’s progress.

We complete annual employee surveys to give all employees the opportunity to make their voice heard and suggest improvements that are then followed up. Our work is value-driven and we promote diversity, where the individuality of all our employees is nurtured. We actively follow up, measure and improve our HSEQ work and well-being initiatives. We offer corporate healthcare and wellness allowances to promote an active and healthy lifestyle outside work, as well as other health-related activities at our sites and in the surrounding communities.



Attendance rates	Goal	Actual	Goal completion
2018	96%	95%	<input type="checkbox"/>
2019	96%	96%	<input checked="" type="checkbox"/>
2020	96%	96%	<input checked="" type="checkbox"/>

It is notable that the three Swedish mills had an attendance rate of over 96 percent in 2020, while the Norwegian mill had an attendance rate of 94 percent.



GOAL 2020

- NMI > 69
- Employee interviews > 95%
- Accidents resulting in absences, max. 11/full year



GOAL 2021

- NMI > 71
- Employee interviews 100%
- LTIFR lost time incident frequency rate, accidents resulting in absences per million hours worked – 1 vs. actual 2020
- 100 % signed Code of Conduct employees



EMPLOYEE SURVEY

At Nordic Paper, all employees are given the opportunity to make their voices heard and suggest improvements. To achieve this, we schedule regular employee interviews and employee surveys, including follow-up activities. We proactively seek to ensure increased equal opportunities, the elimination of harassment and a positive working environment.

Since 2018, we have carried out annual employee surveys that measure the employee satisfaction index, NMI. We achieved an NMI of 66 in the first half-year, which did not quite meet our target minimum NMI of 67. We followed this up during the year and carried out a less extensive employee survey in 2019, with the aim of achieving a result above 67. This was successful, and the survey returned an NMI of 70. Our goal was to achieve an NMI for this year of 69, the result was 66. This means that we did not reach our goal, which was not surprising. 2020 was a challenging and different year as we have been in the midst of the ongoing Covid-19 pandemic.

Other factors that have affected us and the outcome are probably the relocation of the head office, the introduction of a new intranet and management system, and preparations ahead of the IPO. How-

ever, the index remained at the 2018 level. We have introduced long-term strategies and improvements in order to increase the NMI, and will continue this work in future.

In September 2020, we introduced a whistleblower function provided by an external party. The whistleblower function can be used to submit information about concerns that something is not in line with our values or ethical principles, and that could seriously affect our operations or a person’s life or health. The whistleblower function gives all employees at Nordic Paper the opportunity to provide information about suspected cases of serious misconduct.

The eighth global sustainability target in Agenda 2030 is important to us, and we want to support employees that contribute to a sustainable workplace. During the year, we introduced a “green card”. This is an award to staff who contribute to and improve our HSEQ work. In 2020, we distributed 20 of these green cards. Employees who are awarded the card can select a charity of their choice, and Nordic Paper then makes a donation to the charity in the name of the employee. In 2021, we will award a further 20 green cards.



NUMBER OF WORK INJURIES RESULTING IN ABSENCE

Year	No.	Target	Actual
2017	16	11	✗
2018	14	11	✗
2019	16	11	✗
2020	11	11	✓

SECURITY

In 2019, we introduced compulsory SSG safety training, which creates a common foundation for safety and HSEQ for all staff. We exceeded our target of 95 percent in 2019, with 98.5 percent completed trainings in the year. To follow this up, we have introduced routines where all new employees complete the training as part of the onboarding process. We introduced the SSG app at all the Group’s mills during the year, which facilitates information flows.

2020 was a challenging year due to the covid-19 pandemic, which meant that we had to adapt operations. We have consistently followed

the advice and recommendations of the Public Health Agency of Sweden, as well as local regulations. During the maintenance stops we introduced several new instructions to avoid cluster outbreaks, which was successful. All the mills’ maintenance stops proceeded as planned.

Nordic Paper prioritises a safe working environment. We carry out systematic and daily work to ensure that we have safe workplaces that are free of accidents, and where safety risks are minimized. This proactive work includes reporting and follow-up of departures.

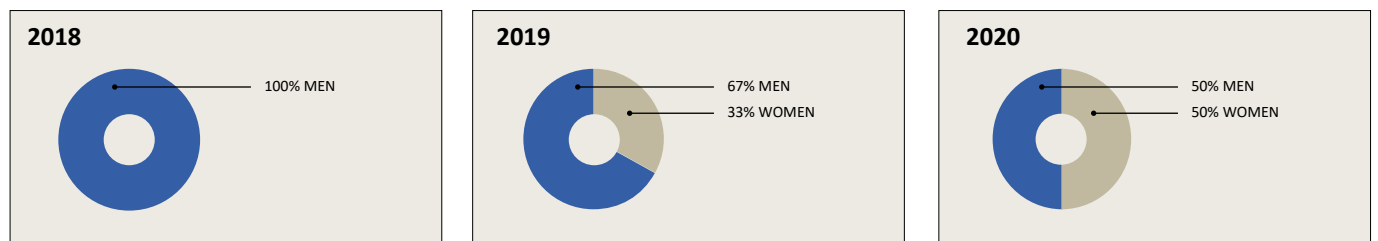
EMPLOYEE SUMMARY	2017	2018	2019	2020
Average no. of employees ¹⁾	623	615	624	632
Of which women	24%	22%	24%	23%
Of which men	76%	78%	76%	77%
Temporary employment ²⁾	–	32	14	25
Average age ³⁾	45 years old	46 years old	46 years old	45 years old
<30 years old	16%	16%	18%	18%
31– 50 years old	40%	39%	37%	32%
>51 years old	45%	45%	46%	50%

1) Refers to Sweden and Norway

2) No. of employees with temporary employment contracts at year end (Sweden does not refer to holiday staff, only temporary employment)

3) Average age in 2020 relates to Sweden, 2019 relates to Sweden, 2018 relates to employees in Sweden, 2017 relates to employees in Norway and Sweden

NORDIC PAPER’S BOARD – BOARD MEMBERS ELECTED BY THE AGM





FOCUS AREA 2:

RESPONSIBLE PRODUCTION

Nordic Paper strives to produce products with minimal environmental impact. For us, it is natural to go beyond meeting emissions targets assigned by external agencies, and to seek to do better.

Knowledge and awareness of our positive and negative impact from an environmental, social and financial perspective are important to developing and improving our operations.

RECYCLING AND WATER PURIFICATION IN PRODUCTION

Water is a vital resource in our production and we continuously work to ensure efficient water consumption. A majority of our process water is reused, and the remainder is purified before being returned to the water recipient. We regularly measure the quality of all purified water that is returned to the water recipient. These measurements are reported to supervisory authorities. We prevent and manage risks through routine controls, environmental risk analysis and staff training.

Over the past year, we continued to improve our production processes, including the important work of optimising our input goods. Between 2018 and 2019, water use decreased from 23.0 million cubic meters to 21.9 million cubic meters.

In 2020, Nordic Paper submitted an application for an extended production permit for the Bäckhammar mill. Apart from increased production, the application relates to environmental improvements in the form of a new pipeline for clean and purified process water.

If the application is approved, the company intends to run the pipeline directly from the mill in Bäckhammar into Lake Vänern, instead of using the river Visman as the water recipient. Changing the recipient will reduce Bäckhammar's environmental impact significantly. A production increase would imply the modernisation of a high proportion of production, in order to manage the new increased from a sustainability perspective.

POPFREE

Environmental benefits through joint project

Nordic Paper participated in the innovation project POPFREE aimed at ensuring competitive PFAS-free products, increased awareness throughout the value chain, reduced environmental impact and competitive Swedish industry. The project was launched in November 2017 and concluded in March 2020. The main purpose of the project was to develop alternatives to products containing fluorochemicals, as these compounds have been found to be hazardous to health, enduring and bioaccumulative. The amounts found in nature are steadily increasing and fluorochemicals travel long distances – traces have even been found in the Arctic.

The project studied Nordic Paper's Natural Greaseproof paper. The results show that non-fluorinated paper achieves better results than tests carried out on fluorinated paper. For Nordic Paper, this demonstrates that our Natural Greaseproof paper is a first class product for sustainable and healthy use.

Many operators and companies are seeking alternative solutions to PFAS. The POPFREE project enables the exchange of knowledge and experience, which raises consciousness and improves information dissemination regarding PFAS. For example, Nordic Paper contributed its expertise in a series of lectures and events where speakers from the pulp and paper industry were invited.



GOAL 2020

- Produce plans for reducing CO2 emissions
- Apply for extended environmental permit at Bäckhammar



GOAL 2030

- Reduce Scope 1 and 2 by 15%

Dry transformers

The Group's strategic focus includes a reduction in its climate footprint, where CO2 scope 1 and 2 are to be reduced by 15 percent by 2030. To achieve this goal, we are introducing a range of adaptations and changes. A project launched at the Bäckhammars mill in 2020 relates to replacing oil transformers with dry transformers.

Apart from the environmental benefits,

this will ensure a safer working environment.

The dry transformers are insulated and air cooled (instead of using oil), which means that the new transformers do not require oil, and oil does not need to be transported to the mill. The casting resin transformer (ABB RESIBLOC One) installed during the factory stop in the week starting July 6, is a standardised dry distribution

transformer with low environmental impact, high personal safety and minimal maintenance requirement.

Our transformers are currently located at the centre of the factory, which could have incalculable consequences in the event of an oil fire in one of the transformers. This means that the above changes will result in a high level of site safety.

PART OF A BIOBASED CIRCULAR ECONOMY

We recycle both chemicals and energy in our production units. For example, Bäckhammar, Nordic Paper's largest unit, is 60 percent self-sufficient in terms of electricity.

We also make use of most of the residual products that arise in production. The production of sulphate pulp generates tall oil and turpentine. We extract the tall oil and sell some to buyers who refine it into new products; the remainder becomes pitch oil, which we then use to produce fossil-free energy. The turpentine is sold to the cosmetics industry.

Lignin is a byproduct of pulp production, and is used as the primary energy source in the production plant. Since 2016, RISE operates the R&D and production plant LignoCity at Nordic Paper's premises in Bäckhammar.

The plant is a testing ground for scaling up lignin separation and lignin processing. In addition, minor surpluses from the pulp mill are used to

develop lignin-based products such as asphalt. In 2020, we completed a new laboratory that supports small and medium-sized businesses to develop new green products.



ANNUAL FOLLOW-UP THROUGH CO2 MAPPING

Since 2018, Nordic Paper maps its CO2 footprint each year, which provides us with information about our CO2 emissions and supports our long-term planning for responsible production. The calculations are based on the figures reported to the supervisory authorities. The mapping encompasses our wood fibre, purchased pulp, production, purchased thermal energy, consumption of purchased electricity, produced electricity, consumption of oil and gas, consumption of chemicals over 10 tonnes as a commodity, as well as land and sea transport.

The annual CO2 mapping gives us a very clear picture of our climate footprint. Fossil CO2e Scope 1 and 2 in 2018 were 224 kilograms CO2e per tonne of product produced. In 2019 the corresponding figure was 243 kg CO2e per tonne product produced. We noted an increase in 2019 due to lower production in our mills. We have a basic heating requirement regardless of production volumes. However, in the event of unplanned stops and starts, more oil-based heating is needed.

SUSTAINABILITY PLANS FOR RESPONSIBLE PRODUCTION

In the following sections, we outline some of the measures implemented at our production units during the year which have contributed to more responsible production.

Greåker

At Greåker, we have been granted an extended production permit which will improve energy consumption per tonne produced paper. We also carried out a pilot study on sand filters for water purification of the factory's water supply. The filtered water reduces suspended solids by almost 0.2 kg per tonne.

An investment in sand filters has been approved and construction is due to start in 2021. We expect this to result in lower levels of suspended solids in the water. Planning also includes a new, more efficient electric boiler for the mill in 2021.

Bäckhammar

At Bäckhammar, we introduced a process improvement in the recovery boiler using technology to improve the quality of green liquor and thus also reduce oil consumption. Minor residual products follow the system, mainly to the lime kiln, which in turn reduces the risk of unwanted air emissions. The outcome of the project has been above expectation.

Our oil transformers will continuously be replaced with dry transformers where the fuel is not oil.

Should the extended production permit submitted in the year be approved, this will reduce energy consumption, improve competitiveness and reduce the environmental impact.

Säffle

At the Säffle mill, we introduced a new digitalised oil purification process, which means that the oil can be reused more times in production compared to previously. We also installed a new water pump that reduces the volume of water sent to bio-purification.

Åmotfors

Replacement to wet strength pulper at the Åmotfors mill means that the broke in production can be recycled. Previously, the broke was transported to an external operator by truck. In addition to reduc-

ing transports, recycling the broke means that the mill requires less pulp from the Bäckhammar unit, which further reduces the transport requirement.

At Åmotfors mill, we also installed frequency control motors. Frequency control saves electricity and reduces wear on equipment, which in turn decreases the electricity provider's CO2 emissions.

The Group

Transports to and from our mills are included in the CO2 mapping. Most of our transports take place by sea. Since 2018, most of our kraftpaper is transported to Italy by rail through Europe. In 2019, we reviewed how we could increase rail transports. We added a new destination in Germany in 2020, which meant that we extended our intermodal transports by five loads per month for iamKraft® paper.

In total, we now transport 1,680 tonnes by rail to Germany instead of by truck. We are continuously working to develop Nordic Paper's intermodal transports. For example, we are also investigating the possibility of transporting more of our Natural Greaseproof paper intermodally.

Since 2018, we apply full truck load, FTL, with at least 50 percent of trucks required to meet this target. In 2019, we started developing a measurement tool using KPIs to follow up FTL. The measurement tool was completed in 2020 and the KPIs will be presented at year-end 2021.

Our supplier contracts from 2017 state that all suppliers must have European emission standards class 5 engines at a minimum. In 2019, Nordic Paper entered a major collaboration focusing on sea transport on Lake Vänern. This is ultimately expected to replace land transport with increased sea transport on Lake Vänern and via the Göta älv river. The project was initiated by the Swedish Transport Administration, the Swedish Maritime Administration and the Swedish Transport Agency.

The aim is to present our undertakings and proposals to the collaboration partners at the end of 2021. According to the Swedish Transport Administration, the volume of goods transported on Lake Vänern will total 2.8 million tonnes by 2040. This represents an increase of 50 percent compared to 2014.

In 2019, we relocated our external warehouse for Natural Greaseproof paper in Norway from Moss to Fredrikstad. After the move, collection and deliveries only occur between Fredrikstad and Greåker. The relocation of warehouse facilities reduces transports between Greåker and external warehouses by 81 percent (in km) for the paper shipped onwards in containers to locations around the world.



Plastic consumption reduced by 12 tonnes

At Bäckhammar, Nordic Paper successfully reduced plastic consumption by some 12 tonnes annually in 2020. This was achieved by removing the plastic plug in the sleeve which is located at the centre of the paper reel.

These have been inserted to support the sleeve. But over time we have discovered that the plastic plug is not required as the paper itself stabilises the paper reel.

“By removing the plastic plug we reduced total plastic volumes in the packaging of our products by some 20 percent.

Alongside the reduced handling in the paper mill this feels great,” commented Will Pedersen, Senior Specialist Products and Projects, on the kraft paper side.

We are now reviewing the corresponding processes at Åmotfors, although there we are looking at speciality sizes, which means that it will not be possible to remove all plastic plugs.

“We still expect to make significant reductions at Åmotfors too,” Will concludes.

From summer job to product manager

In summer 2002, Pia Lundin had just finished her engineering studies with a focus on energy and the environment. Her training had sparked an interest in pulp and paper manufacturing, with the emphasis on the latter.

Because she is also a resident of Kristinehamn, the obvious choice fell on the Bäckhammar mill.

“To get a foot in the door I applied for a summer job and ended up in the instruments department for about six weeks. I enjoyed working at the mill and wanted to stay, so I asked if there were any other jobs that might suit me,” Pia explains.

There were indeed other jobs, and in the years after that summer job, Pia first worked as a management system coordinator before taking the next step to become a process engineer in the paper mill.

“I have worked as a line manager for both paper machines for a total of six years or so,” she continues.

But after a number of years as line manager she was again drawn to try something else. She felt that she wanted to move more towards marketing, and applied for and won a position in customer-oriented technical support.

“I have now worked as product manager for the kraft paper segment for one year,” she explains

Pia considers Nordic Paper’s relatively small size to be an advantage.

“That might be the reason I’ve stayed so long. You can develop and change roles, build up broad-based competences and it is always possible to make your voice heard and influence progress. Nordic Paper focuses closely on competence development and you have the opportunity to grow professionally within the company,” Pia explains.

As product manager, Pia works on product development, examines paper properties, creates adaptations and helps customers to solve problems, or satisfy requests about paper qualities, as well as assuming responsibility for all technical customer contacts.

This implies frequent customer dialogues, and being responsive to customer wants and needs, as well as adapting products to their requirements. One of the advantages of

working at a smaller mill with relatively small machines is that it is probably easier to do test runs.

Other factors that are important to Pia include sustainability, which is becoming increasingly important across all segments, and in society as a whole.

“We manufacture sustainable products, and that feels great. And we continuously seek to minimise our environmental impact. You could say that the company as a whole shadows the products we manufacture, from a sustainability perspective.”





FOCUS AREA 3:
SUSTAINABLE BUSINESS CONDUCT

A new trend has been emerging in recent years, as people seek to combine an urban lifestyle with sustainable lives and sustainable products. Nordic Paper contributes to this trend through our operations and the recyclable paper products we offer. Three factors are particularly important in Nordic Paper’s strategic work aimed at simplifying and streamlining the operations.

Firstly, our products are manufactured using renewable raw materials derived from sustainably managed local forests. These forests are not just renewable, they also have a positive sustainability impact during the growth phase, as the trees bind CO2. The forests also provide job opportunities in rural areas, and the potential for recreation.

Secondly, paper-based recyclable products have been recognised as an important sustainable alternative to products that would otherwise be manufactured using plastics. Demand for paper-based alternatives to plastics is increasing and has gained support from new regulations and restrictions globally.

It is Nordic Paper’s ambition to help and support our customers to choose paper-based products that reduce the use of plastics, and contribute to a more sustainable daily life.

Thirdly, our production processes focus on resource efficiency and the production plants mainly use renewable energy sources. We introduce continuous improvements at all our production sites, including environmental and sustainability-related improvements.

THE NATURAL LEADER IN SPECIALITY PAPER

Nordic Paper seeks close collaborations with its suppliers and customers, and introduces continuous improvements.

Each year, we review our suppliers based on six different criteria. We examine factors such as quality, technical support and lead times. We only assess suppliers expected to affect quality from an end-customer perspective. In 2020, we assessed 83 suppliers. We noted some deviations and have introduced measures to address this.

For the second year running, we carried out a customer survey to measure Nordic Paper’s customer satisfaction index (CSI). The index scale for customer satisfaction is 0-100. We achieved a result of 83 in 2019, and 86 in 2020. Although we started from a high level, we increased it slightly in the year. In December 2020, we launched a digital paper selector for the Kraft business area as an extra service to our customers. The digital paper selector was previously available in the Natural Greaseproof paper business area.

OUR ECONOMIC IMPACT

Nordic Paper works with long-term customer relationships, product development and efficient working methods that generate sustainable business. In addition to creating business advantages, this also benefits our customers, suppliers and other stakeholders.

We have an important role in society as an exporter, employer and tax payer. For us, it is natural to pay tax according to statutory regulations in the countries where we operate.



GOAL 2020

- Reduce the number of claims
- Customer satisfaction, retain CSI (Customer Satisfaction Index) of 85 or above



GOAL 2021

- Customer satisfaction, retain CSI (Customer Satisfaction Index) or 85 or above
- 100% signed Code of Conduct employees
- 95% signed Code of Conduct Suppliers



ANTI-CORRUPTION

Nordic Paper rejects all forms of bribery and corruption. We comply with Swedish and EU legislation, including anti-corruption and competition laws. Our anti-corruption guide supports the Board of Directors, our employees and partners in terms of behaviour that promotes good business ethics and to avoid and prevent bribery and corruption.

Nordic Paper has a zero tolerance policy to bribery. The company has a Code of Conduct for suppliers that they are obliged to follow. One of our objectives for 2021 is that at least 95 percent of our contracted suppliers shall operate under a Code of Conduct that has been approved by Nordic Paper.

HUMAN RIGHTS

Nordic Paper follows the UN human rights framework, as well as Swedish and EU legislation. It is also important to us that all the parties in the value chain support and respect internationally acknowledged human rights. For this reason, we place high demands on our suppliers and choose our customers carefully.

SUSTAINABILITY – A PREREQUISITE FOR GREAT BUSINESS

Sustainability is reflected in our business management systems, planning, production and sales strategy. In 2020, we continued the work of establishing streamlined routines and digital tools for collecting and reporting data with the aim of minimizing financial and operational risk.

We launched a new management system, Kronan, in spring 2020. Kronan collects all control documents based on our management routines, primary processes and support processes. The tool also handles our document management and ensures that our documentation is up-to-date. The introduction of Kronan also meant that we produced a revised policy portfolio that is available in several languages.

In connection with launching Kronan, we also introduced a new intranet. The new design, with improved and increased functionality, creates an attractive and user-friendly interface that constitutes a natural communication platform for our employees.

Just as in all other operations, we focus sharply on digitalisation and IT. The internal IT processes developed in 2020 are aimed at creating secure information and business data processing. A shared data structure and increased data quality improves follow-up and decision making. Improved systems support in the form of CRM systems and an internet portal for our agents enable our customers and agents to access the right information at the right time.

Our Code of Conduct

Nordic Paper's Code of Conduct was introduced throughout the organisation in May 2020. The Code of Conduct is a control document that describes our values and how we behave as employees of the Company. It states that we safeguard health and safety by preventing workplace-related accidents, injuries and illness.

Nordic Paper works actively to ensure equal pay, safe working conditions and a workplace free of discrimination and harassment.

WE do not accept forced labour, child labour or human trafficking.

WE value the environment and produce safe products from natural raw materials, without the addition of fluorochemicals or other foreign substances.

WE have zero tolerance of corruption and all forms of bribery.

Our Code of Conduct is already an integrated part of all business relations between our suppliers and Nordic Paper.

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 2020 on pages 31-44 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, 15 April 2021
Öhrlings PricewaterhouseCoopers AB

Martin Johansson
Authorised Public Accountant

DIRECTORS REPORT

The Board of Directors and CEO of Nordic Paper Holding AB, 556914-1913 hereby present the following Annual Report and Consolidated Financial Statements for the financial year 2020.

OPERATIONS AND ORGANISATION

Nordic Paper Holding AB (publ) is the Parent Company of the speciality paper Group Nordic Paper. Apart from the Parent Company, the Group encompasses subsidiaries Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB, Nordic Paper Seffle AB and Nordic Paper AS, Greåker Norge.

The Group is active in the production and sale of kraft paper and greaseproof paper. Nordic Paper's financial reporting is presented in two segments. The segment Kraft Paper carries out manufacture of sulphate pulp and kraft paper in Bäckhammar, Kristinehamn, and paper in Åmotfors, Eda. The segment Natural Greaseproof carries out manufacture of pulp and greaseproof paper in Säffle, a manufacture of greaseproof paper in Greåker, Norway. In 2020, the segment Kraft Paper provided 54 percent of net sales, and the segment Natural Greaseproof 46 percent.

The Parent Company operations comprise management services. The Company has two employees: the CEO and CFO. To ensure effective exchange rate management, the Group has concentrated its currency hedging to the Parent Company.

MARKET

Nordic Paper is active in selected niches on the global paper and board markets, and manu-

factures kraft paper and greaseproof paper.

Approximately 95 percent of sales are exported to customers in some 70 countries. The market for sack paper in the cement and construction industry outside Europe made weak progress for most of the year, which increased competition on Nordic Paper's main market in Europe.

Sack paper prices were significantly lower in 2020 compared to the previous year. The Asian market started to recover towards the end of the year, which reduced competition on the European market. The prices for greaseproof paper were also slightly lower, mainly due to generally weaker demand in some segments due to Covid-19. Covid-19 affected operations and profit in 2020, mainly through lower sales of greaseproof paper products for professional use, i.e. bakeries, catering etc. More information about the effects of Covid-19 can be found in the section *Risks and risk management*.

SALES AND PROFIT

Group net sales for the year decreased by 10 percent to SEK 2,903 m (3,231) compared to 2019. However, volumes were largely unchanged. The lower sales were mainly due to lower prices. The negative price effect in the year amounted to 8 percent. The geographical distribution of net sales remained stable. Europe provided 67 percent of sales during the year, Asia Pacific and North and South America 13 percent each, and the Middle East and Africa 7 percent. A more detailed geographical breakdown can be found in Note 6.

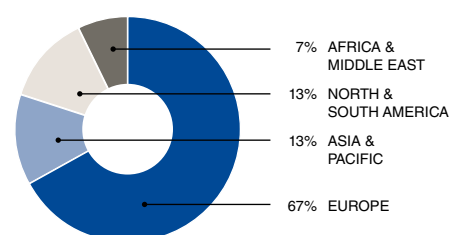
SEK m	2020	2019
Net sales	2,903	3,231
EBITDA	458	629
EBITDA margin, %	15.8	19.5
Operating profit	348	530
Operating margin, %	12.0	16.4
Profit for the period	258	414
Basic earnings per share before and after dilution, SEK	3.85	6.19

CHANGE IN NET SALES

Jan-Dec 2019, SEK m	3,231
Sales volume and product mix	-1 %
Selling price	-8 %
Currency	-1 %
Jan-Dec 2020, SEK m	2,903

NET SALES

BY GEOGRAPHICAL LOCATION



EBITDA decreased by 27 percent to SEK 458 m (629). The EBITDA margin decreased to 15.8 percent (19.5). The decrease was mainly due to lower prices for kraft paper in the year. Lower market prices in the period were partly offset by lower fiber and pulp costs. Costs associated with the IPO affected profit by SEK 24 m (–).

The segment Natural Greaseproof delivered a record result with EBITDA of SEK 205 m, a level the segment has never achieved previously.

The planned maintenance stop at Bäckhammar was followed by a slower ramp-up of production than planned. In addition, pulp production at Bäckhammar was affected by extensive disruptions in May. The aggregate negative effect from the unplanned production stops on Group EBITDA and operating profit was SEK 48 m (–).

Operating profit totalled SEK 348 m (530). Profit for the period was SEK 258 m (414) and earnings per share were SEK 3.85 (6.19).

NET SALES

SEK m	2020	2019
Segment Kraft Paper	1,613	1,855
Segment Natural Greaseproof	1,327	1,412
Eliminations	-37	-36
Total Group	2,903	3,231

EBITDA

SEK m	2020	2019
Segment Kraft Paper	266	504
Segment Natural Greaseproof	205	171
Parent Company and non-distributed items	-6	-42
Eliminations etc.	-7	-4
Total, Group	458	629

Segment Kraft Paper

Net sales in the segment Kraft Paper decreased by 13 percent to SEK 1,613 m (1,855), mainly due to a negative price trend due to significantly lower market prices for kraft paper in 2020 compared to 2019. Sales volumes decreased by 2 percent, partly due to unplanned production stops at Bäckhammar

SIGNIFICANT EVENTS IN THE FINANCIAL YEAR 2020

Operational stoppages in pulp production at the Bäckhammar mill affected operating profit negatively by some SEK 20 m in May. The planned maintenance stop at Bäckhammar was followed by a slower ramp-up of production than planned, affecting operating profit negatively by SEK 28 m.

Planning and preparations for increased capacity at the Bäckhammar mill were initiated. Nordic Paper submitted an application for an extended production permit to the Land and Environment Court at Vänersborg District Court. A pilot study and preparations for potentially replacing internal pulp production with external pulp for the manufacture of greaseproof paper continued during the year.

On 22 October 2020, Nordic Paper’s shares were listed on Nasdaq Stockholm.

during the year. EBITDA decreased by 47 percent to SEK 266 m (504). The decrease was largely due to lower sales prices.

The effects on EBITDA, and operating profit, from the unplanned production stops amounted to SEK 48 m. EBITDA decreased to 16.5 percent (27.2). Operating profit improved to SEK 214 m (455) and operating margin to 13.3 percent (24.5).

CHANGE IN NET SALES

Jan-Dec 2019, SEK m	1,855
Sales volume and product mix	-2 %
Selling price	-10 %
Currency	-1 %
Jan-Dec 2020, SEK m	1,613

Segment Natural Greaseproof

Net sales in Natural Greaseproof totalled SEK 1,327 m (1,412), a decrease of 6 percent. Despite the impact of Covid-19, sales volumes remained at the same level as in the previous year.

The sales decrease was mainly due to a negative price trend compared to 2019, when the market was strong. EBITDA increased by 20 percent to SEK 205 m (171), mainly due to lower raw materials costs and a positive effect on Group production expenses resulting from a weaker NOK.

The EBITDA-margin decreased to 15.4 percent (12.1). Operating profit improved to SEK 164 m (136) and operating margin to 12.4 percent (9.6).

CHANGE IN NET SALES

Jan-Dec 2019, SEK m	1 412
Sales volume and product mix	-1 %
Selling price	-4 %
Currency	-1 %
Jan-Dec 2020, SEK m	1 327

FINANCIAL TARGETS

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

CASH FLOW, FINANCIAL CASHFLOW, POSITION AND FINANCING

Cash flow from operating activities totalled SEK 352 m (451) for the full year 2020. Changes in working capital were limited in 2020 and mainly related to a decrease in operating receivables of SEK 26 m.

SEK m	2020	2019
Operating profit	348	530
Cash flow from operating activities	352	451

As of 31 December 2020, the group had net debt of SEK 718 m (-9). Interest-bearing liabilities amounted to SEK 1,134 m (238). In October, Nordic Paper utilised a bank credit facility of SEK 950 m to finance a dividend of SEK 950 m to the former Parent Company Sutriv Holding AB.

Of the SEK 1,134 m, SEK 19 m was attributable to IFRS 16 lease liabilities. The total cash position was SEK 415 m (247). The equity ratio was 25.3 percent (57.6) and net debt/EBITDA was 1.6 (-0.0).

INVESTMENTS

Investments amounted to SEK 102 m (100) in 2020. Investments in the year included increased mill capacity for paper manufacture at the Säffle and Greåker plants.

EXCHANGE RATE HEDGING

The Group hedges future foreign currency net flows in accordance with the finance policy. 50-75 percent of net flows shall be hedged

CURRENCY HEDGES FOR THE COMING 12-MONTH PERIOD

Currency	Average exchange rate for currency hedges	Exchange rate, 31 Dec	Local currency total, m	Total FX, SEK m	Market value, net, SEK m
EUR	10.42	10.04	50	526	19
USD	8.89	8.19	15	131	10
GBP	11.69	11.09	7	81	4
				739	34

for the coming six-month period, and 25-50 percent for the ensuing 7-12 months. EBITDA includes a profit effect from currency hedges of SEK 13 m (-49). For the coming 12 months, hedging is as follows in the graph above.

TAX POSITION

Tax costs for the period totalled SEK 51 m (105), corresponding to a tax rate of 21.3 percent (19.6).

The Nordic Paper Group operates in Sweden and Norway. In 2020, corporation tax in Sweden was 21.4 percent, and 22 percent in Norway. There are no accumulated tax loss carry-forwards in the Group. Reported amounts for deferred tax relate to deferred tax in untaxed reserves, temporary differences between booked and taxable values etc.

SEASONAL EFFECTS

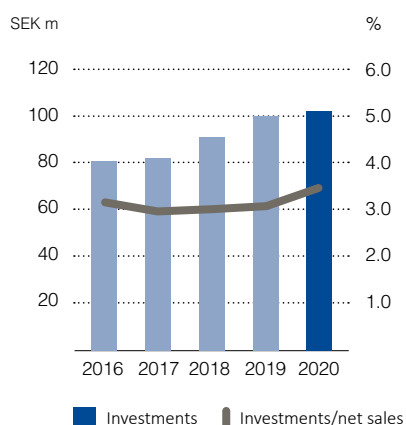
Nordic Paper is subject to a degree of seasonal variations during the financial year. The business is mainly affected by planned production stops in individual units while maintenance activities are carried out. This affects operating profit negatively, mainly in the form

of external costs, but also by slightly lower deliveries. Normally, inventory levels increase in the second quarter to ensure delivery to customers during production stops. The estimated effect on operating profit in a quarter with planned production stops, corresponds to the estimated profit impact compared to a quarter without production stops.

The total original planned maintenance costs were SEK 105 m in 2020. The ramp-up of production in connection with the annual maintenance stop at Bäckhammar 2020 was slower than planned. The total negative impact on EBITDA and operating profit from scheduled maintenance stops and the slower ramp-up in 2020 totalled SEK 133 m, of which SEK 9 m in the fourth quarter. The planned maintenance stop at Bäckhammar in 2021 will include more expensive components compared to recent years.

Net sales in December are normally slightly lower due to limited access to transports in connection with Christmas and New Year. This results in higher inventory levels at year-end, and sales being postponed to the first quarter of the following year.

INVESTMENTS 2016-2020



EFFECT ON OPERATING PROFIT FROM PLANED PRODUCTION STOPS FOR MAINTENANCE

	Effect on operating profit, SEK m						Effects, quarter		
	Kraft Paper			Natural Greaseproof			2021	2020	2019
	Estimated 2021	Actual 2020	Actual 2019	Estimated 2021	Actual 2020	Actual 2019			
Bäckhammar	~80	88	57				3	3/4	4
Åmotfors	~10	10	5				3	3	3
Säffle				~28	25	25	3	3	3
Greåker				~8	10	4	3	3	3

Operations requiring permits or licenses under the Swedish Environmental Code

The Group conducts licensable operations under the Swedish Environmental Code and the Norwegian Environmental Act. The Company’s main environmental impact is in the form of emissions to water and air, and noise pollution. All of the Group’s net sales are derived from licensable operations. Production volumes in 2020 are estimated to lie within the levels indicated in permits granted.

In 2020, Nordic Paper submitted an application to extend production at the Bäckhammar mill to the Land and Environment Court at Vänersborg District Court, and applied for and received a new environmental permit for increased production at Greåker.

SUSTAINABILITY REPORT

Nordic Paper have prepared the sustainability report of 2020 as a part of the annual report and sustainability report och it includes pages 31 to 44, the business model is seen in pages 8 to 11 and the risks in pages 61 to 64.

THE NORDIC PAPER SHARE

Nordic Paper AB’s share capital encompasses 66,908,800 ordinary shares. Each share confers the right to one vote at shareholders’ meetings. There are no limitation in statute or the Articles of Association limiting the transferability of shares.

The largest shareholder in the Company, Sutriv Holding AB, held 32,220,312 shares as of 31 December, corresponding to 48.16 percent of the total number of shares on the market. No other shareholders had a holding of 10 percent or more as of 31 December 2019. Nordic Paper does not hold shares in Treasury.

More information about shareholders etc. can be found on Nordic Paper’s website, www.nordic-paper.com

PROPOSED DISTRIBUTION OF EARNINGS

The Board proposes that available funds (SEK):

Retained earnings	115,902,221
Profit for the year	289,416,500
	<hr/>
	405,318,721
be distributed as follows:	
To shareholders:	
SEK 2.00 per share	133,817,600
Carried forward	271,501,121
	<hr/>
	405,318,721

EVENTS AFTER THE END OF THE FINANCIAL YEAR

There were no significant events after the end of the financial year.

CORPORATE GOVERNANCE REPORT

Nordic paper's vision is to be the natural leader in speciality paper based on our values of responsibility, respect, collaboration and development. The Company offers efficient and environmentally responsible products and solutions in kraft paper and natural greaseproof paper. Our operations are based on clear goals relating to growth, profitability and returns, while their are express demands on Nordic Paper to behave in a way that is sustainable for its owners, employees, customers, suppliers and other stakeholders.

The framework governing the Company's actions is determined by legislation and regulations such as the Swedish Companies Act, the Annual Accounts Act, stock market regulations and the Swedish Corporate Governance Code (the Code). These are complemented by the Company's business principles relating to a sustainable working environment, sustainable business conduct and responsible production.

Furthermore, corporate governance is effected through internal regulations and guidelines specified in control documents such as the Board of Director's and CEO's Rules of Procedure and policies, and other processes for control and risk management.

This Corporate Governance Report is intended to describe the existing framework, the division of responsibilities and the interaction between the Annual General Meeting, the Board of Directors and the CEO. This report has been reviewed by the Company's Auditors.

Nordic Paper Holding AB is a Swedish public limited company and has been listed on Nasdaq Stockholm since October 2020. The preparation of a Corporate Governance Report is a requirement under the Annual Accounts Act. The Corporate Governance Report complies with the rules and recommendations in the Swedish Corporate Governance Code.

Nordic Paper has applied the Code since the Annual General Meeting on 12 March 2020, and this Corporate Governance Report has been prepared to present the Company's application of the Code from that date. There were no departures from the Code in the period. No breaches of applicable stock market regulations or good stock market practice by Nordic Paper were reported by Nasdaq Stockholm's Disciplinary Committee or the Swedish Securities Council in 2020.

SHAREHOLDERS

Nordic Paper Holding AB had 2,674 shareholders as of 31 December 2020. Swedish private investors were the largest segment, comprising 2,459 shareholders. The largest owner, with 48,16% of the shares as well as votes, at year end was Sutriv Holding AB (corp. ID no. 556056-8817) with its registered office in Stockholm, Sweden. After Sutriv Holding AB, the three largest owners were AMF Pensionsförsäkring AB with 9,71%, Swedbank Robur with 9,40% and Ålandsbanken with 4,10%. Sutriv Holding AB is 100% owned by Shanying International Holding Co. Ltd, which is listed on the Shanghai Stock Exchange.

Nordic Paper's employees do not hold any shares in the Company through pension trusts etc. There is no limitation to the number of votes a shareholder can submit at the AGM. More information about the share and ownership structure can be found on page 100.

ANNUAL GENERAL MEETING

The Notice convening the AGM is published no earlier than six weeks and no later than four weeks prior to the AGM. The Notice includes

- a) information about registration and the right to vote and participate in the AGM,
- b) agenda detailing the matters to be addressed at the AGM,
- c) information about proposed dividend and the main content of other proposals.

Shareholders or representatives can vote on behalf of the full number of shares held or represented. Registration of the intention to participate in the AGM can be made by post or at nordic-paper.se.

The AGM will be held on 20 May 2021 in Karlstad, Sweden, as announced on 28 October 2020.

NOMINATION COMMITTEE

The Extraordinary General Meeting on 20 August 2020 adopted the instruction for the Nomination Committee, which states that the Committee shall be composed of representatives of each of the four largest shareholders in terms of votes as of 31 October 2020. Ahead of the 2021 AGM, Nordic Paper's Nomination Committee comprises the following members: Andreas Kihlblom, Sutriv Holding AB (Chairman), Patricia Hedelius, AMF, Caroline Sjösten, Swedbank Robur and Lars Söderfjell, Ålandsbanken.

The Nomination Committee's task is to propose Board members, the Chairman, Directors' fees, Audit fees and, where applicable, the Auditor. The proposals are presented in the Notice convening the AGM.

The Nomination Committee shall apply rule 4.1 of the Swedish Corporate Governance Code (the Code) as a diversity policy when proposing the Board of Directors. This means that the Board shall have a composition that is expedient, diversified and broad in terms of the members' competences, experience and background, and with due consideration given to the Company's operations, stage of

development and general conditions. The Company seeks to ensure an even gender distribution. The Nomination Committee considers the policy when proposing Board members. More information about the work of the Nomination Committee will be presented at the AGM 2021. The Nomination Committee will announce its proposals ahead of the AGM.

BOARD MEETINGS

After the Annual General Meeting on 12 March 2020, the Board held 23 meetings, of which one was held in connection with the publication of the quarterly report. The unusually large number of meetings was the result of the work associated with the Company's listing on Nasdaq Stockholm in 2020.

One meeting was dedicated to reviewing strategic issues and the Group's budget for 2020. In addition, the Board focused on strategic, financial and accounting matters, following up operations, potential changes to pulp production in Säffle and the planned expansion of the plant in Bäckhammar, and other major investments. Furthermore, the board has addressed risk issues and questions relating to the Company's internal control.

The Company's Auditors presented their review of the Company's financial statements and internal control to the Board of Directors on two occasions.



Nordic Paper's Corporate Governance structure

THE BOARD'S WORK

The Board of Directors is the second-highest decision making body of the Company after the shareholders' meeting. According to the Swedish Companies Act, the Board of Directors is responsible for the organisation of the Company and the management of the Company's affairs, which means that the Board is responsible for, among other things, setting targets and strategies, securing routines and systems for evaluation of set targets, continuously assessing the Company's results of operations and financial position as well as evaluating the operational management.

The Board's work follows a plan that includes ensuring that the Board receives all the requisite information needed to carry out its work. Each year, the Board determines written Rules of Procedure and written instructions regarding the division of responsibilities between the Board and the CEO, and the information to be presented to the Board on an ongoing basis regarding financial performance and other important events. Company employees participate in, and report on, Board meetings.

In order to improve the Board's work, an annual survey containing relevant questions regarding the Board's work is presented to Board members, where improvements can be suggested. The CEO is also

subject to annual evaluation in the form of interviews. The answers are presented and discussed at a Board meeting. The results of the 2020 evaluation form the basis for planning the Board's work for the coming year.

The Chairman reported the results of the evaluation to the Nomination Committee.

Chairman of the Board

The Chairman leads the Board's work so that it is carried out in accordance with applicable legislation and regulations, the Code and the Board's Rules of Procedure. The Chairman shall also ensure that the work is well organised, effective and that the Board executes its tasks.

In dialogue with the CEO, the Chairman monitors operational progress and is responsible for ensuring that other Board members are kept continuously updated so that the Board's work can be carried out effectively. Alongside the CEO, the Chairman also approves the proposed agenda for Board meetings. The Chairman is responsible for evaluating the Board's work and ensures that Board decisions are executed, and acts as the Company's representative on matters relating to shareholders.

Board composition

Board members are elected annually by the AGM for the period until the next AGM has been held. According to the Articles of Association, the Board shall be comprised of three to ten members without deputies. The Articles of Association do not contain any other regulations regarding the appointment or dismissal of Board members, changes to the Articles of Association or limitations to the period a Director may serve on the Board.

The AGM 2020 resolved to re-elect Board members Per Bjurbom, Ying Che och Stefan Lundin. Karin Eliasson, Helene Willberg and Arne Wallin were elected new members. Per Bjurbom was re-elected Chairman.

In addition to the six Board members elected by the AGM, local employee organisations are entitled to appoint two members and two deputies. Of the six Board members elected by the AGM, four are considered to be independent of the Company and three are considered to be independent of the owners according to the definitions stipulated by the Code.

No Board members, with the exception of employee representatives, work in executive roles in the Company. More information about the Board members can be found on page 59.

BOARD MEMBERS ELECTED AT THE ANNUAL GENERAL MEETING 2020

Board members	Elected	Role	Independent in relation to			
			Company and management	Major shareholders	Audit Committee	Remuneration Committee
Per Bjurbom	2019	Chairman of the Board	No ²⁾	No ³⁾	–	–
Karin Eliasson	2020	Board member	Yes	Yes	–	Chairman
Helene Willberg	2020	Board member	Yes	Yes	Chairman	–
Arne Wallin	2020	Board member	Yes	Yes	–	Member
Ying Che	2019	Board member	Yes	No ³⁾	Member	–
Stefan Lundin	2019	Board member	No ²⁾	No ³⁾	Member	–
Per Gustafsson ¹⁾	2013	Board member	–	–	–	–
Tommy Hedlund ¹⁾	2015	Board member	–	–	–	–
Niclas Backelin ¹⁾	2013	Deputy board member	–	–	–	–
Tom Röd ¹⁾	2019	Deputy board member	–	–	–	–

1) Employee representative

2) Employed by Nordic Paper in the last three years

3) Employed by Sutriv Holding

BOARD COMMITTEES

The Board has established two Committees with the aim of rationalising and improving the Board's work on specific issues: the Remuneration Committee and the Audit Committee. Committee members are appointed for a period of one year at the statutory Meeting following election, and the work and the Committees' decision-making authority are governed by annually determined Committee instructions, which are reviewed and approved each year. The Committees have a preparatory and administrative role. Questions raised at Committee meetings are documented in Minutes and reported at the following Board meeting, where a decision is made (where applicable).

Audit Committee

Nordic Paper's Audit Committee has three members: Helene Willberg (Chairman), Stefan Lundin and Ying Che. The Audit Committee shall, without affecting the responsibilities and tasks of the Board of Directors, monitor the Company's financial reporting, monitor the

effectiveness of the Company's internal control and risk management, keep informed of the auditing of the Annual Report and the Consolidated Financial Statements, review and monitor the impartiality and independence of the Auditors and pay close attention to whether the Auditors provide other services besides Audit services for the Company, and assist in the preparation of proposals for the Annual General Meeting's decision on the election of auditors.

The Audit Committee's work in 2020

The Audit Committee held ten meetings in 2020. During the year, the Committee addressed various accounting matters, focusing on preparations ahead of listing of the Company's shares on Nasdaq Stockholm, external Audit planning for 2020, enterprise risk management, internal control, financing, currency hedging and tax issues. The Chairman of the Audit Committee regularly reports to the Board on matters raised at Committee meetings.

Remuneration Committee

The principal task of the Remuneration Committee is to prepare Board decisions relating to remuneration principles, remuneration and other remuneration-related employment terms for Group management.

The Committee shall follow and evaluate the application of guidelines for remuneration to senior executives, remuneration structures and remuneration levels. The Committee proposes the overarching policy relating to salaries, remuneration and other employment benefits in Nordic Paper, guidelines for remuneration to senior executives, and approves the CEO's proposals for salaries and remuneration to Group management.

The Committee also presents proposals to the Board, which determines salary and remuneration to the CEO. The Remuneration Committee consists of Karin Eliasson (Chairman) and Arne Wallin.

Remuneration Committee work in 2020

The remuneration committee held eight meetings in 2020. During the year, the Remuneration Committee addressed matters relating to remuneration and other employment terms for the CEO and other senior executives.

The Remuneration Committee has evaluated the application of the policy and the guidelines established by the AGM for remuneration to senior executives. More information about remuneration in the Group can be found in the *Remuneration Report* and in Note 9 on pages 85-86.

GROUP MANAGEMENT

The Board has delegated operational responsibility for the Company's and Group's management to the CEO. Instructions relating to the division of responsibilities between the Board and CEO are determined annually by the Board. Nordic Paper's Group management comprises the Company's CEO plus nine senior executives. Information relating to the CEO and other Group management can be found on page 60.

ATTENDANCE AND REMUNERATION

Board member	Elected	Role	Audit Committee	Remuneration Committee	Attendance at Board meetings			Yearly remuneration agreed at the AGM, SEK'000	
					Board of Directors	Audit Committee	Remuneration Committee		Committee work
Per Bjurbom	2019	Chairman of the Board			23/23			550	
Karin Eliasson	2020	Board member		Chairman	23/23		8/8	300	50
Helene Willberg	2020	Board member	Chairman		23/23	10/10		300	150
Arne Wallin	2020	Board member		Member	23/23		8/8	300	25
Ying Che	2019	Board member	Member		23/23	10/10		300	75
Stefan Lundin	2019	Board member	Member		23/23	10/10		300	75
Per Gustafsson ¹⁾	2013	Board member							
Tommy Hedlund ¹⁾	2015	Board member							
Niclas Backelin ¹⁾	2013	Deputy board member							
Tom Röd ¹⁾	2019	Deputy board member							

¹⁾ Employee representative

EXTERNAL AUDIT

The task of the external Auditor is to review the Group's Annual Report and Sustainability Report and the accounts, the Consolidated Financial Statements and the most important subsidiaries, as well as the Board's and CEO's administration. After the end of each financial year, the Auditor shall submit an Audit Report to the Annual General Meeting. The Auditor in Charge participates in all Audit Committee meetings and presents the annual Audit Report to the Board. In this meeting, the Board consults with the Auditor without management present.

The AGM 2020 appointed Audit firm PricewaterhouseCoopers as

the Company's external Auditor for the period until the AGM 2021 in accordance with the Nomination Committee's proposal. Martin Johansson is Auditor in Charge. PricewaterhouseCoopers has been the Company's Auditor since 2017.

Since its listing on Nasdaq Stockholm, Nordic Paper has only consulted with PwC to a limited extent in addition to the Audit assignment. Remuneration to PwC for 2020 can be found in Note 8 on page 85. PwC are required to test their independence ahead of decisions to provide independent advice to Nordic Paper in addition to the Audit assignment.



INTERNAL CONTROL PROCESSES

Each business area's strategy is reviewed annually, including operational goals. The strategy is presented to the Board and provides the basis for expectations on the operational units in each area.

On the basis of these expectations, each unit identifies targets and success factors associated with achieving the goals. The success factors are linked to key performance indicators that measure and demonstrate progress. The strategic review also forms the foundation for the budget, which determines decisions regarding the distribution of resources and goals for the coming year. Internal reporting to ensure continuous follow-up enables the operations to determine relevant priorities so that set targets can be achieved.

Code of Conduct

Nordic Paper's Code of Conduct provides guidance in the daily work and clarifies the expectations placed on employees. Nordic Paper Holding's operations shall be characterised by responsible behaviour with regard to internal and external stakeholders.

The Code of Conduct for suppliers includes business ethics, anti-corruption measures, human rights, health and safety, work environment, and environmental considerations. Based on respect for human rights, Nordic Paper strives to ensure a working climate that is founded on the equal value of all human beings.

All employees shall enjoy the same rights, obligations and opportunities regardless of gender, transgender identity or expression, ethnicity, religion or other beliefs, functional impairment, sexual orientation and age.

Policies

Nordic Paper adopts Board-authorized policies, guidelines and Group instructions that clarify how employees shall behave in basic and key areas.

The Group's ten policies address areas such as expectations on employee and management behaviour, establishes the framework for management by objectives, competence supply, collaboration between trade union organisations, equal opportunities and employment terms. The policies also cover a HSEQ matters, anti-corruption measures and competition, and maintaining good business practice

in relations with external contacts on the Company's various markets.

Employees working in roles where there is risk of being exposed to prohibited behaviour receive special training in business ethics. The policies stipulate that raw materials shall be used effectively and environmental impact be minimised, and that continuous improvements shall be sought. Financial risks shall be managed centrally and be characterised by low risk.

The policies shall also ensure that the Company's assets are managed in accordance with the Group's rules, that the risk of errors in the financial reporting is minimised, and that irregularities are prevented. Group purchasing shall contribute to long term profitability. Sustainable sales of raw materials, products and services shall be assured in the short and long term. Communication shall be accurate, transparent and accessible and comply with legal requirements and business confidentiality.

THE COMPANY'S 10 POLICIES COMPRISE:

- Corporate Governance policy
- Finance policy
- Insider policy
- Communication policy
- HSEQ policy
- Environmental policy
- HR policy
- Information security policy
- IT and digitalisation policy
- Policy for transactions with related parties

Compliance

Nordic Paper's Code of Conduct, policies and values are included in each employee's induction training and are restated by managers at employee meetings. Compliance is monitored through employee surveys and performance reviews, salary charting, safety statistics and auditing of the organisational and social working environment. Any breaches or cases of unsatisfactory corporate culture are handled on a case-by-case basis.

Whistle blower service

Nordic Paper seeks to maintain an open business climate with high business ethics. This is governed by our Code of Conduct, as well as policies and guidelines. All the people affected by our operations should feel safe and be treated with respect.

In September 2020, we introduced a whistleblower function provided by an external party – WhistleB. Any employee can use the whistleblower service if he or she suspects a case of serious misconduct has taken place. The whistleblower service is an early warning system aimed at minimising risk, but also increasing the safety of our employees.

BOARD REPORT ON INTERNAL CONTROL OF FINANCIAL REPORTING

This section has been prepared in accordance with the Code and the Annual Accounts Act and describes the Company's internal control and risk management regarding financial reporting. The purpose is to provide owners and other stakeholders with insight into how internal control of financial reporting is organised in Nordic Paper.

Internal control of financial reporting

The Board's responsibility for internal control and financial reporting is governed by the Swedish Companies Act and the Swedish Corporate Governance Code. According to the Code, it is the Board's responsibility to ensure that the Company is run in a sustainable and responsible manner. Ongoing responsibility for these matters has been delegated to the CEO.

Objective and structure

The objective of internal control is to ensure that Nordic Paper Holding maintains reliable and accurate financial reporting, that the Company's and the Group's financial reporting is prepared in accordance with applicable laws and accounting standards, that the Company's assets are protected and that other requirements are met. The internal control system is also intended to monitor compliance with the Company's and the Group's policies, principles and instructions. Internal control also includes risk analysis. The Group identifies, assesses and manages risks based on the Group's vision and goals.

The Finance Department coordinates and monitors the process for internal control in relation to financial reporting. The Company's framework is based on the framework for internal control produced by the Committee of Sponsoring Organisations of the Treadway Commission (COSO). The 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 follow up and evaluation. The framework has been adapted to Nordic Paper Holding's various operations.

THE FRAMEWORK CONSISTS OF FIVE BASIC ELEMENTS:

- control environment,
- risk assessment,
- control activities,
- information and communication, and
- follow-up and evaluation

CONTROL ENVIRONMENT A good control environment comprises the foundation for the effectiveness of a company's internal control systems. A good control environment is based on an organisation with clear decision paths and where authorities and responsibility is distributed through control documents and a corporate culture based on shared values.

The Board's Rules of Procedure and the instruction to the CEO determine the distribution of roles and responsibilities to ensure efficient control and management of operational risks. The Board has also determined a number of fundamental policies and control documents that are significant to maintaining efficient internal control, such as finance policy, IT policy and communication policy. In addition, management has determined guidelines and instructions that contribute to making individual employees conscious of their role in maintaining good internal control. These documents shall also ensure that financial reporting complies with the laws and rules that apply to companies listed on Nasdaq Stockholm, as well as local regulations in the countries where the Company has operations.

RISK ASSESSMENT Financial reporting risks are assessed annually and control activities are improved or introduced. The work associated with risk assessments is aimed at identifying and evaluating risks that could mean that the Group's goals for financial reporting are not met. The results of this work are compiled and evaluated under management of the Finance Department, and reported to the Audit Committee and Board. For a description of the Group's risks and risk management, see the section *Risks and Risk Management* on page 61.

CONTROL ACTIVITIES To ensure that Nordic Paper Holding's goals for financial reporting are met, control requirements are embedded in the processes that are judged to be relevant: sales, purchasing, investments, HR, financial statements, payments and IT. Control activities are aimed at preventing, discovering and correcting errors and discrepancies.

Control activities are carried out at all levels in Nordic Paper and in various stages of business processes.

INFORMATION AND COMMUNICATION Nordic Paper regularly presents financial information in the form of Annual Reports, Interim Reports, press releases and announcements on the Company's website. Efficient and accurate information dissemination, internally and externally, is key to ensuring complete, accurate and timely financial reporting. The Company's rules, guidelines and manuals are communicated through various internal channels.

The Group's finance department has direct operational responsibility for ongoing financial reporting and the application of the Group's guidelines, principles and instructions governing financial reporting. Operational units regularly present financial and operational reports to Group management, which in turn reports to the Board through the CEO. The communication policy and associated guidelines aims to safeguard that external communication is accurate, relevant, transparent and reliable, and otherwise satisfies the demands placed on Nordic Paper as a company listed on Nasdaq Stockholm.

FOLLOW UP AND EVALUATION The Group's departments performs self-evaluations, adopted to the business, where it is clear which control requirements that are valid for each process and to safeguard that the controls are appropriate and effective. The results of the self-evaluation is followed up continuously and any discrepancies are reported to management and the CEO on a quarterly basis. The self-evaluation is tested for accuracy.

Reporting regarding the self-evaluation of internal control and regarding financial reporting is made to the Group management once per year. This reporting identifies any shortcomings in internal control and measures taken to address the shortcomings.

Follow-up is an important tool for identifying potential shortcomings in the Group, and to address these by introducing new control requirements.

Statement on internal audit

Nordic Paper does not have an internal audit function at present. The Board has considered the issue and judged that existing structures for follow up and evaluation provide satisfactory documentation, and that there is no operational or other reason in the business to justify the establishment of an internal audit function. The Group's existing work relating to internal control is judged to be satisfactory.



GUIDELINES FOR REMUNERATION

INTRODUCTION

These guidelines concern the remuneration for the Chief Executive Officer (“CEO”) and other members of Nordic Papers Senior Management (“Management”). The guidelines are forward-looking, i.e., they are applicable to remuneration agreed, and amendments to remuneration already agreed, after adoption of the guidelines by the Extraordinary General Meeting held 20 August 2020.

The guidelines do not apply to any remuneration resolved by the General Meeting such as long-term variable programs.

PRINCIPLES FOR REMUNERATION

The remuneration and the other terms of employment of the CEO and Management shall be competitive so that Nordic Paper can attract, engage and retain competent Management, which is a prerequisite for the successful implementation of the Company’s business strategy and safeguarding of its long-term interests, including its sustainability. In addition, total remuneration offered should be market-relevant and provide a shared responsibility among members of Management for overall Company results which is aligned with the interests of the Company’s shareholders.

TOTAL REMUNERATION

The total remuneration for the CEO and Management shall be market competitive in the country in which the individual is placed.

The total remuneration shall consist of fixed cash base salary, variable cash remuneration under incentive schemes, pension benefits and other benefits. Additionally, the General Meeting may – irrespective of these guidelines – resolve on share or share price-related remuneration as well as other forms of remuneration without limitation.

Fixed cash salaries

The fixed cash base salaries of the CEO and Management shall be reviewed every year. In setting and reviewing fixed cash base salaries, the impact on total remuneration, including pensions as well as local markets pay levels, preferably for a relevant peer-group of companies, shall be taken into consideration.

Salary increases (as a % of existing fixed cash base salary) would normally be in line with the external market practices, employees in relevant locations, positions and the performance of the individual.

Variable cash remuneration

Variable cash remuneration under annual incentive schemes shall be linked to predetermined and measurable criteria relating to the Company, devised to promote the value creation of the Company and strengthen the link between achieved performance targets and reward. The criteria for incentive schemes shall be determined by the Board of Directors annually and shall be designed so as to contribute to the Company’s business strategy and long-term interests, including its sustainability, by for example being clearly linked to the business strategy or promote the individual’s long-term development.

To which extent the criteria for awarding variable cash remuneration has been satisfied shall be measured over a period of one year and shall be evaluated when the measurement period has ended. The annual variable cash remuneration shall be capped and the maximum payout may not exceed 30 percent of the fixed cash base salary for Management and 50 percent for the CEO.

The Board of Directors shall have the right in their discretion to deny, in whole or in part, the entitlement of an individual to the variable cash payout in case an individual has acted in breach of Nordic Papers Code of Conduct, to reclaim variable cash remuneration paid to an individual on incorrect grounds such as restatement of financial results due to incorrect financial reporting, noncompliance with a financial reporting requirement etc.

Pensions and Other Benefits

Nordic Paper is endeavoring to move gradually towards defined-contribution solutions, which entail that Nordic Paper pays contributions that represent a specific percentage of the employee’s salary. Pension benefits shall be defined contribution plans and entitle pension from age 65 unless the individual concerned is subject to defined benefit pension plan under mandatory collective agreement provisions or mandatory local regulations.

The CEO has a defined-contribution pension with a premium capped at 40 percent of the fixed annual base salary. Variable cash remuneration shall not qualify for pension benefits, except when it follows from rules under a general pension plan (like the Swedish ITP plan). Other benefits may include, for example, life insurance, medical insurance and company cars. Such benefits shall be capped at 15 percent of the fixed annual cash base salary.

EMPLOYMENT TERMINATION CONDITIONS

The period of notice of employment termination for the CEO and Management is six (6) months if employment is terminated by the company, and six (6) months if terminated by the Employee. In addition, a severance pay of maximum twelve (12) months of fixed cash base salary to the CEO and maximum six (6) months to member of Management may be paid in the event of termination of employment by the company.

The CEO and Management of the Company shall be covered by a Non-Competition clause with legal force of six (6) months after the termination of employment, as well as non-solicitation of relevant parties for the same period. The Company may unilaterally waive the Non-Competition Covenant in its sole discretion. As consideration for the non-compete restriction, the individual shall be entitled to remuneration of 60 percent of the monthly remuneration for the CEO (calculated on fixed cash base salary and variable pay) and 75 percent for the management (calculated on fixed cash base salary).

REMUNERATION TO BOARD MEMBERS IN ADDITION TO BOARD FEES

Board Members, elected at General Meetings, may in certain cases receive a fee for services performed within their respective areas of expertise, outside of their Board duties.

Compensation for these services shall be paid at market terms and be approved by the Board.

THE DECISION-MAKING PROCESS

The Board of Directors has established a Remuneration Committee. The Committee shall prepare the Board's decision on issues concerning principles for remuneration and other terms of employment for the CEO and Management.

The Committee shall also monitor and evaluate programs for variable remuneration for the Management, the applications of the guidelines for remuneration as well as the current remuneration structures and compensations levels in the Company. The Board shall

prepare a proposal for new guidelines at least every fourth year and submit it to the General Meeting. These guidelines shall be in force until new guidelines are adopted by the General Meeting.

The members of the Remuneration Committee are independent of the Company and its Management. The CEO and other members of the Management do not participate in the Board's processing of and resolutions regarding remuneration-related matters in so far as they are affected by such matters.

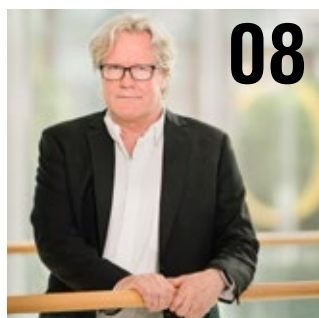
DEROGATION FROM THE GUIDELINES

The Board of Nordic Paper AB believe that it is their responsibility to use discretion and make informed judgments as to individual remuneration packages or pay levels that may occasionally deviate above or below our target pay strategy, in whole or in part, if in a specific case there is special cause for the derogation and a derogation is necessary to serve the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability and may be based on such factors as:

- Individual performance and potential relative to market.
- Long-term succession planning and talent management.
- Business conditions in our industry or the market overall as well as business or regulatory conditions in the senior managers area of responsibility.
- Cases where individuals are asked to step into new roles and responsibilities for specific projects or strategic initiatives.

SALARY AND EMPLOYMENT CONDITIONS FOR EMPLOYEES

In the preparation of the Board's proposal for these remuneration guidelines, salary and employment conditions for employees of the Company have been considered by including information on the employees' total income, the components of the remuneration and increase and growth rate over time, in the Remuneration Committee's and the Board's basis of decision when evaluating whether the guidelines and the limitations set out herein are reasonable.



01. PER BJURBOM

Chairman of the Board since 2019

Born: 1961

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

Other current assignments: Chairman of the Board and CEO in Sutriv Holding AB

Previous assignments: Several senior positions in the paper industry, including responsibility for production, distribution, M&A, marketing and sales at Holmen, Stora Enso and BillerudKorsnäs, CEO at Nordic Paper 2014-2019

Independent of the Company/

major shareholder: No/No

Shareholding: 13,200

02. STEFAN LUNDIN

Board member since 2019

Member of the Audit Committee

Born: 1957

Education: Bachelor of Science in Business Administration and Economics, Örebro University

Other current assignments: Board member and CFO in Sutriv Holding AB

Previous positions: Experience from a number of roles in finance and as a senior executive in industry, CFO at Setra, a major sawmill plant in Sweden, for 12 years, CFO at Nordic Paper 2016-2018

Independent of the Company/

major shareholder: No/No

Share holding: 3,500

03. YING CHE

Board member since 2019

Member of the Audit Committee

Born: 1983

Education: Master of Science in Management and Operations Research Warwick Business School (WBS), University of Warwick, UK

Other current assignments: Vice President of Sutriv Holding AB (Europe BU, Shanying International), Managing Director of Creative Space Holdings Ltd, UK

Previous positions: Various positions at Shanying International, including vice president at Cyclelink International 2015-2016, Cyclelink manages waste paper in Europe, the US and Asia, previously PR

Manager and assistant to the Chairman at Shanying International

Independent of the Company/

major shareholder: Yes/No

Shareholding: –

04. HELENE WILLBERG

Board member since 2020

Chairman of the Audit Committee

Born: 1967

Education: Master of Science in Accounting and Finance, Stockholm School of Economics, Stockholm

Other current assignments: Chairman of Indecap Fonder AB and Footway Group AB, Board member and Chairman of the Audit Committee at Thule Group AB, Profoto Holding AB, Infrea AB and Netlight Consulting AB, Board member at Indecap Holding AB, ProfotoInvest AB and Zenith Group AB

Previous assignments: Authorized public accountant, several leading positions at KPMG AB for 20 years, including CEO 2008-2012, Country leader for the consultant company Alvarez and Marsal Nordics 2017-2020

Independent of the Company/

major shareholder: Yes/Yes

Shareholding: 20,913

05. KARIN ELIASSON

Board member since 2020

Chairman of the Remuneration Committee

Born: 1961

Education: Bachelor of Science, Mid Sweden University

Other current assignments: Board member at Karolinska University Hospital, RLS Global AB, Ruter Dam Chefsutveckling AB and Council vice Chairman and Chairman of the Nomination Committee at Skandia

Previous positions: Several years of experience from leading positions in international companies, responsible for areas as human resources and sustainability, SVP Group Human Resources and Sustainability at SCA AB 2003-2007 and in a similar position 2008-2014 at TeliaSonera AB, GVP Human Resources and Sustainability for Autoliv Inc. 2014-2019

Independent of the Company/

major shareholder: Yes/Yes

Shareholding: 4,000

06. ARNE WALLIN

Board member since 2020

Member of the Remuneration Committee

Born: 1954

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

Other current assignments: –

Previous positions: Leading technical and management roles in the paper industry including management of major investment projects and investment programs in the Holmen Group for 27 years until 2015, positions as Manager of the Braviken plant, CEO of the Holmen Paper business area and CEO of Holmen Energy

Independent of the Company/

major shareholder: Yes/Yes

Shareholding: 695

07. TOMMY HEDLUND

Board member since 2015

Employee representative, Unionen Säfte

Born: 1957

Other current assignments: Chairman of the board of Billeruds Tjänstemannaorganisationen SIF-SACO, Ekonomisk förening

Shareholding: 300

08. PER GUSTAFSSON

Board member since 2013

Representative of Pappers Bäckhammar

Born: 1959

Other current assignments: –

Shareholding: 600

DEPUTY BOARD MEMBERS

NICKLAS BACKELIN

Deputy board member since 2013

Representative of Unionen Åmotfors

Born: 1974

Other current assignments: Deputy member of the Board of Eda Bostads Aktiebolag

Share holding: –

TOM RÖD

Deputy Board member since 2019

Representative of GAF Greåker

Born: 1966

Other current assignments: –

Shareholding: –

BOARD OF DIRECTORS



01



02



03



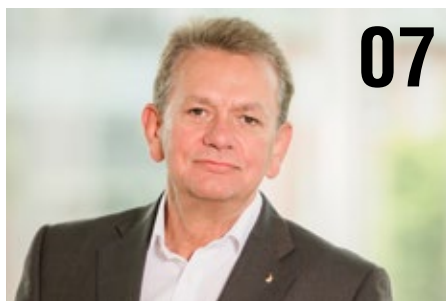
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10

GROUP MANAGEMENT

01. ANITA SJÖLANDER

Chief Executive Officer since 2019
Born: 1965
Education: Master of Science in Chemical Engineering, Chalmers University of Technology, Gothenburg
Other current assignments: Board member of The Paper Province cooperative society
Shareholding: 2,500

02. NICLAS ERIKSSON

Chief Financial Officer since 2018
Born: 1967
Education: Bachelor of Science in Business Administration and Accounting, Karlstad University
Shareholding: 3,800

03. JENS OTTERSTEDT

Head of Strategic Development since 2015
Born: 1967
Education: Executive MBA, M-gruppen, Sweden, Master of Science in Forest Industry, Swedish University of Agriculture, SLU
Shareholding: 695

04. MARIE STENQUIST

Director of Corporate Communications/ PR since 2014
Born: 1978
Education: Studies in Media and Communication, Rhetoric, Sociology, Örebro University as well as studies in Strategic Communication, Umeå University
Shareholding: 576

05. LARS LÖFQUIST

Director of Human Resources since 2013
Born: 1958
Education: Studies include labour law and leadership, Karlstad University, studies in Social Science, Psychology and Social Medicine, Örebro University
Shareholding: 600

06. CHRISTIAN PERSSON

Director of Operations since 2019
Born: 1972
Education: Programme of Forest Industry, specialised in pulp and paper, Karlstad University
Shareholding: 940

07. PETER WARREN

Director of Sales & Marketing Grease-proof since 2018
Born: 1960
Education: Management Development Program, Cranfield Business School, Economics Degree, Business Administration, University of Leicester, Post Graduate Diploma in Marketing, Institute of Marketing, United Kingdom
Shareholding: 600

08. HENRIK ASP

Director of Sales & Marketing Kraft since 2018
Born: 1981
Education: Master of Science in Business and Administration, specialised in Finance, Stockholm University & Korea University Business School
Share holding: 1,700

09. PATRIC JOHANSSON

IT Manager since 2013
Born: 1969
Education: Bachelor of System Sciences, Karlstad University, courses in leadership
Shareholding: 600

10. INGRID ÖSTHOLS

Investor Relations since 2020
Born: 1966
Education: Bachelor of Science in Economics and Business Administration, Uppsala University
Shareholding: –

RISKS AND RISK MANAGEMENT

Nordic Paper is exposed to a number of risks that could significantly impact the Company. This section describes the key risks that affect Nordic Paper's ability to achieve its set goals and implement strategies, how the various risks are managed and the Company's risk management process.

Nordic Paper manufactures speciality paper with production in Sweden and Norway. The Company has some 700 customers located in some 70 countries and close to 95% of manufactured paper is exported. Targeted end-user markets of the Company's kraft paper are mainly the industrial and construction sectors, for greaseproof paper it is mainly the food and food service sector.

Nordic Paper is exposed to industry and market risks, operational and business risks, legal and regulatory risks, and financial risks. All these risks could have a negative impact on the Group's operations. It is therefore important that Nordic Paper has a systematic and efficient process to effectively identify, manage and reduce the impact of these risks. The Company strives to minimise the risks, mainly through preventative work. Risk management is integrated into the Company's annual business planning, is a key strategic competitive factor and encompasses business areas, production units and staff.

EVALUATING RISK FACTORS

Many of Nordic Paper's risks can affect the Company positively and negatively. In this sense, the risks also include opportunities for the Company. Examples of opportunities include favourable trends for raw materials prices, demand and market prices of Nordic Paper's products.

Nordic Paper has evaluated which risks are most critical to the Company. The assessment of the materiality of each risk factor is based on the probability of their occurrence and the expected magnitude of their negative impact in a five-year perspective. The COSO definition of risk (future events that threaten the organization's ability to achieve its business targets) has been applied in the risk evaluation.

RISK MANAGEMENT PROCESS

Nordic Paper's Board has overall responsibility for the Company's risk management and for ensuring compliance with policies and guidelines governing financial and internal control. The CEO has overall responsibility for operations.

The risk evaluation process is carried out by management on the basis of the Company's goals and strategies, and includes identification, assessment and management of risks. This is integrated into Nordic Paper's operational control processes. The process also includes determining who is responsible for risk management, implementing measures to mitigate the risk, and following up the risk.

*Committee of Sponsoring Organizations of the Treadway Commission

INDUSTRY AND MARKET RISKS

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT												
RISKS RELATED TO THE CORONA VIRUS (COVID-19)	<p>Covid-19 could, in future, have a negative effect on the global economy and lead to a recession or depression, which could seriously impact demand for the products Nordic Paper's customers produce, and thereby also the Company's products.</p> <p>For example, if restaurants are shut down or become insolvent, demand for food-related products in the industry could decrease, which could adversely affect demand for greaseproof paper.</p> <p>Nordic Paper's profit and future growth could be adversely affected by Covid-19 or other pandemics or diseases, for example if ongoing or planned projects or investments are delayed or cannot be completed. Another risk is that large volumes of employed or hired staff become ill.</p>	<p>Nordic Paper has monitored the progress of the pandemic very closely from an early stage.</p> <p>Alternative workplaces are used wherever possible and where local conditions require. All maintenance stops are carried out with extensive safety measures in place as a result of the pandemic.</p> <p>Nordic Paper has strong financial sustainability, which provides the Company with flexibility even if the situation were to deteriorate further.</p>												
VARIATION IN DEMAND AND PRODUCT PRICES	<p>Demand for Nordic Paper's products depends on factors including general macroeconomic trends, such as recession, inflation, deflation, general weakness in retail markets and changes in consumer purchasing power and preferences.</p> <p>The prices of Nordic Paper's products are set on the open market and are dependent on matching production volumes to market demand. Nordic Paper's paper prices are usually determined on a short-term basis whereby paper price fluctuations occur from time to time to varying degrees, and are not necessarily correlated to Nordic Paper's cost base. As such, a negative price trend for marketed products that cannot be offset by lower costs could lead to diminished earnings for the Group.</p>	<p>Nordic Paper manages risk by measures such as varying contract lengths, i.e. adopting 6 and 12 month contracts, a focus on speciality segments with high added value that can replace volume products in the long term and where prices and demand are more stable.</p> <p>Other ways include a broad product mix, multiple market channels, geographical sales spread and using communication to increase brand awareness and brand loyalty.</p>												
COST OF INPUT GOODS AND SERVICES	<p>The market price of many input goods and services used in the production of Nordic Paper's products varies over time, which can affect the Company's profit. Nordic Paper has limited opportunity to offset price increases on input goods.</p> <p>Some 53 percent (2019) of the Group's total costs comprise variable costs, i.e. raw materials and other input goods and services (excl. distribution services).</p>	<p>Nordic Paper seeks to expose all tendering to competition to reduce costs and avoid becoming dependent on a single supplier.</p> <p>WOOD FIBER – Nordic Paper does not hedge market price fluctuations. Long-term and multiple collaboration partners provide a degree of stability in terms of price, and secures access to input goods. Planned future investments in a new wood room in Bäckhammar will reduce dependence on sawmill chips which is a more volatile market than pulp wood.</p> <p>PURCHASING PULP – Net exposure to pulp markets is relatively limited due to the Company's two proprietary pulp mills. Nordic Paper buys pulp from a number of different suppliers, which mitigates risk.</p> <p>ENERGY PRICES – Electricity prices secured by fixed price hedging. The Company never fixed price hedges 100%, and instead hedges a declining proportion over a five-year period. Gas and oil prices are set monthly.</p>												
	<p>Nordic Paper's variable costs</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>FIBRE</td> <td>38%</td> </tr> <tr> <td>EXTERNAL PULP</td> <td>22%</td> </tr> <tr> <td>ENERGY</td> <td>20%</td> </tr> <tr> <td>CHEMICALS</td> <td>18%</td> </tr> <tr> <td>OTHER VARIABLE COSTS</td> <td>4%</td> </tr> </tbody> </table>	Category	Percentage	FIBRE	38%	EXTERNAL PULP	22%	ENERGY	20%	CHEMICALS	18%	OTHER VARIABLE COSTS	4%	
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POLITICAL DECISIONS	<p>Nordic Paper's operations are affected by political decisions and administrative regulations, particularly in Sweden and Norway where Nordic Paper has operations, but also at EU level.</p> <p>General rules in the areas of tax legislation, environmental legislation, forestry legislation and financial reporting could impact the Company's operations. The United Kingdom's decision to leave the European Union (Brexit) was an important political decision. The UK is one of Nordic Paper's key markets.</p>	<p>Nordic Paper's exposure to political decisions is considered to be limited. Nordic Paper has production in Sweden and Norway and sells a majority of its products to Europe and the US. These markets are politically stable. There is always a degree of risk that political decisions could increase the cost of Nordic Paper's sales or restrict its ability to sell its products. Nordic Paper monitors the surrounding world, actively participates in various organizational networks and works with lobbying to increase awareness regarding fluorochemicals.</p>												
COMPETITION	<p>Nordic Paper is active in a competitive sector. Competition is driven by factors such as brand recognition and loyalty, as well as product innovation, quality and performance, price, service, proximity to customers and distribution capacity.</p> <p>Increased competition on Nordic Paper's markets is an ever-present risk. Intensified competition resulting from a potential increase in production capacity amongst Nordic Paper's competitors, and the ensuing increased paper supply, could have an adverse effect on the ability to achieve planned revenue and reaching financial and operational targets.</p>	<p>Nordic Paper's strategy aimed at minimizing the impact of increased competition on existing markets is based on continuously increasing the Company's competitiveness. This is achieved through rationalisation and by continuously improving the production structure.</p> <p>The business areas also analyse the market and map key competitors each year. By offering speciality paper to selected customers alongside superior service and quality, the Company builds long-term relationships, strengthens customer loyalty and mitigates the risk of competition.</p>												
EMPLOYEES	<p>Nordic Paper's access to competent and motivated employees, as well as good leaders, is critical to achieving the Company's strategic and operational objectives. This means that it is important that Nordic Paper can successfully attract and retain employees with the appropriate competences.</p> <p>Lack of qualified personnel due to declining interest in the industry or failure of the educational sector, could lead to difficulties in the future. The continued trend of urbanisation in Sweden and abroad, could also lead to such issues intensifying in future.</p>	<p>Nordic Paper continuously works on its competence development, and plans for a generational shift at Nordic Paper's plants. In order to ensure that the Company attracts people with in-demand competences, the Company seeks to strengthen its employer brand.</p> <p>Staff planning is undertaken on a continuous basis. Pulp and paper training programs have been carried out in partnership with Karlstad University. The Company has produced a new induction program for all new staff/managers and conducts an annual employee survey. Salary and other terms of employment are on market terms and linked to the Company's priorities.</p>												

OPERATIONAL AND BUSINESS RISKS

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT
HEALTH AND SAFETY	<p>Nordic Paper's operations involve a workplace where there is a risk of accidents and incidents occurring.</p> <p>Apart from the risk to people's lives and health, this also implies a risk of production stop that generate increased costs, and the risk of being prevented from continuing operations.</p>	<p>Nordic Paper works actively to reduce the number of accidents and increase health attendance of its employees. Health and safety is a prioritised area, and HSEQ is integrated into daily operations.</p> <p>In order to reduce the number of accidents and increase health attendance, Nordic Paper works with clear strategic targets and follow-up, staff training and routine reporting, and follows up all incidents and accidents. The Company arranges an annual HSEQ day for all managers and leaders in production, where measures to mitigate the health and safety risks are discussed.</p> <p>Internal quality control is another tool in the preventative work.</p>
PRODUCTION LOSSES IN PRODUCTION UNITS	<p>Nordic Paper has four production units, three in Sweden and one in Norway. Fires, equipment breakdown, power cuts and other events could damage facilities or cause delivery problems, reduce customer confidence and lead to increased costs.</p> <p>Annual maintenance stops are carried out at production plants to prevent these events. However, maintenance stops constitute a risk in themselves, and can cause unforeseen and major equipment faults or accidents. If the maintenance stops are prolonged, or if additional maintenance needs are identified during such stops, production could be adversely affected, and the maintenance could render additional costs compared to previous years.</p>	<p>Management carries out an annual review of the mills' maintenance requirement for the coming years. This work includes identifying ongoing annual investments, expansion investments and investments to increase quality and safety.</p> <p>Annual maintenance stops are carried out to ensure a high and even production rate. Maintenance stops are carefully planned to minimize the maintenance period. Maintenance of plants, staff training, good order and correct documentation are an important part of the preventative work.</p> <p>Preventative activities include annual reviews of the plants alongside the Company's insurers. Nordic Paper is party to an insurance policy that covers property and business interruptions, risk of property damage (including equipment stops), fires and business interruptions (including machinery breakdown). The amounts insured are based on replacement value and are, in Nordic Paper's assessment, consistent with other companies operating in the same industry and appropriate to the Group's operations.</p>
IT SYSTEMS AND CYBER THREATS	<p>IT attacks on companies are generally on the increase. Security is ensured through the use of various security and virus software, and firewalls. IT systems and disruptions or errors in critical systems could lead to disruption in production and important business processes. Nordic Paper is dependent on IT systems for its continued operations.</p> <p>Incorrect management of financial systems could also affect Nordic Paper's financial reporting. The risk of security breaches and cyber attacks on Nordic Paper's systems by unauthorized parties could generate financial losses.</p>	<p>Nordic Paper has a management model for its IT function that includes control, standardized processes and information security. Technical control is 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 certain suppliers and the system itself by building new functions outside existing systems.</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 factors to ensure that Nordic paper's products are presented to customers in an attractive manner and are available for purchasing.</p> <p>High dependence on a few major customers, agents, sectors or geographical markets can have a significant impact on earnings and results of operations.</p>	<p>Nordic Paper has good commercial risk diversification with several hundred customers. In geographical terms, Nordic Paper sells paper all over the world across all continents and in several product segments and through multiple distribution channels. At the same time, Nordic Paper undertakes product development to produce adapted or new products for new customers and segments.</p> <p>The customer base is stable in both business areas, and is based on long-term historical relationships. Approximately 80% and 90% of net sales in Kraft Paper and Natural Greaseproof respectively are attributable to customers that have purchased goods from Nordic Paper for six or more years.</p> <p>Nordic Paper's ten largest customers accounted for approximately 22% of the Company's net sales.</p>
SUPPLIERS	<p>Nordic Paper is dependent on suppliers for its input goods and services, such as pulpwood and sawmill chips, bleached sulphate pulp, chemicals, energy, natural gas and other fuels. For some input goods, there is a risk that Nordic Paper could become excessively dependent on a few or a single supplier.</p> <p>The loss of one or several important suppliers could generate costs for Nordic Paper and cause manufacturing problems. Suppliers that fail to follow Nordic Paper's Code of Conduct could lead to problems for the Company.</p>	<p>Nordic Paper strives to avoid being dependent on a single supplier. For key input goods, the Company uses several suppliers. Signing agreements of varying lengths mitigates the supplier risk.</p> <p>Nordic Paper's Code of Conduct is included in all new supplier contracts (if not covered by the supplier's Code of Conduct). Suppliers are reviewed regularly.</p>
IMPLEMENTATION OF STRATEGIC PLANS	<p>Inefficient implementation of the Company's strategic plans, erroneous investment decisions, failure to ensure commitment to adopted strategies and risks relating to acquisitions and integration, could adversely affect operations.</p>	<p>Nordic Paper conducts an annual strategic review based on a five-year perspective. The supporting documentation is produced on the basis of stakeholder needs and expectations obtained from analyses of stakeholder interests and the surrounding world. The focus is on business area development, volume growth in production and investment planning. The strategic work includes an analysis of risks and opportunities.</p> <p>The final strategy is determined by the Board at its June meeting. The strategy is communicated to a larger group of managers in the third quarter. Group-wide participation ensures that the strategic initiatives build on the competences and ideas present in the organisation. In order to achieve its strategic goals, the Group sets annual targets that provide important milestones for the implementation of the strategy.</p>

LEGAL AND REGULATORY RISKS

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT
BUSINESS ETHICS	<p>Unethical conduct or a disregard for sustainability issues by Nordic Paper or its suppliers could damage the Company's brand and reputation, and lead to difficulties in retaining and attracting customers and employees. The Company could also become liable to pay fines and subject to other legal sanctions.</p> <p>Nordic Paper's operations on the global paper market, in particular considering its geographical spread, expose Nordic Paper to risks related to e.g. sanctions and corruption. Corruption risk is particularly high in connection with tendering processes for larger contracts of significant value. The risk is increased by the Group's use of agents on many of its export markets, as the Group may become liable for any corrupt practices carried out by its business representatives in addition to its own staff.</p> <p>Economic sanctions have become a significant risk factor for companies involved in international trade in recent years. Even if Nordic Paper's products are considered to be low risk products, from a sanctions perspective, trade with countries subject to sanctions could imply significant sanction risks for the Company in terms of local business contacts and customer sectors, which could become subject to targeted sanctions.</p> <p>Furthermore, Nordic Paper is subject to competition laws in the jurisdictions in which it operates. Competition authorities have the power to initiate ex-post regulatory procedures and to require a party to cease applying contractual terms, prices and practices that are found to be anti-competitive. Competition authorities also have the power to impose fines and other sanctions as a result of non-compliance with relevant regulatory requirements.</p>	<p>Nordic Paper's Code of Conduct (the Code) describes how the Company and its employees should behave and how business should be conducted. The Code also describes the expectations the Company has on its employees and business partners, and what the Company's stakeholders can expect from the Company. The Code applies to all business units in the Group. In 2020, all employees signed the Code.</p> <p>Nordic Paper has also produced Anti-corruption and Bribery Guidelines listing the principles that apply to staff, Board members and collaboration partners.</p> <p>Agents, suppliers and other business partners are expected to follow similar standards to those indicated in the Company's Code of Conduct and Anti-corruption and Bribery Guidelines. Agency agreements also include a Code of Conduct for agents. Compliance with these standards is an important factor when the Company chooses business partners.</p> <p>Work is underway to produce clearer routines in order to avoid future sanctions. The routines aim to clarify working methods to ensure that Nordic Paper's customers and agents are not active in countries subject to sanctions and/or that customers are not included on the sanction lists published by the EU and US. This is complemented by the corresponding routines in the purchasing department.</p> <p>Each year, Nordic Paper evaluates its suppliers on the basis of several parameters, including the key factor business ethics.</p> <p>In September 2020, Nordic Paper introduced a whistleblower provision. The service gives all employees the opportunity to provide information/raise the alarm if a case of serious misconduct is suspected, through a channel provided by an external party. The service is entirely independent of the Company's IT systems and online services. Cases are handled confidentially and it is not possible to uncover the identity of the whistleblower.</p>
ENVIRONMENT	<p>Insufficient environmental responsibility could have a negative impact on the Company and the brand. Nordic Paper's operations affect the air, water, land and biological processes, which could give rise to costs for returning the environment to its original condition, or have other adverse effects. The requirement to return the environment to its original condition could also include effects of Nordic Paper's previous, now terminated, operations.</p> <p>Nordic Paper's industrial operations in Sweden are subject to permits under the Swedish Environmental Code. Such permits limit the scope and environmental impact of operations. In connection with extended or changed operations, additional requirements may apply. Neighbours adjacent to the Company's plants, public opinion or media that oppose production increases etc., could delay certain permits through a process of appeals. The economic impact of climate change is also growing in significance.</p>	<p>Nordic Paper's operations shall be conducted in a responsible manner with consideration given to all stakeholders and the external and internal environment.</p> <p>Confidence in Nordic Paper as a responsible Company strengthens the Company's role in society and on the market, and increases employee engagement. Nordic Paper communicates regularly with its stakeholders to maintain an open and positive relationship. Internal quality control is a tool for ensuring compliance. The Company conducts internal environmental training programs on an ongoing basis.</p> <p>The environmental standard in Nordic Paper's production units is high as a result of continuous efforts spanning many years. All production units operate under certified quality assurance management systems. All business units have environmental functions that are responsible for contacts with supervisory authorities.</p> <p>During the year, work continued with renewing Bäckhammar's environmental permit.</p>
LEGAL AND ADMINISTRATIVE PROCEDURES INCLUDING FOOD SAFETY STANDARDS	<p>Nordic Paper conducts business globally, both on mature and emerging markets, some of which may be less politically stable. Nordic Paper may be identified as a counterparty in various jurisdictions. Accordingly, from time to time, Nordic Paper risks being involved in civil law, work environment-related and administrative proceedings which arise within the scope of its day-to-day operations.</p> <p>Disputes risk arising in connection with claims by customers that Nordic Paper's products are inadequate or defective and fail to deliver the level of quality, safety and reliability the customer expected, which could result in significant claims for damages or other demands for payment. This could, in turn, lead to other product related legal disputes, major product recalls and disputes relating to food safety.</p>	<p>Nordic Paper works actively with the Code of Conduct and values, not just alongside its employees, but also with the Company's agents and suppliers. Nordic Paper continually monitors developments in several areas and manages legal risks alongside external legal advisers where applicable.</p> <p>Both business areas have been certified in accordance with international ISO standards. Products for use in the food industry have FDA and BFR approval.</p> <p>The Company's system for food safety management (Säffle and Greåker are certified according to ISO 22000 and FSSC 22000) includes quality control and product safety in purchasing and delivery.</p>

FINANCIAL RISKS

RISK	DESCRIPTION OF RISK	RISK MANAGEMENT
CREDIT RISK	<p>The risk that losses occur because Nordic Paper's customers or counterparties in financial contracts fail to fulfil their payment obligations, thereby causing financial losses for the Group. Nordic Paper has no significant concentrations of credit risk.</p>	<p>Nordic Paper has established guidelines to ensure that products and services are sold to customers with a suitable credit background and the payment term varies between 0-90 days depending on the counterparty.</p> <p>Nordic Paper enters into credit insurance agreements for a majority of its customers and 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, and associated provisions, have historically been limited.</p>
EXCHANGE RATE RISK – TRANSACTION EXPOSURE	<p>The risk that exchange rate fluctuations for export revenue and import expenses could negatively impact Nordic Paper's future profit, cash flow and the value of assets and liabilities. The Group operates internationally and is exposed to exchange rate risk arising from various types of currency exposure, particularly with regard to US dollars (USD), British pounds (GBP), Euros (EUR) and Norwegian kroner (NOK).</p> <p>Exchange rate risk arises from foreign currency payment flows, known as transaction exposure, and from the translation of Balance Sheet items denominated in foreign currency, which mainly relates to transactions in USD, EUR and GBP. Exchange rate risk also arises upon conversion of Norwegian subsidiaries' Income Statements and Balance Sheets to the Group's reporting currency, Swedish krona (SEK), known as transaction exposure.</p>	<p>Nordic Paper's primary transaction exposure is to EUR, GBP and USD. In order to minimize the exchange rate risk in sales revenue, the Company enters into hedging transactions in the currencies where net exposure exceeds SEK 100 m, currently EUR, GBP and USD.</p> <p>The Group hedges future net flows in accordance with the finance policy, which stipulates that 50-75 percent of net exposure in EUR, GBP and USD shall be hedged for the coming six-month period (for each currency), and 25-50 percent for the ensuing 7-12 months.</p>
LIQUIDITY AND REFINANCING RISK	<p>The risk that Nordic Paper has insufficient liquid funds to pay its ongoing costs or that Nordic Paper is unable to raise credit.</p>	<p>Nordic Paper manages liquidity risk by striving to maintain sufficient assets and short-term investments in a liquid market and the necessary financing through credit facilities.</p> <p>In September, the Company entered into an agreement for a credit facility that was partly used to finance the dividend of SEK 950 m to the previous principal owner in October. For future potential financing needs, credit facilities totalling SEK 800 m are in place, of which SEK 200 m relates to unutilized overdrafts.</p>
INTEREST RATE RISK	<p>Interest rate risk is the risk that fair value or future cash flows from a financial instrument varies due to changes in market interest rates. The fixed interest period is a significant factor affecting interest rate risk.</p> <p>The Company has a loan of SEK 950 m that accrues variable interest. As of 31 December 2020, the Group's interest-bearing liabilities amounted to SEK 1,134 m, including short-term factoring credits and lease liabilities with variable interest.</p>	<p>The Group's borrowing accrues variable interest where margins are determined in covenants, of which net debt divided by EBITDA is the most important.</p>

CONSOLIDATED INCOME STATEMENT

SEK m	Notes	2020	2019
Net sales	5, 6	2,903	3,231
Other operating income	7	39	21
Raw materials and consumables		-1,210	-1,368
Change in inventories		-17	-30
Other external costs	8, 9	-757	-713
Personnel costs	9, 10	-479	-477
Depreciation and amortisation	11	-110	-99
Other operating costs	12	-21	-34
Operating profit		348	530
Financial income	13	5	3
Financial expenses	14	-25	-14
Profit before tax		328	519
Income tax	15	-70	-105
Profit for the year		258	414
Profit attributable to:			
Parent Company shareholders		258	414
Earnings per share before dilution, SEK	16	3.85	6.19
Earnings per share after dilution, SEK	16	3.85	6.19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK m	Notes	2020	2019
Profit for the year		258	414
Other comprehensive income			
Items that will be reclassified to profit or loss			
Change in fair value of cash flow hedges	26	16	11
Exchange rate differences on translation of foreign operations	26	-15	4
Tax attributable to items that have been or may be reclassified to profit or loss	15	-3	-2
		-2	13
Items that will not be reclassified to profit or loss			
Actuarial gains and losses on defined benefit plans		-	2
Tax attributable to items that have been or may be reclassified to profit or loss	15	-	0
		0	2
Other comprehensive income for the year		-2	14
Comprehensive income for the year		256	428
Comprehensive income for the year attributable to:			
Parent Company shareholders		256	428

CONSOLIDATED BALANCE SHEET

SEK m	Notes	2020	2019
ASSETS			
Non-current assets			
Goodwill	17	343	343
Other intangible assets	18	1	2
Buildings and land	19	55	68
Machinery and Plant	19	484	498
Equipment, tools, fixtures and fittings	19	4	6
Right-of-use assets	19	83	62
Deferred tax assets	20	18	12
Other non-current receivables	15	9	6
Total non-current assets		997	998
Current assets			
Inventories	23	445	470
Accounts receivables	3	365	402
Income tax receivables		–	14
Other receivables	24	68	74
Derivatives	21	34	17
Prepaid expenses and accrued income	25	24	15
Cash and cash equivalents		415	247
Total current assets		1,351	1,238
Total assets		2,349	2,236

CONSOLIDATED BALANCE SHEET

SEK m	Notes	2020	2019
Equity and liabilities			
Equity	26		
Share capital		19	19
Other capital contributions		0	0
Reserves		-15	-14
Retained earnings including profit of the year		589	1,283
Equity attributable to Parent Company's shareholders		594	1,288
Non-current liabilities			
Liabilities to credit institutions	28, 31	950	–
Lease liabilities	28	9	7
Deferred tax liabilities	15	158	169
Other liabilities and provisions	22	18	22
Total non-current liabilities		1,135	197
Current liabilities			
Factoring credit-line	28, 31	165	184
Liabilities to Group companies	33	–	41
Accounts payable	21	218	262
Liabilities to associated companies	33	3	3
Income tax liability	15	5	49
Lease liabilities	20, 28	10	6
Derivatives	21	–	7
Other liabilities	29	12	14
Accrued expenses and deferred income	30	206	184
Total current liabilities		620	750
Total equity and liabilities		2,349	2,236

CONSOLIDATED CHANGES IN SHAREHOLDERS' EQUITY

SEK m	Equity attributable to Parent Company's shareholders					Total
	Share capital	Reserve Translation reserve	Reserve Hedging reserve	Retained earnings including profit of the year		
Equity opening balance 1 Jan 2019	19	-26	1	898	892	
Profit for the year	–	–	–	414	414	
Other comprehensive income for the year	–	4	9	2	14	
Comprehensive income for the year		4	9	416	428	
Transactions with the Parent Company						
Group contribution	–	–	–	-41	-41	
Tax on Group contributions	–	–	–	9	9	
Total transactions with the Parent Company	–	–	–	-32	-32	
Equity closing balance 31 Dec 2019	19	-23	9	1,283	1,288	
Equity opening balance 1 Jan 2020	19	-23	9	1,283	1,288	
Profit for the year				258	258	
Other comprehensive income for the year	–	-15	13	-2	-2	
Comprehensive income for the year		-15	13	256	256	
Dividend	–	–	–	-950	-950	
Total transactions with the Parent Company	–	–	–	-950	-950	
Equity closing balance 31 Dec 2020	19	-37	22	589	594	

Also refer to Note 26

CONSOLIDATED STATEMENT OF CASH FLOW

SEK m	Notes	2020	2019
Operating activities			
Operating profit		348	530
Interest income		0	0
Interest expenses		-9	-12
Adjustment for non-cash items	35	87	121
Paid income tax		-110	-90
Cash flow from operating activities before changes in working capital		316	550
Cash flow from changes in working capital			
Changes in inventories		15	3
Change in operating receivables		26	73
Change in operating liabilities		-5	-175
Cash flow from operating activities		352	451
Investing activities			
Acquisitions of non-current tangible asset	19	-102	-100
Cash flow from investing activities		-102	-100
Financing activities			
Borrowing	35	950	0
Payment related to amortisations of lease liabilities	35	-10	-8
Net change in factoring credit line	35	-19	-18
Net change of credit facility	35	-	-65
Group contribution paid out		-41	-11
Dividend paid out		-950	0
Cash flow from financing activities		-70	-103
Cash flow for the year		179	247
Cash and cash equivalents at beginning of the year		247	0
Exchange rate difference in cash and cash equivalents		-11	0
Cash and cash equivalents at end of the year		415	247

PARENT COMPANY INCOME STATEMENT

SEK m	Notes	2020	2019
Net sales	6	34	33
Other operating income	7	37	0
Other external costs	8, 9	-69	-35
Personnel costs	9, 10	-8	-4
Other operating costs	12	0	-36
Operating profit		-6	-42
Profit/Loss from participations in Group companies	32	66	50
Interest income etc.	13	34	5
Interest expenses etc.	14	-6	-2
Profit after net financial items		89	11
Appropriations	36	252	350
Profit before tax		341	361
Tax on profit for the year	15	-52	-67
Profit for the year and total comprehensive income		289	294

PARENT COMPANY BALANCE SHEET

SEK m	Notes	2020	2019
ASSETS			
Non-current assets			
Shares in group companies	33	896	896
Deferred tax assets	15	0	0
Total non-current assets		896	896
Current assets			
Income tax receivables	33	199	469
Other receivables	15	4	–
Derivatives	21	33	17
Prepaid expenses and accrued income	24	2	2
Prepaid expenses and accrued income	25	15	0
		253	488
Cash and cash equivalents		621	227
Total current assets		874	715
TOTAL ASSETS		1,770	1,612
EQUITY AND LIABILITIES			
Equity			
26			
Restricted equity			
Share capital		19	19
Total Restricted equity		19	19
Non-restricted equity			
Retained earnings		116	772
Profit for the year		289	293
Total Non-restricted equity		405	1,066
Total equity		424	1,085
Untaxed reserves			
		387	441
Non-current liabilities			
Liabilities to credit institutions	28	950	0
Total non-current liabilities		950	0
Current liabilities			
Liabilities to Group companies	32, 33	–	41
Accounts payable	21	7	2
Income tax liability	15	–	35
Derivatives	21	–	7
Other liabilities	29	–	1
Accrued expenses and deferred income	30	1	1
Total current liabilities		9	86
TOTAL EQUITY AND LIABILITIES		1,770	1,612

PARENT COMPANY CHANGES IN SHAREHOLDERS' EQUITY

SEK m	Restricted equity	Non-restricted equity		Total
	Share capital	Retained earnings	Profit for the year	
Equity opening balance 1 Jan 2019	19	383	390	792
Distribution of earnings	–	390	-390	–
Profit for the year and total comprehensive income	–	–	293	293
Equity closing balance 31 Dec 2019	19	772	293	1,084
Equity opening balance 1 Jan 2020	19	772	293	1,084
Distribution of earnings	–	293	-293	–
Profit for the year and total comprehensive income	–	–	289	289
Transactions with shareholders				
Dividend	–	-950	–	-950
Total transactions with the Parent Company	–	-950	–	-950
Equity closing balance 31 Dec 2020	19	115	289	424

PARENT COMPANY STATEMENT OF CASH FLOW

SEK m	Notes	2020	2019
Operating activities			
Operating profit		-6	-42
Interest income		34	5
Interest expenses		-6	-2
Adjustments for non-cash items	35	0	-1
Paid income tax		-91	-65
Cash flow from operating activities before changes in working capital		-69	-104
Cash flow from changes in working capital			
Change in operating receivables		-30	-53
Change in operating liabilities		-1	-136
Cash flow from operating activities		-100	-293
Investing activities			
Change in non-current receivables		-	-
Cash flow from investing activities		-	-
Financing activities			
Borrowing	35	950	-
Group contribution received	36	468	471
Group contribution paid out		-41	0
Dividend received		66	50
Dividend paid out		-950	0
Cash flow from financing activities		493	521
Cash flow for the year		393	227
Cash and cash equivalents at beginning of the year		227	-
Cash and cash equivalents at end of the year		621	227

NOTES

NOTE 1 GENERAL INFORMATION ABOUT THE PARENT COMPANY

Nordic Paper Holding AB is a Swedish-registered limited company with its registered office in Karlstad, Sweden. Since 22 October 2020, the Parent Company's shares are listed on NASDAQ Stockholm AB. The address of the head office is Tullhusgatan 1B in Karlstad.

The consolidated financial statements for 2020 cover the Parent Company Nordic Paper Holding AB and its subsidiaries Nordic Paper Bäckhammar AB, Nordic Paper Åmotfors AB, Nordic Paper Seffle AB and Nordic Paper AS, together known as the Group. The Group also holds shares in the associated company Åmotfors Energi AB.

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The Consolidated Financial Statements have been prepared in accordance with the Swedish Annual Accounts Act (1995:1554) and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB) and interpretations by IFRS Interpretations Committee (IFRS IC) as approved by the EU. The Swedish Financial Reporting Board's recommendation RFR 1 Supplementary Accounting Rules for Groups, together with applicable statements (UFR), have also been applied.

Information regarding the numbers in the Financial statement

All amounts are stated in SEK million (SEK m) unless otherwise stated. Rounding differences of MSEK +/- 1 may occur in the sums of amounts. If an underlying amount adds up to SEK 0 million after rounding, the amount will be stated as 0. Amounts in parentheses refer to the corresponding period last year.

New and revised standards affecting the Group

New IFRS standards and interpretations to be applied in coming years. There are no issued new or revised standards and interpretations with future application dates that are expected to materially impact on Nordic Paper's accounts.

Measurement principles

Assets and liabilities are recognised at historical cost, apart from certain financial assets and liabilities that are measured at fair value. Financial assets and liabilities measured at fair value consist of derivatives as well as plan assets associated with defined benefit pension plans.

Functional and presentation currency

The functional currency is the currency of the primary economic environments in which the entities operate. The Parent Company's functional currency is Swedish kronor, which is also the presentation currency for the Parent Company and for the Group. The financial statements are therefore presented in Swedish kronor (SEK).

Operating segments

Nordic Paper has identified two operating segments within its operations. The operating segments have been identified based on the internal structure of the Group's business operations, the results of which are regularly monitored by the Group's chief operating decision-maker: In Nordic Paper this is identified to be the CEO, aiming to evaluate performance and to be able to allocate resources. The CEO monitors the operations based on the two operating segments of Kraft Paper and Natural Greaseproof Paper. The CEO uses EBITDA to monitor the Group's performance.

Presentation

Non-current assets and non-current liabilities essentially consist of amounts expected to be recovered or paid after 12 months have passed since the closing date. Current assets and current liabilities essentially consist of amounts expected to be recovered or paid within 12 months of the closing date. Long-term liabilities essentially comprise amounts that the Group, as of the end of

the reporting period, has the unconditional right to choose to pay at a date later than twelve months after the end of the reporting period. In the event that the Group does not have this right as of the end of the reporting period, the liability is reported under current liabilities.

Consolidated Financial Statements

The consolidated financial statements aim to provide financial statements for a group in which the assets, liabilities, equity, income, expenses and cash flows of the Parent Company and its subsidiaries are presented as those of a single economic entity. Intra-group transactions, Balance Sheet items and unrealised gains and losses on transactions between Group companies are eliminated. The accounting policies for subsidiaries have been amended where necessary to ensure consistent application of Group policies.

Subsidiaries

Subsidiaries are companies in which Nordic Paper Holding AB has a controlling interest. The Group has a controlling interest over a company when it is exposed to, or has rights to, variable returns from its involvement with the company and has the ability to affect those returns through its controlling interest in the company.

Business combinations are reported in the Group using the acquisition method. Subsidiaries are consolidated with effect from the date that control is transferred to the Group. They are deconsolidated on the date that control ceases. The purchase consideration for the acquisition of a subsidiary comprises the fair value of assets transferred, liabilities that the Group assumes in regard to the previous owners, shares issued by the Group, assets or liabilities resulting from a contingent consideration arrangement and/or any previously held equity interest in the company acquired.

Under such a method, the acquisition of a subsidiary results in the Group indirectly acquiring the subsidiary's assets and assuming its liabilities. The acquisition analysis determines the fair value on the date of acquisition of acquired identifiable assets and assumed liabilities and of any non-controlling interest. Acquisition-related costs, with the exception of transaction fees relating to any equity instruments or debt instruments issued, are recognised directly in profit or loss for the year. In the case of business combinations where the transferred consideration exceeds the fair value of the assets acquired and liabilities assumed, the difference is recognised as goodwill. When the difference is negative – a so-called low-cost acquisition – this is recognised directly in profit for the year.

Associated company

Nordic Paper Åmotfors AB owns 37.6% of the shares in Åmotfors Energi AB.

The shares were written down to zero in the financial year 2013 and have since then been reported at zero value in the consolidated balance sheet.

Foreign currency

Foreign currency transactions

Transactions in foreign currency are translated to the functional currency at the exchange rate applicable on the date of the transaction. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate prevailing on the closing day. Exchange rate differences that arise on translation are recognised in profit for the year. Exchange gains and losses on operating receivables and operating liabilities are recognised net as Other operating income or as Other operating expenses, while exchange rate gains and losses on financial receivables and liabilities are recognised as Financial income and Financial expenses respectively.

Translation of foreign operations

Assets and liabilities in foreign operations, including goodwill and other group related surpluses and deficits, are translated from the foreign operation's functional currency to SEK, the Group's presentation currency, at the exchange rate in effect on the Balance Sheet date. Income and expenses in a foreign operation are translated to SEK at an average exchange rate that constitutes an approximation of the exchange rates that applied when the transactions

occurred. Translation differences arising in currency translation of foreign entities are recognised in other comprehensive income and accumulated in a separate component of equity, called the translation reserve. When foreign operations are divested, the accumulated translation differences attributable to the operation are realised, at which point they are reclassified from the translation reserve in equity to net profit for the year.

Revenue

The Group manufactures and sells various types of paper goods. Sales are recognised as revenue when control over the goods transfers to the customer, which normally takes place in accordance with the shipping terms. Sales take place through agreements with a customer in which each delivery is seen as an individual commitment. The revenue from the sale is reported based on the price in the agreement. The consideration may be variable, in the form of discounts associated with the commitment. In the case of volume and cash discounts, the customer receives an agreed discount provided that purchases made over a set period, usually a year, reach a certain level in total. Price reductions are calculated and provision is made for these monthly, as an accrued liability, based on historical data (see Note 30). Variable consideration is recognised as a reduction in net sales. A receivable is recognised when the goods have been delivered, since this is the time at which the consideration becomes unconditional.

The Group offers no warranties in connection with the sales other than guaranteeing that the goods are of the agreed quality.

Credit periods for customers vary, the average being around 50 days. Credit periods never exceed a year, however, and therefore no material financing component is assessed to exist at the time of sale.

The Group has certain expenses for obtaining customer agreements, such as commission paid to agents. The relief in IFRS 15 is applied to these, and consequently they are expensed as they arise.

Financial income and expenses

Interest income is recognised based on the effective interest method. The effective interest rate is the interest rate that discounts the estimated future in and out payments during a financial instrument's expected lifetime to the reported net value of the financial receivable or liability. The calculation includes all charges paid or received by the parties to the agreement that form part of the effective interest, transaction costs and all other premiums and discounts. Dividends received are reported when the right to receive a dividend has been established.

Interest expense for financial instruments is reported according to the effective interest method. Financial expenses consist of interest costs on borrowings, interest costs on leases and the effects of the reversal of provisions calculated at present value.

Financial income and expenses also include realised exchange rate gains and losses on currency exchange within cash and cash equivalents as well as the unrealised translation effect of the currency accounts included in cash and cash equivalents.

Taxes

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

Income tax for the period is tax to be paid or received for the year in question applying the tax rates that have been enacted or substantively enacted as of the closing date. Income tax for the period also includes adjustment of current tax that is attributable to earlier periods.

Deferred tax is calculated according to the Balance Sheet method, based on temporary differences arising between the carrying amount of assets and liabilities and their value for tax purposes. Temporary differences are not included in Group goodwill. Temporary differences attributable to interests in subsidiaries and associates that are not expected to be reversed in the foreseeable future are also not taken into consideration. Deferred tax is measured based on how the underlying assets or liabilities are expected to be realised or paid. Deferred tax is calculated applying the tax rates and tax rules that have been enacted or substantively enacted as of the closing date.

Deferred tax assets relating to deductible temporary differences are only recognised to the extent that it is probable they will be utilised. The value of deferred tax assets is reduced when it is no longer deemed probable that they can be utilised.

Earnings per share

Earnings per share before dilution are calculated by dividing net profit attributable to the equity holders of the Parent Company by the weighted average number of outstanding shares during the year.

Earnings per share after dilution are calculated by dividing net profit attributable to the equity holders of the Parent 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 had no potential ordinary shares that might give rise to a dilution effect in either 2019 or 2020.

Financial instruments

Financial instruments reported in the Balance Sheet include, on the assets side, cash and cash equivalents, accounts receivable, accrued income, share in other receivables and derivatives, and on the liabilities side non-current liabilities to credit institutions, factoring credit, liabilities to Group companies, accounts payable, liabilities to associated companies, share in other current liabilities and accrued expenses and derivatives.

Balance Sheet recognition and derecognition

A financial asset or liability is recognised in the Balance Sheet when the Company becomes a party to the contractual provisions of the instrument. Accounts receivable are included in the Balance Sheet when the invoice has been sent. Liabilities are included when the counterparty has carried out their commitment and there is a contractual obligation to pay, even if the invoice has not yet been received. Accounts payable are included when the invoice has been received.

Financial assets are derecognised in the Balance Sheet when the right to receive cash flows from the instrument has expired or been transferred and the Group has transferred substantially all the risks and rewards associated with ownership.

Financial liabilities are derecognised in the Balance Sheet when the contractual obligation has been discharged or otherwise terminated. When the terms of a financial liability are renegotiated, and not derecognised in the Balance Sheet, a gain or loss is recognised in the Income Statement. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate.

At initial recognition financial instruments are measured at fair value plus, in the case of an asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commission. Transaction costs for financial assets and liabilities measured at fair value through profit or loss are expensed in the Income Statement.

Financial assets – classification and measurement

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

Financial assets at amortised cost

Assets held for the purpose of collecting contractual cash flows and where these cash flows consist solely of payments of principal and interest are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit losses reported (see below under Impairment of financial assets). The Group's financial assets measured at amortised cost consist of accounts receivable Other receivables, accrued income, and cash and cash equivalents.

Financial assets at fair value through profit or loss

Assets that do not fulfil the conditions for measurement at amortised cost are measured at fair value through profit and loss. A profit or loss for a debt instrument measured at fair value through profit or loss and that is not included in a hedging relationship is recognised net in the Income Statement in the period in which the profit or loss arises. Any holdings of derivatives in the form of currency forwards that do not fulfil the criteria for hedge accounting are placed in this category. The Group had no derivatives classified in this category as at 2020-12-31, nor as of 2019-12-31.

Financial liabilities – classification and measurement

The Group classifies and measures its financial liabilities in the categories at amortised cost and at fair value through profit or loss.

Financial liabilities at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are financial liabilities held for trading. Financial liabilities at fair value through profit or loss continue to be measured at fair value in subsequent periods, with the change in value recognised in the Income Statement. Any holdings of derivatives in the form of currency forwards that do not fulfil the criteria for hedge accounting are placed in this category. The Group had no derivatives classified in this category as at 2020-12-31, nor as of 2019-12-31.

Financial liabilities valued at cost

After initial recognition, the Group's other financial liabilities are measured subsequently at amortised cost using the effective interest method. Financial liabilities valued at amortized cost comprise non-current liabilities to credit institutions, factoring credit, liabilities to Group companies, liabilities to associated companies, accounts payable and a proportion of the items other current liabilities and accrued expenses.

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

The Group evaluates future expected credit losses that are associated with assets recognised at amortized cost. The Group reports credit loss reserves for such expected credit losses at each reporting date. For accounts receivable the Group applies the simplified approach to credit loss reserves; in other words, the reserves will equal the expected losses over the lifetime of the receivable. To measure expected credit losses, accounts receivable were allocated to groups with similar credit risk characteristics and days past due. The Group makes use of forward-looking variables for expected credit losses. Expected credit losses are recognised in the consolidated Income Statement on the line Other external expenses.

Accounts receivables

Accounts receivable are amounts attributable to customers relating to goods sold in operating activities. Accounts receivable are classified as current assets. Accounts receivable are initially reported at the transaction price. The Group holds the accounts receivable for the purpose of collecting the contractual cash flows. On subsequent reporting dates accounts receivable are therefore measured at amortised cost using the effective interest method. The Group's accounting policies for impairment losses and calculation of expected credit losses are described in Note 4.

The carrying amount of the accounts receivable includes receivables covered by factoring agreements. In such agreements the Group transfers receivables to a factoring company in return for cash funds, and the receivables cannot therefore be sold or pledged. However, the Group retains the credit risk and the risk of late payment. Accordingly, the Group continues to recognise transferred assets in the Balance Sheet. The amount received through the factoring agreement is recognised as current borrowing against security.

Accounts payables

Accounts payable are obligations to pay for goods and services that have been acquired from suppliers as part of operating activities. The amounts are unsecured and are generally paid within 30 days. Accounts payable are classified as current liabilities if they fall due for payment within 12 months (or during a normal operating cycle if this is longer). If not, they are reported as non-current liabilities. The liabilities are initially recognised at fair value and thereafter at amortised cost using the effective interest method.

Borrowing

New borrowing is initially recognised at fair value, net after transaction costs. Thereafter borrowing is recognised at amortised cost and any difference between the amount received (net after transaction costs) and the repayment amount is recognised in profit or loss and distributed across the loan term, applying the effective interest method.

Borrowing is classified under current liabilities unless the Group has an unconditional right to defer payment of the debt for at least 12 months after the closing date.

Currency derivatives and hedge accounting

Derivatives are reported in the Balance Sheet on the date of contract at fair value, both initially and at subsequent remeasurement at the close of each reporting period. The method used to report the gain or loss arising on remeasurement depends on whether the derivative was designated as a hedging instrument, and if so, the nature of the item hedged.

The Group designates certain derivatives as hedging of a particular risk attributable to a highly probable forecast cash flow transaction (cash flow hedging). When the transaction is entered into, the Group documents the relationship between the hedging instrument and the hedged item, as well as the Group's objective for the risk management and the risk management strategy relating to the hedge. The Group also documents its assessment, both when the hedge is entered into and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be effective as regards countering changes in the cash flows attributable to the hedged items.

Information concerning the fair value of various derivatives used for hedging purposes can be found in Note 4. Changes in the hedging reserves in equity are shown in Note 26. The full amount of fair value of a derivative that comprise hedging instruments is classified as a fixed asset or non-current liability when the hedged item's remaining time to maturity exceeds 12 months, and as a current asset or current liability when the hedged item's remaining time to maturity is less than 12 months.

Transaction exposure – Cash flow hedging

Currency exposure relating to future contracted and forecast cash flows is hedged through forward currency contracts. The currency forwards that hedge the forecast cash flow are recognised in the Balance Sheet at fair value. The effective portion of changes in the fair value of the forward contract is recognised in other comprehensive income and accumulated in equity as long as the hedge is effective. The ineffective portion of the change in value is recognised immediately in the Income Statement within Other operating income (gain) and Other operating expenses (loss) respectively. If the hedge is not effective or if the hedged forecast transaction is no longer expected to occur, accumulated gains or losses are recognised immediately in net profit for the year. The amount that was recognised in equity via other comprehensive income is reversed to net profit for the year in the same period as that in which the hedged item affects net profit for the year and is recognised on the line Other operating income or Other operating expenses. When a hedging instrument expires or is sold, terminated or exercised, or if the company fails to designate the hedging relationship before the hedged transaction has occurred and the forecast transaction is still expected to occur, the reported accumulated gain or loss remains in the hedging reserve in equity and is recognised in the same way as above when the transaction occurs.

Ineffectiveness in hedge accounting

The effectiveness of a hedge is assessed when the hedging relationship is entered into. The hedged item and the hedging instrument are assessed continually to ensure that the relationship fulfils the requirements. When the Group hedges sales of foreign currency, hedging relationships are entered into in which critical conditions of the hedging instrument exactly match the terms of the hedged item. A qualitative assessment of the effectiveness of the relationship is thereby performed. When hedging sales of foreign currency, ineffectiveness can arise if the date of the forecast transaction changes from what was initially estimated.

Intangible assets**Goodwill**

Represents the difference between the cost of business combinations and the fair value of the acquired assets and the liabilities and contingent liabilities assumed. Goodwill is carried at cost less any accumulated impairment losses, and is allocated to cash-generating units and tested at least annually for impairment or if there is any indication of impairment.

Other intangible assets

Other intangible assets acquired by the Group consist of software and trademarks, and are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Amortisation policies

Amortisation is charged to profit for the year on a straight-line basis over the estimated useful life of the intangible asset, unless the useful life is indefinite. Goodwill and other intangible assets with an indefinite useful life or which are not yet ready for use are tested for impairment annually, and also as soon as there is any in-

dication that the value of the asset has decreased. Intangible assets with a definite useful life are amortised from the date on which they are available for use.

The estimated useful life is:
– Software 5 years

Useful life is reviewed annually.

Impairment testing

A number of significant assumptions and judgements must be made in goodwill impairment testing, in order to calculate the cash-generating unit's value in use. These assumptions and judgements relate to the expected future discounted cash flows. Forecasts of future cash flows are based on the best estimates of future income and operating expenses, based on historical development, general market conditions, developments and forecasts for the industry as well as other available information. The assumptions are developed by Management and reviewed by the Board. For further information on goodwill impairment testing see Note 17.

Assets that are depreciated/amortised are tested for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The impairment loss is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less selling costs or its value in use. For impairment testing, assets are grouped at the lowest levels at which there are essentially independent cash flows (cash-generating units). Assets (other than goodwill) that have previously been written down are tested on each closing day to determine whether a reversal should be made.

Property, plant and equipment

Property, plant and equipment are recognised within the Group at cost minus accumulated depreciation and any impairment losses. Cost includes the purchase price plus expenses directly attributable to the asset in order to bring it to the location and condition to be used in the manner intended when it was purchased.

The carrying amount of an asset is derecognised in the Balance Sheet when it is disposed of or divested, or when no further economic benefits are expected from the use or disposal/divestment of the asset. Gains or losses arising from divestment or disposal of an asset consist of differences between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported as other operating income/expenses.

Further expenditures

Further expenditures are added to cost only if it is probable that the Group will enjoy future economic benefits associated with the asset and the cost can be reliably estimated. All other further expenditures are expensed in the period when they arise. Repairs are expensed as incurred.

Amortisation policies

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset. The estimated useful life is:

– Buildings	20–50 years
– Land improvements	20 years
– Plant and machinery	5–20 years
– Equipment, tools, fixtures and fittings	5–10 years

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

Leasing agreements

The Group's leases largely relate to cars and work vehicles. The leases are generally signed for fixed periods of three to six years but may have an option for an extension, as described below. The terms are negotiated separately for each agreement and contain a number of different contractual terms.

Agreements may include both lease and non-lease components. The Group allocates the consideration in the agreement to lease and non-lease components based on their relative standalone prices.

The leases are recognised as a right-of-use asset and a corresponding liability is recognised on the date that the asset is available for use by the Group. The lease payments are each allocated between repayment of the liability and financial expense (interest). The financial expense is to be allocated to each period over the useful life so as to produce a constant periodic rate of interest on the remaining balance of the liability. Right-of-use assets are

depreciated on a straight-line basis over the shorter of the asset's useful life or the term of the lease.

Assets and liabilities arising from leases are recognised initially at present value. Lease liabilities include the present value of fixed payments and/or index- or interest-linked variable lease payments. The lease payments are discounted at the average incremental borrowing rate.

Right-of-use assets are measured at cost and include the initial assessment of the lease liability and payments made on or before the date on which the leased asset was made available. The Group recognises a right-of-use asset on the Balance Sheet as well as a lease liability at the present value of future lease payments. In the cash flow statement the main payment attributable to leases is recognised within financing activities as repayment related to amortisations of lease liabilities. The interest portion is presented in operating activities and is included on the line for interest paid.

In the case of leases where the underlying asset is of low value and short-term with a term of 12 months or less the practical exemption in IFRS 16 is applied whereby payments are 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 on the Balance Sheet.

Options to extend and terminate leases

Options to extend and terminate leases are included in the asset and the liability where it is reasonably certain that the option will be exercised.

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

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost is calculated according to the first-in, first-out principle and includes expenditures arising from the acquisition of inventory assets and from bringing them to their present location and condition. For manufactured goods and work in progress, cost includes a reasonable share of indirect costs based on normal capacity.

Impairment testing

Measurement of the inventory at cost is monitored regularly and any obsolescence is assessed on the basis of relevance, usability and age.

Cash and cash equivalents

The Group's cash and cash equivalents consist of cash at hand and bank balances.

Employee benefits

Short-term benefits

Short-term benefits to employees are calculated without discounting and expensed when the related services are performed. Short-term benefits relate to, among other things, reduced working hours or holiday compensation and are expected to be settled within the coming twelve-month period.

Pensions

The Group has both defined contribution and defined benefit pension plans. Defined contribution pension plans are those where the Group pays fixed contributions to a separate legal entity. The Group has no legal or constructive obligation to pay additional contributions if this legal entity does not have sufficient resources to pay all the benefits to employees that are related to their service in the current or previous periods. The Group therefore has no further risk. The Group's obligations for defined contribution plans are expensed in net profit for the year as they are earned by the employees performing services for the Group over a given period.

A proportion of the pension plans in Sweden are financed by paying insurance premiums to Alecta. This arrangement represents a multi-employer defined benefit plan. Alecta is not currently able to provide the information required in order to recognise the plan as a defined benefit plan and consequently this plan is presented as a defined contribution plan in accordance with UFR 10 Reporting pension plan ITP 2 financed through insurance with Alecta.

Termination benefits

A cost for benefits in connection with termination of employment is reported only if the company is demonstrably obliged under a formal detailed plan to

terminate employment before the normal time, with no realistic possibility of withdrawal. When benefits are offered to encourage voluntary redundancies, an expense is recognised if it is likely that the offer will be accepted and the number of employees that will accept the offer can be reliably estimated.

Equity

Equity in the Group consists of share capital, other restricted capital, reserves, (including exchange differences on translation of foreign operations and changes in the fair value of cash flow hedges) and retained earnings including net profit for the year.

Parent Company Equity comprises share capital and retained earnings including net profit for the year.

Dividend

Any dividend to the equity holders of the Parent Company is recognised as a liability in the consolidated financial statements in the period when the dividend was approved.

Provisions

A provision differs from other liabilities because of prevailing uncertainty about the payment date or the amount required to settle the provision. A provision is recognised in the Balance Sheet when there is an existing legal or constructive obligation due to a past event and it is probable that an outflow of financial resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are made at the amount which is the best estimate of the expenditure required to settle the present obligation on the closing date. Where the effect of the time value of money is material, provisions are determined by discounting the expected future cash flow.

Contingent liabilities

A contingent liability is recognised where there is a possible obligation arising from past events, the existence of which will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is a commitment that is not reported as a liability or provision because it is unlikely that an outflow of resources will be required.

Parent Company Accounting Policies

The Parent Company Annual Report has been prepared 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 statements applicable to listed companies.

The differences between the Group's and Parent Company's accounting policies are presented below and are due to limitations to the application of IFRS to the Parent Company as a result of the Annual Accounts Act (ÅRL). The Parent Company Accounting Policies indicated below have been applied consistently for all periods presented in the Parent Company financial statements, unless otherwise indicated.

Leased assets

The Parent Company has chosen not to apply IFRS 16 Leases, and has chosen to apply RFR 2 IFRS 16 Leases p. 2-12. This choice implies that right-of-use assets and liabilities are not recognised in the Balance Sheet, instead lease charges are recognised as a cost on a straight line basis over the term of the lease. The Parent Company's lease agreements are not material in scope.

Shares in group companies

Participations in subsidiaries are recognised in the Parent Company according to the acquisition value method. This means that transaction expenses are included in recognised amounts for holdings in subsidiaries.

Untaxed reserves

In the Parent Company, untaxed reserves are recognised in the Balance Sheet without being broken down into equity and deferred tax liabilities, unlike for the Group. Similarly, there is no breakdown of appropriations into deferred tax costs in the Parent Company Income Statement.

Group contribution

Group contributions paid by the Parent Company or received from a subsidiary are reported as appropriations in accordance with the alternative rule in RFR 2. Shareholder contributions paid are recognised as and increase in the item Shares in Group companies. At the same time, impairment testing of the value of the shares is required. This testing follows customary regulations for

valuation of the asset. Shareholder contributions received are recognised under non-restricted equity.

NOTE 3 ACCOUNTING ESTIMATES AND JUDGMENTS

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

Management has identified the valuation of goodwill and inventories as areas where key judgements are required.

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

Goodwill impairment testing

Each year the Group performs goodwill impairment testing in accordance with the accounting policy described in Note 2. The recoverable amount for the cash-generating unit is established by calculating value in use. These calculations require certain estimates to be made (see Note 17).

NOTE 4 FINANCIAL RISK MANAGEMENT

Through its business, the Group is exposed to many different financial risks relating to accounts receivable, accounts payable, loans and derivatives: market risk (mainly comprising interest rate risk and foreign currency risk), credit risk, liquidity risk and refinancing risk. The Group endeavours to minimise potential unfavourable effects on the Group's financial results. The Group's financing activities aim to ensure that the Group is able to fulfil its payment commitments, manage financial risk, secure access to financing and limit volatility in cash flow and profit.

Financial and risk management are taken care of by the finance department in accordance with principles approved by the Board, in order to benefit from economies of scale and synergies and to minimise management risk. The finance department is responsible for the Group's borrowing and for its management of foreign currency risk and interest rate risk, and also serves as treasury unit for the Group companies' financial transactions.

The finance department identifies, assesses and hedges financial risk. The Board prepares written principles both for general risk management and for specific areas such as currency and credit risk and the use of derivatives. The Group uses derivatives to hedge certain risk exposure relating to exchange rates and liquidity. Hedge accounting is applied to eliminate the effect of accounting differences between the hedging instrument and the hedged item.

Credit risk

Credit risk arises through holdings of cash and cash equivalents, positive market values on derivatives and customer credit exposure, including outstanding receivables. Credit risk is the risk that the Group's counterparty in a financial instrument is unable to fulfil its obligations, thereby causing the Group a financial loss. The Group has no significant concentrations of credit risk.

(i) Risk management

Credit risk is managed at Group level. Only banks and credit institutions with a minimum rating of A+ from an independent rating agency are accepted. Counterparties in derivative contracts and cash transactions are restricted to financial institutions with high creditworthiness. For financial credit risk the Group has entered into netting agreements with the banks that limit credit exposure in the derivatives. The credit quality of the derivative assets is assessed by reference to external credit ratings (S&P).

Credit risk in cash and derivatives

SEK m	2020	2019
Cash and cash equivalents		
AA	100%	100%
Total	100%	100%
Derivatives		
AA	100%	100%
Total	100%	100%

Age analysis on Accounts receivable

SEK m	Group					
	Gross	Reserves for credit loss	Net	Gross	Reserves for credit loss	Net
	2020			2019		
Not due	335	–	335	349	–	349
Overdue 0-30 days	33	-3	30	50	–	50
Overdue > 30-60 days	4	-4	0	4	–	4
Overdue > 60 days	4	-4	0	8	-8	0
Total	376	-11	365	410	-8	402

The Group has established guidelines to ensure that products are sold to customers with a suitable credit background, taking into consideration the customer's financial position, historical experience and other factors. To minimise the risk in exposure to customers, customer credit insurance is used as far as possible. Where it is not possible to insure the customer or in the case of trade with specific regions, a Letter of Credit (LC) or advance payment are required.

(ii) Security

Customers are credit-insured on an ongoing basis and only a small proportion of accounts receivable relate to customers for which there is currently no credit insurance. In the case of accounts receivable for which no credit insurance is in place, Letters of Credit (LC) are widely used to secure payment. The Group's goal is that 90% of total accounts receivable is 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 according to IFRS 9, but the impairment that might arise has been assessed to be immaterial. The area of application also includes accrued income and receivables on factoring companies.

Accounts receivable

The Group applies a simplified approach to calculating expected credit losses. This approach involves expected losses throughout the term of the receivable being used as a starting point for accounts receivable. The calculation also includes Receivables at factoring companies, reported under Other receivables.

To calculate expected credit losses, accounts receivable have been grouped based on credit risk characteristics and number of days past due. The expected credit loss levels are based on the customers' payment history for a period of 24 months prior to 31 December 2020 and 1 January 2020, respectively along with the loss history for the same period.

Historical losses are then adjusted to take account of current and forward-looking information on market factors that could affect the customers' ability to pay the receivables.

Accounts receivable amounted to SEK 365 m (402) as of 31 December 2020. Average accounts receivable amounted to SEK 383 m (432) in 2020, corresponding to an average customer credit period of approximately 45 days (48). There were no (-) established customer losses in 2020.

The change in loss reserves during the financial year is specified below:

Changes in the loss reserve for accounts receivable

SEK m	2020	2019
Provision at 1 January	-8	-4
Increase in loss reserves, change recognised in the Income Statement	-3	-4
Reversal of earlier allocations to reserves	–	–
As at 31 December	-11	-8

Accounts receivable are written off when there is no reasonable expectation of repayment. Indicators that there is no reasonable expectation of repayment include failure of debt collection processes or the debtor having been declared bankrupt. Credit losses on accounts receivable are recognised as credit losses – net within Other external expenses. Amounts previously written off are reversed by crediting the same line in the Income Statement.

Market risk

(i) Currency risk

The Group operates internationally and is exposed to currency risk that arises from various kinds of currency exposure, particularly as regards US dollars (USD), British pounds (GBP), euros (EUR) and Norwegian kroner (NOK). Currency risk arises from the payment flows in foreign currency, known as transaction exposure, and from the translation of Balance Sheet items in foreign currency, which mainly covers transactions in the currencies USD, EUR and GBP. Currency risk also arises in the translation of foreign subsidiaries' Income Statements and Balance Sheets to the Group's presentation currency of Swedish kronor (SEK), known as translation exposure; the Group having a significant Norwegian subsidiary.

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

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

Impact of hedge accounting on the Group's financial position

SEK m	Currency forwards – nominal amount on the closing date USD m	Currency forwards – nominal amount on the closing date EUR m	Currency forwards – nominal amount on the closing date GBP m	Recognised fair value SEK m	Balance Sheet item associated with hedge instrument
Expiry date Jan 2021 - Dec 2021	2020				
Short-term debt Hedge instrument for cash flow hedging	–	–	–	–	Derivatives
Short-term receivables Hedge instrument for cash flow hedging	15	51	7	34	Derivatives
Expiry date Jan 2020 - Dec 2020	2019				
Short-term debt Hedge instrument for cash flow hedging	7	13	8	7	Derivatives
Short-term receivables Hedge instrument for cash flow hedging	12	64	4	17	Derivatives

Information on the hedge reserve can be found in Note 25.

Hedging instruments have a hedging ratio of 1:1 (1:1). The value change on hedged items (forward exchange contracts) reported as derivatives under current liabilities was SEK 0 m (7) at year end. The value change on hedged items (forward exchange contracts) reported as derivatives under current liabilities was SEK 34 m (17) at year end.

The change in value of the hedged highly probable future transactions (hedged item) corresponds to the changes in value of the forward exchange

contracts (hedging instruments) but with the opposite sign as it is the same currencies and nominal amounts.

All derivative instruments are classified as current assets and current liabilities respectively as of 31 December 2020 and as of 31 December 2019, as the hedged transactions are expected to occur within a twelve-month period.

No ineffectiveness was recognised in the Income Statements for 2020 or 2019.

The weighted averages for outstanding hedging instruments are as follow:

Weighted average of foreign exchange positions for outstanding hedging instruments

SEK m	USD	EUR	GBP	USD	EUR	GBP
	2020			2019		
Current liabilities						
Weighted average for outstanding hedging instruments	–	–	–	9.06	10.41	11.81
Current receivables						
Weighted average for outstanding hedging instruments	8.89	10.42	11.69	9.45	10.63	12.37

Transaction exposure

The Group's risk exposure in foreign currency at the end of the reporting period, expressed in SEK m, was as follows:

SEK m	USD	EUR	GBP	NOK	DKK	USD	EUR	GBP	NOK	
	2020					2019				
Accounts receivables	63	221	37	5	4	74	230	26	–	
Accounts payable	-43	-47	-0	-10	–	-56	-53	-0	–	
Currency forwards										
-Sales of foreign currency (cash flow hedges): outflow (currency above)	15	51	7	–	–	19	77	12	19	
- Sales of foreign currency (cash flow hedges): inflow (SEK)	131	526	81	–	–	175	783	145	20	

Instruments used by the Group

The currency exposure in the Group relates primarily to the euro (EUR), British pound (GBP) and US dollar (USD) and arises through future business transactions and when reported assets and liabilities are expressed in a currency that is not the unit's functional currency. The Group uses exchange rate derivatives to hedge a proportion of net exposure to exchange rate risk in the subsidiaries. According to the Group's Finance Policy, net exposure in EUR,

GBP and USD is hedged using exchange rate derivatives at the following levels: Between 50 and 75 percent of the estimated net exposure is hedged for the coming six-month period, and between 25 and 50 percent for the ensuing six-month period. The Group uses currency forwards to manage exposure to exchange rate risk.

Exchange rate hedging coming 12 months

Currency	Average exchange rate for currency hedges	Exchange rate 31 Dec. 2020	Nominal amount in local currency	Total SEK m	Market value SEK m	Currency hedge as % of net exposure (1–6 months forward)	Currency hedge as % of net exposure (7–12 months forward)
EUR	10.42	10.04	51	526	19	69%	38%
USD	8.89	8.19	15	131	11	67%	37%
GBP	11.69	11.09	7	81	4	64%	38%
Total			73	738	34		

As shown in this section, the Group is mainly exposed to changes in the USD/SEK, EUR/SEK and GBP/SEK exchange rates. The following table illustrates how profit after tax for the full year would be affected by the indicated

exchange rate change, based on transactions in year. Amounts are indicated excluding and including the effect of cash flow hedges.

Sensitivity analysis – exchange rate effect on profit 2020

	This year's average net exposure in local currency (USD m, EUR m, GBP m)	Estimated impact on foreign exchange if the exchange rate change by +/- 5 % in SEK m	The average net exposure for the year, when outstanding hedging is taken into account in local currency (USD m, EUR m, GBP m)	Estimated impact on foreign exchange with outstanding hedging is taken into account if the exchange rate change by +/- 5 % in SEK m
SEK m	Before hedging instruments	Before hedging instruments	After hedging instruments	After hedging instruments
USD/SEK	28	+/-13	13	+/-6
EUR/SEK	95	+/-49	44	+/-23
GBP/SEK	14	+/-8	7	+/-4

The Group's exposure to other exchange rate fluctuations is not material in terms of transaction exposure.

Translation exposure

The Group also has translation exposure that arises on the translation of foreign subsidiaries' earnings and net assets to SEK. The main translation exposure is in respect of Norwegian kroner (NOK), where the exposure on the closing date amounts to SEK 146 m (116). The Group does not hedge translation exposure. A change of 5 percent in the SEK/NOK exchange rate would impact equity by around SEK +/-7 m (+/-6) and profit after tax by SEK +/-5 m (+/-4).

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. The fixed interest period is a significant factor affecting interest rate risk. The Group has a long-term loan that was signed in 2020. The loan is subject to a variable interest rate. The Group has determined a policy for when an interest expense shall be hedged through a fixed rate contract. The policy outlines that Nordic Paper hedges the interest rate for future periods when financial expenses are estimated to amount to 10 percent of profit before financial expenses.

Apart from this, the Group only has current liabilities in the form of factoring credit with a variable interest rate and the interest rate risk of this for cash flow is partly neutralised by cash funds with a variable interest rate. Group exposure for interest rate risk has changed in connection with the loan. In the event of a change in interest rates on the loan by 1 percent in the coming years, it would generate increased interest costs with MSEK 10

Liquidity risk

The Group's prudent liquidity management ensures that there are sufficient cash funds to meet the needs of the operating activities. At the same time, it is ensured that the Group has sufficient cash and cash equivalents to pay its liabilities as they fall due.

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

The Group has an overdraft facility of SEK 200 m (200) as of 31 December 2020, where SEK 0 m (0) has been utilised. In addition, during the year Nordic Paper signed an agreement for a credit facility of a further SEK 600 m that has not been utilised.

In October, the bank credit facility of SEK 950 m was utilised to finance the decided dividend of SEK 950 m to the former Parent Company Sutriv Holding AB, see Note 27.

The Group has no other involvement with bank-type loans.

Maturity analysis for financial liabilities

The table below analyses the Group's financial liabilities, classified according to the contractual term remaining at the closing date, for: a) non-derivative financial liabilities and b) gross-settled derivative instruments (currency forward contracts). The amounts stated in the table are the instrument's contractual undiscounted cash flows. Amounts falling due within 12 months of the balance sheet date correspond to the items' carrying amounts since the discounting effect is insignificant. Future cash flows in foreign currency and variable interest rate have been calculated based on the exchange rate and interest rate effective on the closing date.

Capital management

The Group's aim for its capital structure is to secure the Group's short- and long-term supply of capital. To maintain this, the Group endeavours to use multiple lenders for its financing and to have liabilities with varying maturities.

Contractual maturities of financial liabilities

	< 3 months	3- 12 months	1- 2 years	3- 5 years	>5 years	Total contractual cash flows	Carrying amount
SEK m	31/12/2020						
Financial liabilities (excl. derivatives)							
Liabilities to credit institutions	4	12	16	967	–	999	950
Factoring credit-line	165	–	–	–	–	165	165
Liabilities to associated companies	3	–	–	–	–	3	3
Accounts payable	218	–	–	–	–	218	218
Lease liabilities	0	4	10	6	–	20	19
Other liabilities	1	–	–	–	–	1	1
Total financial liabilities	391	16	26	973	–	1,406	1,356
Derivatives							
Gross-settled currency forwards – cash flow hedges inflow (SEK m)	266	473	–	–	–	739	34
Total inflow	266	433	–	–	–	739	34
outflow (EUR m)	18	33	–	–	–	51	–
outflow (USD m)	5	10	–	–	–	15	–
outflow (GBP m)	2	5	–	–	–	7	–
Total outflow	25	48	–	–	–	73	–
	31/12/2019						
Financial liabilities (excl. derivatives)							
Factoring credit-line	184	–	–	–	–	184	184
Liabilities to Group companies	41	–	–	–	–	41	41
Liabilities to associated companies	3	–	–	–	–	3	3
Accounts payable	262	–	–	–	–	262	262
Lease liabilities	2	6	4	3	0	14	14
Other liabilities	5	–	–	–	–	5	5
Total financial liabilities	496	6	4	3	0	509	509
Derivatives							
Gross-settled currency forwards – cash flow hedges inflow (SEK m)	330	785	–	–	–	1,116	17
	330	785	–	–	–	1,116	17
outflow (EUR m)	22	55	–	–	–	77	–
outflow (USD m)	6	13	–	–	–	19	7
outflow (GBP m)	4	8	–	–	–	12	–
outflow (NOK m)	–	20	–	–	–	20	–
Total outflow	32	96	–	–	–	128	7

NOTE 5 OPERATING SEGMENTS

Operations are divided into segments based on the Group's internal monitoring and reporting to the CEO. The segments are Kraft Paper and Natural Greaseproof Paper. The CEO uses EBITDA to monitor the Group's performance.

Kraft Paper

The Kraft Paper segment, iamKraft®, covers the Group's companies in Bäckhammar and Åmotfors that produce and sell products within iamKraft®.

Natural Greaseproof

Natural Greaseproof segment covers the Group's companies in Säfte and in Greåker, Norway, which produce papers suitable for food preparation and baking, among other things.

Net sales

Sales between segments take place on market terms. Revenues from external customers that are reported by the segments to Group Management are measured in the same way as in the consolidated Income Statement.

EBITDA (Earnings before financial income and costs, taxes, depreciation and amortisation)

Consists of operating profit plus depreciation and amortisation.

NOTE 5 OPERATING SEGMENTS, cont.**Maturity analysis for financial liabilities**

SEK m	Net sales including intragroup sales		Eliminations		Net sales		EBITDA	
	2020	2019	2020	2019	2020	2019	2020	2019
Kraft Paper	1,613	1,855	-37	-36	1,576	1,819	266	504
Natural Greaseproof Paper	1,327	1,412	-	-	1,327	1,412	205	170
Parent company and non-distributed items	34	33	-34	-33	-	-	-13	-46
	2,974	3,300	-71	-69	2,903	3,231	458	629
EBITDA							458	629
Depreciation and amortisation							-110	-99
Net financial income							-20	-11
Profit before tax							328	519
Non-current assets								
Sweden							884	880
Norway							105	112
Total							989	992

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

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Sales of goods	2,903	3,231	-	-
Total	2,903	3,231	-	-

Net sales by geographic market

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Sweden	208	446	19	19
Italy	364	424	-	-
Germany	334	357	-	-
Rest of Europe	1,008	1 069	15	14
USA	275	431	-	-
Rest of world	714	503	-	-
Total	2,903	3,231	34	33

Nordic Paper's ten largest customers account for approximately 22 percent of the company's net sales. In cases where Nordic paper invoices deliveries to Swedish so-called trading houses for further export, these sales are also reported as exports above.

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

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Compensation for CO2 tax	7	6	-	-
Fair value, gains on cash flow hedges	19	-	13	-
Sale of surplus energy, bi-products etc	10	15	-	-
Other	3	0	-	-
Total	39	21	13	-

NOTE 8 REMUNERATION TO AUDITORS

During the year, fees and remuneration to the Auditors was as follows:

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Öhlings PricewaterhouseCoopers AB (Group Auditors)				
Statutory audit	-3	-1	-3	-1
Other services	-6	-1	-6	-1
Total	-9	-2	-9	-1
Other Auditors				
Other services	-0	-	-	-
Total	-0	-	-	-

Audit assignments refer to the audit of the annual report and the accounting, as well as the Board of Directors' and the CEO's administration, other tasks which it is the responsibility of the company's auditors to perform as well as advice or other assistance that is caused by observations during such review or implementation of such tasks. The above fees refer to the following: Öhlings PricewaterhouseCoopers AB Sweden, audit assignment -3 (-1) and other services -6 (-1). Other services refers to consultations prior to the Group's listing. During the year, no other services were performed after the listing on NASDAQ Stockholm apart from pure auditing services in connection with the annual accounts.

NOTE 9 EMPLOYEES AND PERSONNEL EXPENSES

Senior executives include the Board of Directors as well as the Chief Executive Officer and other senior executives. Board fees amounted to SEK 1 m (0).

Decision-making process for remuneration

Remuneration to the CEO and Management is decided by the Board.

Remuneration and other terms for senior executives

The total remuneration for the CEO and other senior executives shall consist of fixed cash base salary, variable cash remuneration, pension benefits and other benefits. With other senior executives means the other 9 (11) persons that together form the management group. The period of notice of employment termination for the CEO and Management is six (6) months if employment is terminated by the company, and six (6) months if terminated by the Employee. In addition, a severance pay of maximum twelve (12) months of fixed cash base salary to the CEO and maximum six (6) months to member of Management may be paid in the event of termination of employment by the company.

The CEO and Management of the Company shall be covered by a Non-Competition clause with legal force of six (6) months after the termination of employment, as well as non-solicitation of relevant parties for the same period. The Company may unilaterally waive the Non-Competition Covenant in its sole discretion. As consideration for the non-compete restriction, the individual shall be entitled to remuneration of 60 percent of the monthly remuneration for the CEO (calculated on fixed cash base salary and variable pay) and 75 percent for the management (calculated on fixed cash base salary).

The CEO has a defined-contribution pension with a premium capped at 40 percent of the fixed annual base salary. Variable cash remuneration shall not qualify for pension benefits, except when it follows from rules under a general pension plan (like the Swedish ITP plan).

Other benefits may include, for example, life insurance, medical insurance and company cars. Such benefits shall be capped at 15 percent of the fixed annual cash base salary.

Average number of employees

SEK m	Of which women		Of which women	
	Total	Total	Total	Total
	2020	2019	2020	2019
Parent Company				
Sweden	2	1	1	1
Subsidiaries				
Sweden	525	123	516	124
Norway	105	20	102	24
Rest of world	0	0	0	0
Total Group	632	144	619	149

Gender distribution, senior executives

SEK m	% women		% men	
	2020	2019	2020	2019
Group				
Board of Directors	30%	70%	20%	80%
The CEO and other senior management	30%	70%	27%	73%
Parent Company				
Board of Directors	30%	70%	20%	80%
The CEO and other senior management	30%	70%	27%	73%

Employee benefits expense

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Salaries and remuneration etc.	-333	-314	-4	-2
Social security contributions	-105	-107	-2	-1
Pension costs	-29	-37	-2	-1
- of which defined benefit	-2	-2	-1	-0
- of which defined contribution	-27	-35	-1	-1
Other personnel expenses	-12	-20	-1	-0
Total	-479	-477	-8	-4
Salaries and other remuneration				
Board members, CEO and other senior executives	-19	-14	-4	-2
- of which bonus etc.	-	-	-	-
Other employees	-314	-300	-	-
- of which bonus etc.	-	-	-	-
Total	-333	-314	-4	-2
Social security contributions				
Pension costs				
- board members, CEO and other senior executives	-4	-4	-2	-1
- other employees	-25	-33	-	-
Other social security costs	-105	-107	-2	-1
Total	-134	-144	-4	-1

NOTE 9 EMPLOYEES AND PERSONNEL EXPENSES, cont.**The Board and senior executives**

	Board fees	Basic salary	Variable remuneration	Pension costs	Other remuneration	Total
SEK	2020					
Arne Wallin	-243,750	-	-	-	-	-243,750
Helene Wilberg	-337,500	-	-	-	-	-337,500
Per Bjurbom, Chairman of the board (Jan-Dec)	-	-	-	-	-	-
Stefan Lundin	-	-	-	-	-	-
Ying Che	-	-	-	-	-	-
Karin Eliasson	-262,500	-	-	-	-	-262,500
Anita Sjölander, CEO (Jan-Dec)	-	-2,259,974	-385,200	-829,932	-	-3,475,106
Other members of senior management	-	-10,660,967	-964,619	-3,593,422	-	-15,219,008
Total	-843,750	-12,920,941	-1,349,819	-4,423,354	-	-19,537,864
SEK	2019					
Arne Wallin	-88,000	-	-	-	-	-88,000
Per Bjurbom, CEO (Jan-Mar)	-	-856,000 ¹	-	-	-	-856,000
Stefan Lundin	-	-	-	-	-	-
Ying Che	-	-	-	-	-	-
Anita Sjölander, CEO (Apr-Dec)	-	-2,152,169	-30,000	-757,968	-	-2,940,137
Other members of senior management	-	-10,057,008	-283,351	-3,128,652	-	-13,469,011
Total	-88,000	-13,065,177	-313,351	-3,886,620	-	-17,353,148

The table describes board fees paid during the year. The remuneration decided by the Annual General Meeting is stated in the corporate governance report.

1) The amount refers to Management fee invoiced from the former parent company Sutriv Holding AB regarding CEO position and is reported as another external cost in the income statement.

NOTE 10 PENSIONS

Nordic Paper has defined-benefit pension plans salaried employees in Sweden under the ITP occupational pension plan. Nordic Paper also has defined-contribution pension plans. In addition, there are several defined-benefit pensions secured through endowment policies. All new earnings under the ITP 2 plan is secured through pension insurance with Alecta.

Defined-benefit plans

According to a statement from the Swedish Financial Reporting Board, UFR 10 Reporting pension plan ITP 2 financed through insurance with Alecta, the ITP plan secured through Alecta is a defined-benefit plan defined as a multi-employer defined-benefit plan.

As Alecta cannot provide the requisite information for reporting the ITP 2 plan as a defined-benefit plan, this has been reported as a defined-contribution plan (see below).

This means that no pension cost for newly earned defined-benefit pension is reported as defined-benefit. The reported defined-benefit pension expense is attributable to earlier periods.

For the financial year 2020, the company has not had access to the information required to report its share of the plan's obligations, assets under management and costs, which means that it has not been possible to report the plan as a defined-benefit plan.

At the end of 2020, Alecta's surplus in the form of the collective consolidation level amounted to 148 percent (148). The collective consolidation level comprises the market value of Alecta's assets as a percentage of insurance commitments calculated according to Alecta's actuarial methods and assumptions, which do not correspond to IAS 19. The collective consolidation level is normally permitted to vary between 125 percent and 155 percent. If Alecta's collective consolidation level falls below 125 percent or exceeds 155 percent, measures shall be taken to ensure that the consolidation level returns to the normal interval.

Expected charges in the forthcoming reporting period for ITP 2-insurance with Alecta amount to SEK 9 m (9).

Defined-contribution plans

The Group has defined-contribution plans where the full cost is covered by the companies. Payment to these plans occurs on an ongoing basis in accordance with the rules governing each plan.

Pension costs

	Group		Parent Company	
SEK m	2020	2019	2020	2019
Pension expenses in profit for the year				
Costs of defined-contribution plans	-21	-27	-1	-1
- of which ITP 2 plan financed by Alecta	-9	-9	-1	-1
Defined benefit pension plans	-2	-2	-	-
Pay roll tax	-6	-8	-0	-0
Total	-29	-37	-2	-1

NOTE 11 DEPRECIATION AND AMORTISATION

	Group	
SEK m	2020	2019
Other intangible assets	-1	-1
Buildings	-12	-12
Machinery and Plant	-86	-76
Equipment, tools, fixtures and fittings	-2	-2
Right-of-use assets	-10	-8
Total	-110	-99

NOTE 12 OTHER OPERATING EXPENSES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Fair value, losses from cash flow hedges	0	-49	0	-36
Translation effect net from revaluation of operating receivables and liabilities	-21	15	0	0
Total	-21	-34	-	-36

NOTE 13 FINANCIAL INCOME

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Interest income	0	-	34	5
Realised exchange rate gains	5	3	-	-
Total	5	3	34	5

NOTE 14 FINANCIAL EXPENSES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Interest costs	-9	-11	-6	-2
Interest expenses on leasing liabilities	-	-0	-	-
Foreign unrealised exchange rate losses	-16	-2	0	0
Total	-25	-14	-6	-2

NOTE 15 TAXES AND DEFERRED TAX

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Tax on profit for the year				
Current tax expense related to net profit for the year	-86	-93	-55	-67
Adjustment of tax attributable to previous years	1	-0	2	0
Deferred tax				
Deferred tax on temporary differences	16	-12	-	0
Total	-70	-105	-52	-67
Reconciliation of effective tax rate				
Profit before tax	328	519	341	359
Tax at effective rate for the Parent (21.4%)	-70	-111	-73	-77
Effect of other tax rates for foreign subsidiaries	-2	-1	0	0
Effect of changed tax rate	0	0	0	0
Changed tax rate for deferred tax assets/ tax liabilities ¹	0	11	0	0
Non-deductible costs	0	-1	-	-1
Non-taxable income	-0	0	19	11
Tax attributable to previous years	1	-0	2	0
Other	1	-3	0	0
Total	-70	-105	-52	-67
Amounts recognised directly in equity				
Total amount of current and deferred tax during the period, relating to items not accounted for in the Consolidated Income Statement or Consolidated Statement of Comprehensive Income, but recognised directly in Consolidated Statement of Changes in Equity:				
- Current tax related to Group contribution	-	-9	-	-
Total	-	-9	-	-

¹) Recalculation was not made in the 2018 financial statements, but was made in 2019.

Deferred tax

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Deferred tax assets				
- To be utilised after more than 12 months	9	6	0	0
To be utilised within 12 months	-	-	-	-
Total	9	6	0	0
Deferred tax liabilities				
- To be utilised after more than 12 months	158	169	0	0
To be utilised within 12 months	-	-	-	-
Total	158	169	0	0

NOTE 15 TAXES AND DEFERRED TAX, cont.**Change in deferred tax, Group**

SEK m	Opening	Recognised in Income Statement	Recognised directly in Equity	Recognised in other comprehensive income	Closing
Deferred tax assets					
Leasing assets	3	1	–	–	4
Pension and Others	3	2	–	–	5
Total	6	3	–	–	9
Deferred tax liabilities					
Intangible and tangible assets	17	-3	–	–	14
Untaxed reserves	150	-13	–	–	137
Financial assets	3	1	–	3	4
Total	169	-14	–	3	158

Change in deferred tax, Group

SEK m	Opening	Effects from application of IFRS 16	Translation, opening balance	Recognised in Income Statement	Recognised directly in equity	Recognised in other comprehensive income	Closing
Deferred tax assets							
Leasing assets	1	3	4	-1	–	–	3
Pension and Others	3	–	3	–	–	-0	3
Total	4	3	7	-1	–	-0	6
Deferred tax liabilities							
Intangible and tangible assets	12	4	15	1	–	–	17
Untaxed reserves	141	–	141	9	–	–	150
Financial assets	0	–	0	1	–	2	3
Total	153	4	157	10	–	2	169

NOTE 16 EARNINGS PER SHARE

SEK m	Group	
	2020	2019
Profit for the year attributable to Parent Company shareholders	258	414
Average number of ordinary shares outstanding	67	67
Basic and diluted earnings per share, SEK	3,85	6,19

The number of shares and the amounts for all periods are recalculated for the split of the company's ordinary shares, 1,400: 1, which was decided at the Extraordinary General Meeting on October 1, 2020.

NOTE 17 GOODWILL

SEK m	Group	
	2020	2019
Cost, opening balance	343	343
Business acquisitions	–	–
Accumulated cost, closing balance	343	343

Impairment testing

The Group's Goodwill of SEK 343 m (343) arose from the acquisition of Wermland Paper AB in January 2008. Goodwill is tested for impairment at the lowest levels for which separate cash flows can be identified (cash-generating units), which in the Group's case means the Group's operating segments Kraft Paper and Natural Greaseproof Paper respectively. Current goodwill relates entirely to Kraft Paper.

The impairment testing consists of assessing whether the unit's recoverable amount is higher than its carrying amount. The recoverable amount has been calculated on the basis of the unit's value in use, which is the present value of the unit's expected future cash flows without taking into account any future expansion of operations or restructuring. The calculation of value in use was based on:

- A discount rate of 8.0 percent before tax (8,7 percent)¹
- A forecast of cash flows over the coming five years
- An annual growth rate of 1 percent (1)

The discounted cash flow model involves forecasting future cash flows from operations including estimates of revenue volumes and production costs. The key assumptions driving expected cash flows over the coming five years are forecasts approved by the executive management and a long-term growth rate of 1 percent (1). Amounts have been estimated for these variables, mainly based on and in accordance with historical experience. The calculations do not indicate any impairment or that any reasonably possible changes in the key assumptions would result in impairment.

Sensitivity analysis

A sensitivity analysis was performed which indicates that a one percentage point increase in the discount rate, a decrease in the sustainable growth rate to zero or utilisation of only the existing cash flows would not result in impairment. The company therefore assesses that there are good margins in the impairment testing performed.

1) The discount rate is calculated as a weighted average cost of capital (WACC) for equity and borrowings respectively.

NOTE 18 CHANGES IN INTANGIBLE ASSETS

SEK m	Group	
	2020	2019
Software		
Cost, opening balance	19	19
Accumulated cost, closing balance	19	19
Depreciation, opening balance	-18	-17
Depreciation for the year	-0	-1
Accumulated cost, closing balance	-18	-18
Carrying amount	1	2

NOTE 19 TANGIBLE FIXED ASSETS

SEK m	Buildings and land		Machinery and Plant		Equipment, tools, fixtures and fittings		Construction in progress		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Cost										
Cost, opening balance	296	293	2,438	2,371	100	99	62	30	2,897	2,792
Acquisitions during the year	–	–	–	–	0	–	102	102	102	102
Sales/disposals	–	–	–	-6	–	–	–	–	–	-6
Reclassifications	0	2	80	65	0	1	-80	-69	0	-1
Translation effects	-5	2	-29	8	-3	1	-1	0	-39	10
Carrying amount at the end of the year	291	296	2,489	2,438	97	100	83	62	2,961	2,897
Accumulated depreciation										
Depreciation, opening balance	-228	-215	-1,940	-1,862	-94	-95	–	–	-2,263	-2,172
Sales/disposals	–	–	–	3	–	3	–	–	–	6
Reclassifications	–	–	–	–	–	–	–	–	–	–
Depreciation for the year	-11	-12	-86	-76	-1	-1	–	–	-99	-89
Translation effects	3	-1	21	-6	2	-0	–	–	27	-8
Accumulated cost, closing balance	-237	-228	-2,005	-1,940	-93	-94	–	–	-2,335	-2,263
Recognised amount, Balance Sheet	55	68	484	498	4	6	83	62	626	634

NOTE 20 RIGHT-OF-USE ASSETS

SEK m	Group	
	2020	2019
Right-of-use assets		
Company car	1	2
Work vehicles	14	6
Machinery	3	4
Total	18	12
Leasing liability¹		
Current	10	6
Non-current	9	7
Total	19	13
1) see Note 4 maturity analysis lease liabilities		
Amount relating to right-of-use assets recognised in the Income Statement		
Depreciation of right-of-use assets		
Company car	-2	-2
Work vehicles	-9	-5
Machinery	-1	-2
Total	-11	-8
SEK m	Group	
	2020	2019
Interest expenses and leasing costs		
Interest expenses (included in financial expenses)	-1	-0
Expenses attributable to variable lease payments not included in lease liabilities (included in Other external expenses)	-0	-0
Expenses attributable to lease agreements for which the underlying asset is of low value that are not short-term lease agreements (included in Other external expenses)	-1	-2
Total	-2	-2
Other information		
Additional right-of-use assets		
Company car	1	0
Work vehicles	14	1
Machinery	1	1
Total	16	2
Total cash flow for leasing	12	10
Commitments for lease agreements not provided	14	0

NOTE 21 FINANCIAL ASSETS AND LIABILITIES

SEK m	Accrued acquisition value	Derivatives used in the hedge accounting	Total carrying amount	Fair value	Accrued acquisition value	Derivatives used in the hedge accounting	Total carrying amount	Fair value
	2020				2019			
Value classification	Level 2				Level 2			
Assets in the Balance Sheet								
Accounts receivables	365	–	365	365	402	–	402	402
Derivatives	–	34	34	34	–	17	17	17
Other receivables	35	–	35	35	74	–	74	74
Cash and cash equivalents	415	–	415	415	247	–	247	247
Accrued income	6	–	6	6	4	–	4	4
Total	821	34	855	855	727	17	744	744
Liabilities on the Balance Sheet								
Liabilities to credit institutions	950	–	950	950	–	–	–	–
Factoring credit-line	165	–	165	165	184	–	184	184
Liabilities to associated companies	3	–	3	3	3	–	3	3
Derivatives	–	–	–	–	–	7	7	7
Liabilities to Group companies	–	–	–	–	41	–	41	41
Accounts payable	218	–	218	218	262	–	262	262
Other liabilities	1	–	1	1	4	–	4	4
Accrued expenses and deferred income	171	–	171	171	147	–	147	147
Total	1,508	–	1,508	1,508	641	7	648	648

Liabilities to leasing companies have been measured according to IFRS 16.

Nordic Paper has performed an assessment of the risk of losses for all financial assets. Credit loss provisions have been made for accounts receivable and for receivables relating factoring credit-line, but the risk of losses on other financial assets has been assessed to be immaterial and therefore no provisions have been made (refer to Note 4 credit risk).

Measurement of fair value

The Group has derivative instruments that are measured at fair value based on Level 2 inputs in the fair value hierarchy. Fair value on long-term loans is assessed to correspond to the recognised amount as interest is variable and on market terms. Other financial instruments have a short time to maturity and for these the carrying amount is considered to correspond to their fair value.

The three different levels are defined as follows:

(a) Financial instruments at Level 1

Quoted prices (unadjusted) in active markets for identical assets or liabilities.

(b) Financial instruments at Level 2

Inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as quoted prices) or indirectly (i.e. derived from quoted prices).

(c) Financial instruments at Level 3

Where one or more significant inputs are not based on observable market data, the instruments concerned are classified at Level 3.

Financial instruments at Level 2

The fair value of financial instruments that are not traded in an active market (for example, OTC derivatives) is established using valuation techniques. Market data is used here as far as possible where it is available, while company-specific information is used to the minimum extent possible. If all the significant inputs required for fair value measurement of an instrument are observable, the instrument is classified at Level 2. No transfers between levels have been made during the year.

There exists an agreement regarding netting, but it has not been used.

NOTE 22 OTHER PROVISIONS

SEK m	Group	
	2020	2019
Opening balance	22	10
Provisions for the year	4	12
Provision reversal during the year	-8	–
Closing balance 31 December	18	22

Other provisions relate to assessed remediation costs for a landfill site and for oil-contaminated soil that was found in 2019. For the oil contamination the cost has been assessed by a third party and the outflow is expected to occur within three years. For the landfill restoration the outflow will take place over the period up to 2032, but the distribution of the costs over time is uncertain.

NOTE 23 INVENTORIES

SEK m	Group	
	2020	2019
Raw materials and consumables used	283	289
Finished goods and goods for resale	162	181
Total	445	470

Operating expenses include impairment of inventories of SEK 15 m (24).

NOTE 24 OTHER RECEIVABLES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Receivables from factoring companies	18	20	0	0
Receivables relating to value-added tax	33	40	1	0
Funds in clearing account for taxes	13	3	1	2
Other	4	10	0	0
Total	68	74	2	2

NOTE 25 PREPAID EXPENSES AND ACCRUED INCOME

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Prepaid insurance premiums	7	7	7	0
Prepaid service and support agreements	1	3	1	0
Accrued income	6	4	0	0
Other items	10	2	6	0
Total	24	15	15	0

NOTE 26 EQUITY**Share capital**

As at 31 December 2020 the registered share capital comprised 66,908,800 ordinary shares with a quotient value of SEK 0.285715. Holders of ordinary shares are entitled to a dividend set from time to time and to voting rights at the general meetings, at one vote per share. All shares are entitled to an equal share in remaining net assets in Nordic Paper Holding AB. The number of shares and the amounts for all periods are recalculated for the split of the company's ordinary shares, 1,400: 1, where as the shares went from 47 792 to 66 908 800, which was decided at the Extraordinary General Meeting on October 1, 2020.

Reserves*Translation reserve*

The translation reserve covers all exchange rate differences arising on the translation of financial statements for foreign operations which prepare their financial statements in a currency other than the currency in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in Swedish kronor. Accumulated translation differences are recognised in profit or loss upon disposal of the foreign operation.

Translation reserve

SEK m	Group	
	2020	2019
Opening balance	-22	-26
Translation differences for the year	-15	4
Translation differences transferred to profit for the year	0	0
Total	-37	-22

Hedging reserve

The hedging reserve include the effective share of the accumulated net change of the fair value on a cash flow hedging instrument attributable on not occurred hedging transactions.

Changes in hedging reserve (cash flow hedge)

SEK m	Group	
	2020	2019
Opening balance	10	1
Cash flow hedges:		
Additional: Changes in fair value of cash flow hedges recognised in other comprehensive income	16	11
Additional: Deferred tax on fair value change	4	-
Less: Reclassification to Income Statement (under Other operating expenses/other operating income)	-7	-
Less: Deferred tax on derivatives reclassified to Income Statement	-1	-2
Closing balance, hedging reserve	22	10

Retained earnings

Retained earnings include profit for the year and earnings in the Parent Company and its subsidiaries, and associated companies.

Dividend

After the closing date, the Board proposed a dividend of SEK 2 per ordinary share to the AGM, totalling SEK 134 m. The proposal is subject to authorization by the AGM on 20 May 2021.

Dividend

	Group	
	2020	2019
Dividend SEK m	134	950
Dividend per ordinary share, SEK	2.00	14.20
Average no. of outstanding shares	66,908,800	66,908,800

NOTE 27 PROPOSED DISTRIBUTION OF EARNINGS

Non-restricted equity in the Parent Company is as follows:

SEK	31/12/2020
Retained earnings	115,902,221
Profit for the year	289,416,500
Total	405,318,721

The Board proposes

Dividend to shareholders, 66,908,800 shares, SEK 2.00 per share	133,817,600
Remaining amounts are carried forward.	271,501,121
Total	405,318,721

NOTE 28 INTEREST-BEARING LIABILITIES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Non-current liabilities				
Liabilities to credit institutions, 1-4 years after the closing date	950	–	950	–
Leasing liabilities, 1-4 (5) years after the closing date	9	7	–	–
Total	959	7	950	–
Current liabilities				
Factoring credit-line	165	184	–	–
Lease liabilities	10	6	–	–
Total	175	190	–	–
Overdraft facilities drawn	–	–	–	–
Overdraft facilities granted	200	200	200	200
Approved credit facility	600	–	600	–

Terms and repayment dates

SEK m	Currency	Matures	Interest	Carrying amount	
				2020	2019
Liabilities to credit institutions	SEK	2023	Variable	950	0
Factoring credit-line	SEK	2021	Variable	165	184
Lease liabilities	SEK	Varies	Fixed	19	13
Total				1,134	197

The parent company signed a credit agreement with its banks in September 2020. The credit agreement includes a loan of SEK 950 million, which was raised in October 2020 as well two unutilised credit facilities totaling SEK 800 million, of which SEK 200 million relates to one overdraft facility and SEK 600 million pertain to a loan facility. The loan of MSEK 950 as lifted in October intended to finance dividends paid with the same amount to it formerly the parent company Sutriv Holding AB.

The loans run with requirements to contain certain covenants as well the ratio between net debt and EBITDA, as well as the interest subscription ratio measured as the relationship between EBITDA and financial expenses. Funding is running with a variable interest rate that is determined quarterly based on those specified covenants. The loan terms have been met in 2020.

NOTE 29 OTHER LIABILITIES

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Employee taxes and other				
Employee-related charges	11	10	0	0
Other	1	4	0	1
Total	12	14	0	1

NOTE 30 ACCRUED EXPENSES AND DEFERRED INCOME

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Accrued salaries and holiday pay	55	53	1	0
Accrued social security contributions	33	25	0	0
Accrued interest	0	0	–	–
Customer bonuses	20	20	–	–
Agents' provision	6	6	–	–
Accrued raw materials and energy costs	16	46	–	0
Other items	74	32	-0	0
Total	204	182	1	1

NOTE 31 PLEDGED ASSETS

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Relating to liabilities to credit institutions				
Real estate mortgages	–	239	–	–
Floating charges	–	250	–	–
Shares in subsidiaries	–	750	–	896
Factored accounts receivable	165	184	–	–
Total	165	1,423	–	896
Other pledged assets				
Right-of-use assets	18	12	–	–
Total pledged assets	183	1,435	–	896

NOTE 32 CONTINGENT LIABILITIES

The subsidiaries Nordic Paper Bäckhammar AB and Nordic Paper Seffle AB have signed a factoring and lease agreement with a credit institution. Under the terms of this agreement the Parent Company guarantees up to SEK 238 m (238) plus interest and fees, for any future claims relating to the subsidiaries.

NOTE 33 SHARES IN GROUP COMPANIES**Parent Company holding**

	Domicile	Holding	Number of shares	Carrying amount	Carrying amount
SEK m				2020	2019
Nordic Paper Bäckhammar AB, 556044-8952	Kristinehamn	100%	50,000	702	702
Nordic Paper Seffle AB, 556000-2221	Säffle	100%	5,000	70	70
Nordic Paper AS, 983633080	Sarpsborg	100%	47,792	124	124
Total				896	896

Shares in Group companies

	Parent Company	
SEK m	2020	2019
Carrying amount at the end of the year	896	896
Acquisitions	-	-
Impairment	-	-
Disposal	-	-
Recognised at year end	896	896

Indirect holding

	Domicile	Holding	Owned by
Nordic Paper Åmotfors AB, 556209-7294	Eda	100 %	Nordic Paper Bäckhammar AB

Profit/Loss from participations in Groupcompanies

	Parent Company	
SEK m	2020	2019
Group contribution received/paid	199	427
Dividend received	66	50
Total	265	477

NOTE 34 RELATED PARTIES

This Note reports transactions with the Group's associated companies Åmotfors Energi AB and the Group's former subsidiary, Sutriv Holding AB.

For information about remuneration to senior executives, see Note 10 Employees and personnel expenses.

SEK m	Sales of goods/ services	Purchase of goods/ services	Other	Receivables on the closing date	Liabilities on the closing date
Group					
Associated company					
2020	4	25	-	-	3
2019	7	40	-	-	3
Owner company					
2020	-	5	-	-	-
2019	-	6	-	-	41
Parent Company					
Subsidiary					
2020	34	28	-	199	-
2019	33	27	-	469	-
Owner company					
2020	-	5	-	-	-
2019	-	6	-	-	41

NOTE 35 CASH FLOW ANALYSIS

SEK m	Group		Parent Company	
	2020	2019	2020	2019
Adjustment for non-cash items				
Depreciation and amortisation	110	99	–	–
Currency translation effects	12	20	–	-0
Derivatives changes in fair value	-24	-13	–	–
Other	-11	15	–	-0
Total	87	121	–	-1

SEK m	Group							
	2020				2019			
	Liabilities to credit institutions	Leases	Factoring credit-line	Overdraft facilities drawn	Liabilities to credit institutions	Leases	Factoring credit-line	Overdraft facilities drawn
Financing activities, changes in liabilities								
Opening balance 1 January	–	13	184	–	–	–	203	65
Translation upon transition to IFRS 16	–	–	–	–	–	17	–	–
New opening balance	–	–	–	–	–	17	203	65
Changes influencing cash flow	950	-10	-19	–	–	-8	-18	-65
Other changes not influencing cash flow	–	16	–	–	–	4	–	–
Closing balance as of 31 December	950	19	165	–	–	13	184	–

SEK m	Parent Company							
	2020				2019			
	Liabilities to credit institutions	Leases	Factoring credit-line	Overdraft facilities drawn	Liabilities to credit institutions	Leases	Factoring credit-line	Overdraft facilities drawn
Financing activities, changes in liabilities								
Opening balance 1 January	–	–	–	–	–	–	–	65
Changes influencing cash flow	–	–	–	–	–	–	–	-65
Other changes not influencing cash flow	–	–	–	–	–	–	–	–
Closing balance as of 31 December	–	–	–	–	–	–	–	–

NOTE 36 APPROPRIATIONS

SEK m	Group	
	2020	2019
Group contribution received/paid	199	427
Change in tax allocation reserve	53	-77
Total	252	350

NOTE 37 SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no significant events after the closing date.

The undersigned hereby give their assurance that the Consolidated Financial Statements and Annual Report have been prepared in accordance with international accounting standards, IFRS as adopted by the EU, and that they give a fair and accurate view of the Group's and Parent Company's financial position and results of operations.

The Director's Report for the Group and Parent Company gives a fair and accurate view of the Group's and Parent Company's operations, financial position and results of operations, and describes the

significant risks and uncertainty factors the Parent Company and its subsidiaries face.

The Annual Report and Sustainability Report Report and Consolidated Financial Statements have been approved for publication by the Board of Directors on 15 April 2021.

The Group's Statement of Comprehensive Income and Balance Sheet, and the Parent Company's Income Statement and Balance Sheet, are subject to authorisation by the AGM on 20 May 2021.

Karlstad, 15 April 2021

Per Bjurbom
Chairman

Helene Willberg

Stefan Lundin

Karin Eliasson

Arne Wallin

Ying Che

Anita Sjölander
CEO

Per Gustafsson
Employee representative

Tommy Hedlund
Employee representative

Our Audit Report was submitted on 15 April 2021

Öhlings PricewaterhouseCoopers AB

Martin Johansson
Authorized Public Accountant

AUDITOR'S REPORT

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

Unofficial translation

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 2020 except for the corporate governance statement on pages 50-56. The annual accounts and consolidated accounts of the company are included on pages 46-96 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 2020 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 2020 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 50-56. 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 judgements; 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 four subsidiaries. Two operating segments have been identified in Nordic Paper's business – Kraft Paper and Greaseproof Paper. For the Group audit, we have selected the Parent Company and two subsidiaries, which represent two operating segments with 100% coverage of the Group's sales.

The Parent Company's shares have been listed on Nasdaq Stockholm since 12 October 2020 and, accordingly, we audited the interim report for the third quarter. We report our observations to the Audit Committee in conjunction with our audits and we sign an external audit report for the third quarter. 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 judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine 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 mat-

ters 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.

Cut-off and accuracy in revenue recognition

Accuracy in terms of ensuring the correct amounts and 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.

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.

See also Note 2 – Accounting policies

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-45 and 50-56. 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 accord-

ance 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 2020 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' 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 CORPORATE GOVERNANCE STATEMENT

The Board of Directors is responsible for that the corporate governance statement on pages 50-56 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, was appointed auditor of Nordic Paper Holding AB (publ) by the general meeting of the shareholders on the 12 March 2020 and has been the company's auditor since the company was listed in 2020.

Stockholm 15 April 2021

Öhrlings PricewaterhouseCoopers AB

Martin Johansson

Authorized Public Accountant

THE SHARE

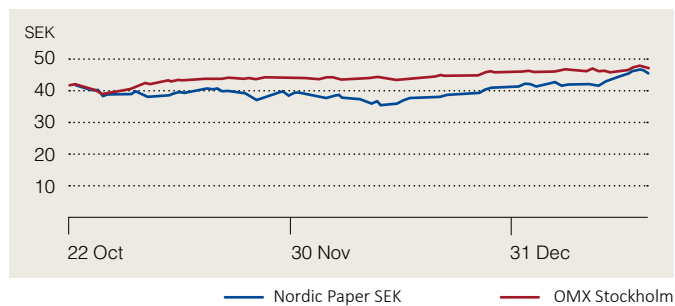
Nordic Paper's share was listed on Nasdaq Stockholm, mid cap, on 22 October 2020, and is traded under the ticker NPAPER.

SHARE PRICE AND TURNOVER

The closing price in the Nordic Paper share on the last trading day of December 2020 was SEK 38.62, corresponding to market capitalisation of SEK 2,584 m. This corresponds to a decrease of 9.1% compared to the closing price on the first trading day (22 October).

In the corresponding period, the OMX Stockholm index increased by 6.1%. The highest closing price for the Nordic Paper share in the period was SEK 42.00 on 22 October. The lowest closing price of SEK 35.60 was recorded on 21 December.

SHARE PRICE 2020



LIQUIDITY

For the months that Nordic Paper was listed in 2020, average share turnover on Nasdaq Stockholm was some 291,000 Nordic Paper shares daily, corresponding to some SEK 11 m. The rate of turnover was 112%.

SHARE CAPITAL AND VOTES

As of 31 December 2020, there were a total of 66,908,800 shares in Nordic Paper. Each share confers one vote at shareholders' meetings. The share capital totalled SEK 19,116,800. The quotient value per share is SEK 0.285715.

SHARE CAPITAL DEVELOPMENT

Year	Event	Change in number of shares	Number of shares	Change in share capital, SEK m	Share capital, SEK m
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

SHAREHOLDER STRUCTURE

Holding	Number of shareholders	Number of issued shares	Capital & votes, %
1- 500	2,088	389,767	0.58
501- 1,000	234	181,604	0.27
1,001- 5,000	176	383,331	0.57
5,001- 10,000	75	511,722	0.76
10,001- 15,000	26	312,693	0.47
15,001- 20,000	5	92,800	0.14
20,001-	57	65,036,883	97.20
Total	2,661	66,908,800	100

OWNERSHIP STRUCTURE

Nordic Paper had 2,674 shareholders as of 31 December 2020. Of total share capital, some 12% was owned by international investors, some 85% by Swedish companies, institutions and equity funds, and some 3% by Swedish private individuals. Sutriv Holding AB, wholly owned by Shanying International, is the only shareholder with a holding corresponding to a minimum of 10% of the votes and shares in Nordic Paper.

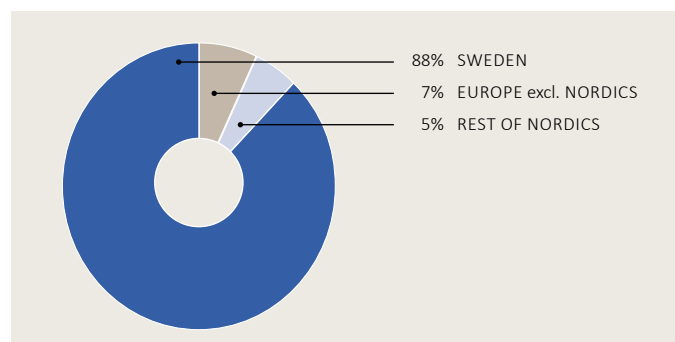
LARGEST SHAREHOLDERS

SHAREHOLDER	NUMBER OF SHARES	VOTES & CAPITAL, %
Sutriv Holding AB	32,220,312	48.16
AMF – Försäkring och Fonder	6,500,000	9.71
Swedbank Robur Fonder	6,289,511	9.40
Ålandsbanken	2,741,650	4.10
UBS Switzerland AG	2,462,965	3.68
Handelsbanken fonder	1,888,460	2.82
Carnegie fonder	1,454,529	2.17
Länsförsäkringar fondförvaltning AB	1,201,668	1.80
Försäkringsbolaget Avanza Pension	1,013,301	1.51
Nordea Livförsäkring Sverige AB	883,658	1.32
Other	10,252,746	15.33
TOTAL	66,908,800	100.00

DIVIDEND AND DIVIDEND POLICY

Approximately 50-70% of net profit is to be paid as dividend. The proposed dividend shall take Nordic Paper's financial position, liquidity position, future investment needs and general macroeconomic and business conditions into account. The Board proposes a dividend of SEK 2.00 per share for the financial year 2020.

SHAREHOLDERS PER GEOGRAPHICAL AREA



GROUP DEVELOPMENT FIVE-YEAR OVERVIEW

Income statement, SEK m	2020	2019	2018	2017	2016
Net sales	2,903	3,231	3,035	2,777	2,527
EBITDA	458	630	509	522	426
Depreciation and amortisation	-110	-99	-89	-90	-89
Operating profit	348	531	420	432	337
Results from financial items	-20	- 11	-9	-25	-27
Profit before tax	328	519	411	407	310
Tax	-70	-105	-92	-91	-75
Profit for the year	258	414	319	315	235
Balance sheet, SEK m					
Non-current assets	997	998	972	973	992
Inventories	445	470	469	403	418
Short term receivables	490	521	586	485	443
Cash and cash equivalents	415	247	-	89	168
Total equity	594	1,288	892	577	370
Interest-bearing liabilities, long term	959	7	13	426	722
Interest-bearing liabilities, short term	175	231	374	291	294
Non interest-bearing liabilities, long term	176	191	163	156	145
Non interest-bearing liabilities, short term	445	519	585	500	490
Total equity and liabilities	2,349	2,236	2,027	1,950	2,021
Key Figures					
EBITDA margin, %	15.8	19.5	16.8	18.8	16.8
Operating margin, %	12.0	16.4	13.8	15.5	13.3
Cashflow from operating activities	351.8	450.7	337.9	396.0	357.5
Investments	102.0	100.0	91.0	82.0	81.0
Return on operating capital 12m, %	26.9	39.4	32.8	35.6	27.5
Equity ratio, %	25.3	57.6	44.0	29.6	18.3
Net debt/EBITDA, multiple	1.6	0.0	0.8	1.2	2.0
Earnings per share before dilution, SEK	3.85	6.19	4.76	4.71	3.51
Earnings per share after dilution, SEK	3.85	6.19	4.76	4.71	3.51
Average number of employees, FTE	632	619	615	623	597
Sales volume, kton	267	272	267	277	263

DEFINITION

Non IFRS-nyckeltal	Description	Reason
Sales volume	Sales of paper and pulp from segment or the group, disclosed in ktonnes	Shows if a business is expanding or contracting
EBITDA	EBITDA (earnings before financial income and costs, taxes, depreciation and amortisation) is the operating profit plus depreciation, impairment and amortisation	A measurement that eliminates the effects of non-cash expenses and shows how much cash the business can generate
EBITDA margin	EBITDA as a percentage of net sales	Shows how much cash the business can generate in relation to revenue
Operating profit	Result before financial income, cost and tax	Shows the result in the company's operational business
Operating margin	Rörelseresultat som procent av nettoomsättningen	Shows operating profit in relation to net sales and is a measurement of the profitability in the company's operational business
Cash flow from operating activities	Cash flow before acquisitions of intangible and tangible assets, amortisation of loans, new loans, group contribution and dividend to the owners	Indicates the amount of cash company brings in from its ongoing, regular business activities
Cash conversion*	The sum of EBITDA less change in net working capital minus investments, divided by EBITDA, disclosed as a percentage	Cash conversion shows how efficient a company are in generating cash flow in relation to EBITDA
Investments	Cash flow effects from acquisition of tangible and intangible assets	Shows the acquisition of tangible and intangible assets, acquired to maintain and develop the business
Net working capital	Total of inventories, trade receivables, trade payables, other operating assets and liabilities, excluding derivatives	Shows the net of current assets and current liabilities utilised in operations
Change in net working capital	Net working capital for the reported period less the net working capital for the earlier period.	Shows the development of the net working capital
Net working capital as a percentage of net sales*	Net working capital divided with net sales	Indicates a company's effectiveness in using its working capital.
Operating capital	Net working capital added with intangible and tangible assets and deferred tax receivables and liabilities	Shows the capital utilised to run the operations
Return on operating capital*	Operating profit as a percentage of operating capital	Shows how efficiently the company generates profits from the capital utilised in the operations
Return on equity*	Net profit for the period as a percentage of average equity	Shows the return that is generated on the shareholders' capital that is invested in the company
Interest-bearing debts	Interest-bearing liabilities, short term and long term plus interest-bearing provisions	Shows the total amount of the financing of the company
Net debt	Interest-bearing liabilities, minus cash and cash equivalents	A measurement of the company's financial position – shows how much cash would remain if all debts were paid off
Net debt/EBITDA ratio*	Net debt in relation to EBITDA	A measure of financial risk and is an indication of repayment capacity
Debt/Equity ratio	Net debt divided by equity, disclosed as a percentage	Shows the relation between externally financed capital and equity
Equity ratio	Equity divided with total assets, disclosed as a percentage	Shows the part of the assets that is financed by equity

*Calculated based on the last 12 months value, calculated as an average of 12 months. The 12M value has not been adjusted for the effect of the transition to IFRS 16 as of January 1, 2019. The 12 months value provides comparison that reflect both current and seasonal variations, which improves the ability to make comparisons over time