

An aerial photograph of a dense forest, likely a boreal forest, with a road running vertically through the center. The trees are mostly evergreens, with some deciduous trees showing autumn colors. The lighting is bright, creating a high-contrast scene.

ARCTIC PAPER CAPITAL GROUP

Consolidated quarterly report
for Q1 2021

Translator's Explanatory Note: the following document is a free translation of the report of the above-mentioned Company. In the event of any discrepancy in interpreting the terminology in Polish version is binding.

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Introduction

Information on the report

This Consolidated Quarterly Report for Q1 2021 was prepared in accordance with the Minister of Finance Regulation of 29 March 2018 on current and periodic disclosures made by issuers of securities and terms and conditions of classifying as equivalent information required by the law of non-member states (Journal of Laws of 2018, item 757) and a part of the condensed consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), in particular in accordance with International Accounting Standard No. 34.

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

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

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

Definitions and abbreviations

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

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

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

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

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

Definitions of selected terms and financial indicators and abbreviations of currencies

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

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

Other definitions and abbreviations

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

Forward looking statements

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



**Selected consolidated
and standalone
financial data**

Selected consolidated financial data

	For the period from 01.01.2021 to 31.03.2021 PLN '000	For the period from 01.01.2020 to 31.03.2020 PLN '000	For the period from 01.01.2021 to 31.03.2021 EUR '000	For the period from 01.01.2020 to 31.03.2020 EUR '000
Sales revenues	782 812	813 948	172 170	188 166
Operating profit (loss)	43 183	79 665	9 498	18 417
Gross profit (loss)	38 897	73 416	8 555	16 972
Net profit (loss) for the period	32 269	62 289	7 097	14 400
Net profit (loss) for the financial year attributable to the shareholders of the Parent Entity	29 095	54 963	6 399	12 706
Net cash flows from operating activities	24 076	70 781	5 295	16 363
Net cash flows from investing activities	(35 514)	(37 565)	(7 811)	(8 684)
Net cash flows from financing activities	(24 347)	(34 185)	(5 355)	(7 903)
Change in cash and cash equivalents	(35 785)	(969)	(7 870)	(224)
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	0,42	0,79	0,09	0,18
Diluted EPS (in PLN/EUR)	0,42	0,79	0,09	0,18
Mean PLN/EUR exchange rate*			4,5467	4,3257

	As at 31 March 2021 PLN '000	As at 31 December 2020 PLN '000	As at 31 March 2021 EUR '000	As at 31 December 2020 EUR '000
Assets	2 134 953	2 136 646	458 115	462 999
Long-term liabilities	452 528	464 596	97 103	100 675
Short-term liabilities	636 244	639 016	136 524	138 471
Equity	1 046 181	1 033 033	224 488	223 852
Share capital	69 288	69 288	14 868	15 014
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	15,10	14,91	3,24	3,23
Diluted book value per share (in PLN/EUR)	15,10	14,91	3,24	3,23
Declared or paid dividend (in PLN/EUR)	-	-	-	-
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at the end of the period**	-	-	4,6603	4,6148

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

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

Selected standalone financial data

	Period from 01.01.2021 to 31.03.2021 PLN '000	Period from 01.01.2020 to 31.03.2020 PLN '000	Period from 01.01.2021 to 31.03.2021 EUR '000	Period from 01.01.2020 to 31.03.2020 EUR '000
Sales revenues	4 690	5 171	1 032	1 195
Operating profit (loss)	(617)	(1 928)	(136)	(446)
Gross profit (loss)	(7 080)	(7 791)	(1 557)	(1 801)
Net profit (loss) from continuing operations	(7 080)	(7 791)	(1 557)	(1 801)
Net profit (loss) for the period	(7 080)	(7 791)	(1 557)	(1 801)
Net cash flows from operating activities	(6 170)	41 261	(1 357)	9 539
Net cash flows from investing activities	-	-	-	-
Net cash flows from financing activities	(18 376)	(32 167)	(4 042)	(7 436)
Change in cash and cash equivalents	(24 545)	9 094	(5 399)	2 102
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	(0,10)	(0,11)	(0,02)	(0,03)
Diluted EPS (in PLN/EUR)	(0,10)	(0,11)	(0,02)	(0,03)
Mean PLN/EUR exchange rate*			4,5467	4,3257

	As at 31 March 2021 PLN '000	As at 31 December 2020 PLN '000	As at 31 March 2021 EUR '000	As at 31 December 2020 EUR '000
Assets	863 215	882 117	185 227	191 150
Long-term liabilities	16 429	31 049	3 525	6 728
Short-term liabilities	281 338	280 472	60 369	60 777
Equity	565 448	570 595	121 333	123 644
Share capital	69 288	69 288	14 868	15 014
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	8,16	8,24	1,75	1,78
Diluted book value per share (in PLN/EUR)	8,16	8,24	1,75	1,78
Declared or paid dividend (in PLN/EUR)	-	-	-	-
Declared or paid dividend per share (in PLN/EUR)	-	-	-	-
PLN/EUR exchange rate at the end of the period**	-	-	4,6603	4,6148

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

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

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

Management Board's Report from operations of the Arctic Paper Capital Group

to the report for Q1 2021

Description of the business of the Arctic Paper Group

General information

The Arctic Paper Group is a leading European producer in terms of production volume of bulky book paper, offering a broad range of products in the segment and one of the leading producers of high-quality graphic paper in Europe. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As on the day hereof, the Arctic Paper Group employs app. 1,500 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production and a company producing food packaging. The Group's Paper Mills located in Poland and Sweden have total production capacity of over 685,000 tonnes of paper per year. The Pulp Mills are located in Sweden and have total production capacity of 400,000 tonnes of pulp per year. The Group has fourteen Sales Offices which handle distribution and marketing of products offered by the Group providing access to all European markets, including Central and Eastern Europe. The Group's consolidated sales revenues for Q1 2021 totalled PLN 783 million.

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

Business objects

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

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

- generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper distribution.

Our production facilities

As on 31 March 2021, as well as on the day hereof, the Group owned the following Paper Mills:

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

As on 31 March 2021, as well as on the day hereof, the Group owned the following Pulp Mills:

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

Our products

The product assortment of the Arctic Paper Group covers:

- Uncoated wood-free paper;
- Coated wood-free paper;
- Uncoated wood-containing paper;
- Sulphate pulp;
- Mechanical fibre pulp.

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

Capital Group structure

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

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

Changes in the capital structure of the Arctic Paper Group

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

In Q1 2021, no changes in the capital structure of the Arctic Paper Group occurred.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 31 March 2021) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 31 March 2021 was 68.13% and has not changed until the date hereof.

as at 11.05.2021

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 205 107	68,13%	47 205 107	68,13%
- indirectly via	40 981 449	59,15%	40 981 449	59,15%
<i>Nemus Holding AB</i>	40 381 449	58,28%	40 381 449	58,28%
<i>other entity</i>	600 000	0,87%	600 000	0,87%
- directly	6 223 658	8,98%	6 223 658	8,98%
Other	22 082 676	31,87%	22 082 676	31,87%
Total	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%
Total	69 287 783	100,00%	69 287 783	100,00%

The data in the above table is provided as of the date hereof, which has not changed compared to the date of the 2020 Annual Report.

Summary of consolidated financial results

Selected items of the consolidated statement of profit and loss

<i>PLN '000</i>	Q1 2021	Q4 2020	Q1 2020	YTD Q1 2021	YTD Q1 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020	% change YTD Q1 2021/ YTD Q1 2020
Sales revenues	782 812	714 667	813 948	782 812	813 948	9,5	(3,8)	(3,8)
<i>of which:</i>								
<i>Sales of paper</i>	547 339	507 361	587 781	547 339	587 781	7,9	(6,9)	(6,9)
<i>Sales of pulp</i>	235 473	207 306	226 167	235 473	226 167	13,6	4,1	4,1
Profit on sales	152 340	97 788	187 930	152 340	187 930	55,8	(18,9)	(18,9)
<i>% of sales revenues</i>	19,46	13,68	23,09	19,46	23,09	5,8 p.p.	(3,6) p.p.	(3,6) p.p.
Selling and distribution costs	(91 717)	(85 369)	(92 618)	(91 717)	(92 618)	7,4	(1,0)	(1,0)
Administrative expenses	(19 894)	(21 009)	(19 170)	(19 894)	(19 170)	(5,3)	3,8	3,8
Other operating income	12 525	13 847	13 312	12 525	13 312	(9,5)	(5,9)	(5,9)
Other operating expenses	(10 071)	(10 044)	(9 790)	(10 071)	(9 790)	0,3	2,9	2,9
EBIT	43 183	(4 786)	79 665	43 183	79 665	(1 002,2)	(45,8)	(45,8)
<i>% of sales revenues</i>	5,52	(0,67)	9,79	5,52	9,79	6,2 p.p.	(4,3) p.p.	(4,3) p.p.
EBITDA	72 233	25 105	111 834	72 233	111 834	187,7	(35,4)	(35,4)
<i>% of sales revenues</i>	9,23	3,51	13,74	9,23	13,74	5,7 p.p.	(4,5) p.p.	(4,5) p.p.
Financial income	2 584	78	1 457	2 584	1 457	3 223,5	77,4	77,4
Financial expenses	(6 871)	(11 781)	(7 705)	(6 871)	(7 705)	(41,7)	(10,8)	(10,8)
Gross profit (loss)	38 897	(16 489)	73 416	38 897	73 416	(335,9)	(47,0)	(47,0)
Income tax	(6 628)	1 656	(11 128)	(6 628)	(11 128)	(500,2)	(40,4)	(40,4)
Net profit (loss)	32 269	(14 833)	62 289	32 269	62 289	(317,6)	(48,2)	(48,2)
<i>% of sales revenues</i>	4,12	(2,08)	7,65	4,12	7,65	6,2 p.p.	(3,5) p.p.	(3,5) p.p.
Net profit / (loss) for the reporting period attributable to the shareholders of the Parent Entity	29 095	1 209	54 963	29 095	54 963	2 305,8	(47,1)	(47,1)

Comments of the President of the Management Board Michał Jarczyński on the results of Q1 2021

Arctic Paper stand strong while the pandemic is still affecting the European market. For the first quarter of 2021, consolidated sales amounted to PLN 782.8 million (813.9) with an EBITDA of PLN 72.2 million (111.8) – a solid result as the quarter for comparison was one of the best in the Group's history. As pulp prices rise, the balance between pulp and paper is shifting, but the benefits of combining paper and pulp remain significant; two segments with different cycles that together provide a more balanced development.

The Groups financial position has been strengthened. During the period, a new five-year financing agreement was entered into, where the previous bond loans and other credits have been replaced with loans and credits totalling PLN 300 million at better terms than before, which reduces our financial costs.

For the first quarter, the paper segment reached total sales of PLN 547.3 million (PLN 587.8 million) with an EBITDA of PLN 56.7 million (PLN 84.8 million). The recovery continued for the paper segment during the period and we have gained market positions. Paper sales volumes was 161,000 tonnes (171,000) and capacity usage reached 94 percent (97), to be compared to the European average of around 80 percent.

Innovations, strong brands, a tradition of working close to the customers and flexible production are the key factors behind our progress. In line with our strategy for diversification, we saw strong growth within packaging, and we expect an increase in demand as the EU single-use plastics directive is finalised later this year. The Munken Kraft range sales grew by 152 percent during the period compared to Q1 last year. Arctic Paper Grycksbo will launch its first packaging product in Q2. Our goal is to continue to increase the share of packaging in the portfolio - not only as a paper supplier but also sustainable packaging. We have set up a new group R&D function to further increase the development of new products, including specialty papers (eg medical paper).

Although we have succeeded in protecting our employees, Covid-19 still affect the communities in which we operate. As the vaccine roll-out continues, we expect an upturn in the European economies and subsequently higher demand, but also higher raw material costs. From the beginning of the year pulp prices have increased significantly. These increases are not reflected in the result for Q1, as the price mechanisms in concluded contracts cause the changes to affect revenues and costs with a certain time delay. I expect these increases will have an impact on the results of both segments in the coming months. With the experience from the pulp price rally of 2017-2018 fresh in mind, our paper sales organisation is working proactively in order to offset the effects.

For the Group company Rottneros – the pulp segment – the improvements in the pulp market contributed positively during Q1, while an unusually cold winter and a weaker USD had negative effect. Sales reached SEK 542 million (585) with an EBITDA of SEK 40 million (80). Production reached 103,000 tonnes (109,000). The financial position remains strong with available liquidity amounting to SEK 513 million (569).

Despite the turbulent times, Arctic Paper is stronger than in many years. We are ready to meet the challenges and opportunities that 2021 may bring. We are currently working to revise our strategy and will return after the summer period with an update.

Revenues

In Q1 2021, the consolidated sales revenues amounted to PLN 782,812 thousand as compared to PLN 813,948 thousand in the equivalent period of the previous year. That means a decrease by PLN 31,136 thousand or by -3.8%. In Q1 2021, paper sales revenues amounted to PLN 547,339 thousand (Q1 2020: PLN 587,781 thousand) while sales of pulp generated PLN 235,473 thousand (Q1 2020: PLN 226,167 thousand).

Paper sales volume in Q1 2021 amounted to 161 thousand tonnes compared to 171 thousand tonnes in the same period of the previous year. The change represents a decrease of 10 thousand tons and by -5.8% respectively.

Pulp sales volume in Q1 2021 amounted to 108 thousand tonnes compared to 104 thousand tonnes in the same period of the previous year. The change represents an increase of 4 thousand tonnes and by +3.8% respectively.

Higher sales revenues in Q1 2021, compared to Q4 2020, result from higher paper and pulp sales volume as well as higher pulp selling prices denominated in PLN. Paper sales revenues in the last quarter of 2020 amounted to PLN 507,361 thousand (sales volume 146 thousand tonnes) while for pulp sales – PLN 207,306 thousand (sales volume 102 thousand tons).

Profit on sales, selling and distribution costs and administrative expenses

In Q1 2021, profit on sales amounted to PLN 152,340 thousand and was by 18.9% less than in the equivalent period last year and by 55.8% higher than in Q4 2020. Sales profit margin in the current quarter stood at 19.46% compared to 23.09% (-3.6 p.p.) in the same period of the previous year and 13.68% (+5.8%) in Q4 2020.

The main reasons for the decrease in the profit on sales in Q1 2021 compared to the same period of the previous year were a lower paper sales volume and higher raw material and energy consumption costs per tonne of paper sold as well as higher pulp production costs.

The main reasons for the increase in profit on sales in Q1 2021 compared to Q4 2020 were both higher paper and pulp sales volumes and lower paper and pulp production costs.

In Q1 2021, the selling and distribution costs amounted to PLN 91,717 thousand, which represents a decrease by 1.0% compared to the costs incurred in Q1 2020 and an increase by 7.4% compared to Q4 2020. The selling and distribution costs include primarily the costs of transport and the change of the costs contributed to the change of costs of sales in Q1 2021.

In Q1 2021, the administrative expenses amounted to PLN 19,894 thousand as compared to PLN 19,170 thousand in the equivalent period in 2020 and PLN 21,009 thousand in Q4 2020. The administrative expenses comprise primarily costs related to consulting services rendered to the Group by third parties.

Other operating income and expenses

Other operating income totalled PLN 12,525 thousand in Q1 2021, which was a decrease as compared to the equivalent period of the previous year (by PLN 787 thousand and a decrease by PLN 1,322 thousand as compared to the last quarter of 2020).

Other operating income consists mainly of income from heat and electricity sales as well as income from sales of other materials. In addition, in the fourth quarter of 2020, the Group made a profit on the sale of CO2 emission rights of 1,643 thousand.

In Q1 2021, the other operating expenses amounted to PLN 10,071 thousand as compared to PLN 9,790 thousand in Q1 2020 and PLN 10,044 thousand in Q4 2020. The other operating expenses comprised mainly the costs of electricity and heat sales as well as costs of other materials sold.

Financial income and financial expenses

In Q1 2021, the financial income amounted to PLN 2,584 thousand and was by PLN 1,127 thousand higher than income generated in Q1 2020 and was by PLN 2,506 thousand higher than the financial income for Q4 2020.

The higher financial revenues in Q1 2020 were due to net FX gains (specified below).

In Q1 2021, financial income amounted to PLN 6,871 thousand as compared to PLN 7,705 thousand incurred in Q1 2020 and PLN 11,781 thousand for the last quarter of 2020.

Foreign exchange differences are presented net, i.e. the surplus of foreign exchange profit over foreign exchange loss is presented as financial income while the surplus of foreign exchange loss over foreign exchange profit is presented as

financial expenses. The Group generated foreign exchange profit of PLN 2,464 thousand in Q1 2021, and FX losses of PLN 3,616 thousand for Q4 2020 and FX gains of PLN 1,007 thousand in Q1 2020.

Income tax

In Q1 2021, income tax amounted to PLN -6,628 thousand while in the equivalent period in 2020 it was PLN -11,128 thousand and PLN +1,656 thousand in Q4 2020.

The current portion of income tax in the analysed period amounted to PLN -4,510 thousand while the deferred portion to PLN -2,118 thousand. In the first quarter of the previous year, the amount was PLN -5,933 thousand and PLN -5,195 thousand respectively. In the last quarter of the previous year, the amount was PLN -4,587 thousand and PLN +6,243 thousand respectively.

Net profit/loss and net profit/loss attributable to the shareholders of the Parent Entity

In Q1 2021, the Group generated net profit in the amount of PLN 32,269 thousand. The portion of the net profit attributable to the shareholders of Arctic Paper S.A. amounts to PLN 29,095 thousand.

In Q1 2020, the Group generated net profit in the amount of PLN 62,289 thousand. The portion of the net profit attributable to the shareholders of Arctic Paper S.A. amounts to PLN 54,963 thousand.

In Q4 2020, the Group generated net loss in the amount of PLN 14,833 thousand. The portion of the net profit attributable to the shareholders of Arctic Paper S.A. amounts to PLN 1,209 thousand.

Profitability analysis

In Q1 2021, the result on operations amounted to PLN +43,183 thousand as compared to PLN +79,665 thousand in the equivalent period of the previous year and PLN -4,786 thousand in Q4 2020. Those changes mean there was a decrease of operating profit margin from +9.79% in Q1 2020 and a growth of operating profit margin from -0.67% in Q4 2020 to +5.52 in the first quarter of the current year.

EBITDA in Q1 2021 was PLN 72,233 thousand while in the equivalent period in 2020 it was PLN 111,834 thousand and PLN 25,105 thousand in Q4 2020. In the reporting period, the EBITDA margin was 9.23% compared to 13.74% in the equivalent period of 2020 and 3.51% in Q4 2020.

In Q1 2021, net profit amounted to PLN 32,269 thousand as compared to the net profit of PLN 62,289 thousand in Q1 2020 and net loss of PLN 14,833 thousand in Q4 2020.

<i>PLN '000</i>	Q1 2021	Q4 2020	Q1 2020	YTD Q1 2021	YTD Q1 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020	% change YTD Q1 2021/ YTD Q1 2020
Profit on sales	152 340	97 788	187 930	152 340	187 930	55,8	(18,9)	(18,9)
<i>% of sales revenues</i>	19,46	13,68	23,09	19,46	23,09	5,8 p.p.	(3,6) p.p.	(3,6) p.p.
EBITDA	72 233	25 105	111 834	72 233	111 834	187,7	(35,4)	(35,4)
<i>% of sales revenues</i>	9,23	3,51	13,74	9,23	13,74	5,7 p.p.	(4,5) p.p.	(4,5) p.p.
EBIT	43 183	(4 786)	79 665	43 183	79 665	(1 002,2)	(45,8)	(45,8)
<i>% of sales revenues</i>	5,52	(0,67)	9,79	5,52	9,79	6,2 p.p.	(4,3) p.p.	(4,3) p.p.
Net profit (loss)	32 269	(14 833)	62 289	32 269	62 289	(317,6)	(48,2)	(48,2)
<i>% of sales revenues</i>	4,12	(2,08)	7,65	4,12	7,65	6,2 p.p.	(3,5) p.p.	(3,5) p.p.
Return on equity / ROE (%)	3,1	(1,4)	7,3	3,1	7,3	4,5 p.p.	(4,2) p.p.	(4,2) p.p.
Return on assets / ROA (%)	1,5	(0,7)	3,0	1,5	3,0	2,2 p.p.	(1,4) p.p.	(1,4) p.p.

In Q1 2021, return on equity was +3.1% while in Q1 2020 it was +7.3% and in Q4 2020 it was -1.4%.

In the same period, return on assets was +1.5% while in Q1 2020 it was +3.0% and in Q4 2020 it was -0.7%.

The decrease in return on equity and return of assets in Q1 2021, compared to Q12020 was mainly due to the lower net profit generated in the analysed period.

The growth of return on equity and return of assets in Q1 2021, compared to Q1 2020 was mainly due to the net profit generated in the analysed period compared to the net loss for Q4 2020.

Selected items of the consolidated statement of financial position

PLN '000	31/03/2021	31/12/2020	31/03/2020	Change	Change
				31/03/2021	-31/03/2020
Fixed assets	1 184 784	1 194 503	1 099 454	(9 719)	85 330
Inventories	349 239	365 491	356 536	(16 252)	(7 297)
Receivables	363 773	302 751	373 790	61 022	(10 018)
<i>including trade receivables</i>	<i>356 543</i>	<i>297 543</i>	<i>368 031</i>	<i>59 001</i>	<i>(11 488)</i>
Other current assets	18 864	18 337	8 585	528	10 279
Cash and cash equivalents	218 293	255 563	265 738	(37 271)	(47 445)
Total assets	2 134 953	2 136 646	2 104 104	(1 693)	30 849
Equity	1 046 181	1 033 033	858 199	13 148	187 982
Short-term liabilities	636 244	639 016	683 894	(2 773)	(47 650)
<i>of which:</i>					
<i>trade and other payables</i>	<i>384 553</i>	<i>379 445</i>	<i>444 654</i>	<i>5 108</i>	<i>(60 101)</i>
<i>interest-bearing debt</i>	<i>144 499</i>	<i>148 426</i>	<i>131 888</i>	<i>(3 927)</i>	<i>12 611</i>
<i>other non-financial liabilities</i>	<i>107 192</i>	<i>111 146</i>	<i>107 352</i>	<i>(3 954)</i>	<i>(160)</i>
Long-term liabilities	452 528	464 596	562 011	(12 068)	(109 483)
<i>of which:</i>					
<i>interest-bearing debt</i>	<i>236 961</i>	<i>241 144</i>	<i>349 715</i>	<i>(4 182)</i>	<i>(112 753)</i>
<i>other non-financial liabilities</i>	<i>215 567</i>	<i>223 452</i>	<i>212 296</i>	<i>(7 885)</i>	<i>3 271</i>
Total equity and liabilities	2 134 953	2 136 646	2 104 104	(1 693)	30 849

As at 31 March 2021 total assets amounted to PLN 2,134,953 thousand, as compared to PLN 2,136,646 thousand at the end of 2020 which was a decrease by PLN 1,693 thousand.

Fixed assets

As at the end of March 2021, fixed assets amounted to PLN 1,184,784 thousand and accounted for 55.5% of total assets as compared to PLN 1,194,503 thousand at the end of 2020 – 55.9%. Fixed assets mainly consist of tangible fixed assets and intangible assets. The decrease in non-current assets in the first quarter of 2021 was mainly due to a decrease in tangible fixed assets and intangible assets (investment purchases lower than depreciation).

Current assets

As at the end of March 2021, current assets amounted to PLN 950,169 thousand as compared to PLN 942,142 thousand at the end of December 2020. As part of the current assets, inventories decreased by PLN 16,252 thousand and receivables increased by PLN 61,022 thousand, other current assets increased by PLN 528 thousand while cash and cash equivalents decreased by PLN 37,271 thousand. Current assets represented 44.5% of total assets as at the end of March 2021 (44.1% as at the end of 2020) and included inventories – 16.4% (17.0% as at the end of 2020), receivables – 17.0% (14.2% as at the end of 2020), other current assets – 0.9% (0.9% as at the end of 2020) and cash and cash equivalents – 10.2% (12.0% as at the end of 2020).

Equity

In Q1 2021, the equity amounted to PLN 1,046,181 thousand as compared to PLN 1,033,033 thousand at the end of 2020. Equity represented 49.0% of total equity and liabilities as at the end of March 2021 as compared to 48.3% of balance sheet total as at the end of December 2020. The increase in equity during the first quarter of 2021 was primarily due to net income offset in part by the reduced valuation of financial instruments that are hedges of future cash flows and a reduction in foreign exchange differences on translation of subsidiaries.

Short-term liabilities

As at the end of March 2021, short-term liabilities amounted to PLN 636,244 thousand (29.8% of balance sheet total) as compared to PLN 639,016 thousand (29.9% of balance sheet total) as at the end of 2020. In the current quarter, a decrease of short-term liabilities occurred by PLN 2,773 thousand. The main changes within short-term liabilities were an increase in trade payables offset by a decrease in income tax liability.

Long-term liabilities

As at the end of March 2021, long-term liabilities amounted to PLN 452,528 thousand (21.2% of balance sheet total) as compared to PLN 464,596 thousand (21.8% of balance sheet total) as at the end of 2020. In the period under report, a decrease of long-term liabilities occurred by PLN 12,068 thousand, mainly as a result of a decrease in loans and bonds.

Debt analysis

	Q1 2021	4Q 2020	1Q 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020
Debt to equity ratio (%)	104,1	106,8	145,2	(2,8) p.p.	(41,1) p.p.
Equity to fixed assets ratio (%)	88,3	86,5	78,1	1,8 p.p.	10,2 p.p.
Equity to interest-bearing debt ratio (%)	36,5	37,7	56,1	(1,2) p.p.	(19,7) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	0,7x	0,5x	0,7x	0,2	0,0
EBITDA to interest expense ratio (x)	12,8x	13,7x	13,4x	(0,9)	(0,6)

As at the end of March 2021, debt to equity ratio amounted to 104.1% and was lower by 2.8 p.p. compared to the end of 2020 and lower by 41.1 p.p. compared to the end of March 2020. An increasing share of equity in total liabilities contributed to the decline in the ratio.

The equity to non-current assets ratio was 88.3% as at the end of Q1 2021 and was higher by 1.8 p.p. than at the end of 2020 and higher by 10.2 p.p. than at the end of March 2020. An increase in equity contributed to the increase in the ratio.

Interest bearing debt to equity ratio amounted to 36.5% as at the end of Q1 2021 and was lower by 1.2 p.p. compared to the end of December 2020 and lower by 19.7 p.p. compared to the level of the ratio calculated at the end of March 2020. Rising equity contributed to the decline in the ratio.

Net borrowings to EBITDA calculated for the last 12 months ended on 31 March 2021 amounted to 0.7x compared to 0.5x in the equivalent period ended on 31 December 2020 and 0.7x for the 12-month period ended on 31 March 2020.

The EBITDA to interest coverage ratio amounted to 12.8x for the twelve months ended on 31 March 2021, 13.7x for the twelve months ended on 31 December 2020 and 13.4x for the twelve months ended on 31 March 2020.

Liquidity analysis

	Q1 2021	4Q 2020	1Q 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020
Current ratio	1,5x	1,5x	1,5x	0,0	0,0
Quick ratio	0,9x	0,9x	0,9x	0,0	(0,0)
Acid test ratio	0,3x	0,4x	0,4x	(0,1)	(0,0)
DSI (days)	49,9	53,3	51,3	(3,5)	(1,4)
DSO (days)	41,0	37,5	40,7	3,5	0,3
DPO (days)	54,9	55,4	63,9	(0,5)	(9,0)
Operational cycle (days)	90,8	90,8	92,0	0,1	(1,1)
Cash conversion cycle (days)	36,0	35,4	28,0	0,5	7,9

The current ratio was 1.5 at the end of March 2021, at 31 December 2020 and at the end of March 2020.

The quick ratio was 0.9 as at end of March 2021, as at 31 December 2020 and as at and 0.7 as at end of March 2020.

The cash solvency ratio was 0.3 at the end of March 2021 and 0.4 at the end of 2020 and the end of March 2020.

The cash conversion cycle for the period ended on 31 March 2021 was 36.0 days (the period ended on 31 December 2020: 35.4 days and for the period ended on 31 March 2020: 28.0 days).

Selected items of the consolidated statement of cash flow

<i>PLN '000</i>	Q1 2021	Q4 2020	Q1 2020	YTD Q1 2021	YTD Q1 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020	% change YTD Q1 2021/ YTD Q1 2020
Cash flows from operating activities	24 076	23 908	70 781	24 076	70 781	0,7	(66,0)	(66,0)
<i>of which:</i>								
<i>Gross profit (loss)</i>	38 897	(16 489)	73 416	38 897	73 416	(335,9)	(47,0)	(47,0)
<i>Depreciation/amortisation and impairment charges</i>	29 050	29 891	32 169	29 050	32 169	(2,8)	(9,7)	(9,7)
<i>Changes to working capital</i>	(35 512)	15 431	(44 645)	(35 512)	(44 645)	(330,1)	(20,5)	(20,5)
<i>Other adjustments</i>	(8 359)	(4 926)	9 841	(8 359)	9 841	69,7	(184,9)	(184,9)
Cash flows from investing activities	(35 514)	(33 617)	(37 565)	(35 514)	(37 565)	5,6	(5,5)	(5,5)
Cash flows from financing activities	(24 347)	(14 935)	(34 185)	(24 347)	(34 185)	63,0	(28,8)	(28,8)
Total cash flows	(35 785)	(24 644)	(969)	(35 785)	(969)	45,2	3 592,0	3 592,0

Cash flows from operating activities

In Q1 2021, net cash flows from operating activities amounted to PLN +24,076 thousand as compared to PLN +70,781 thousand in the equivalent period of 2020 and PLN +23,908 thousand in Q4 of the previous year. Gross profit generated in Q1 2021, increased by depreciation/amortisation in the period, partly compensated with changes in working capital (mainly increased receivables) resulted in positive cash flows from operating activities in the first three months of 2021.

Cash flows from investing activities

In Q1 2021, cash flows from investing activities amounted to PLN -35,514 thousand as compared to PLN -37,565 thousand in Q1 2020 and PLN -33,617 thousand in Q4 2020. Cash flows from investing activities in Q1 2021 resulted primarily from purchase of tangible fixed and intangible assets.

Cash flows from financing activities

In Q1 2021, cash flows from financing activities amounted to PLN -24,347 thousand as compared to PLN -34,185 thousand in Q1 2020 and PLN -14,935 thousand in Q4 2020. In Q1 2021, negative cash flows from financing activities were related primarily to repayment of debt under bank loans and bonds with interest.

Summary of standalone financial results

Selected items of the standalone statement of profit and loss

<i>PLN '000</i>	Q1 2021	Q4 2020	Q1 2020	YTD Q1 2021	YTD Q1 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020	% change YTD Q1 2021/ YTD Q1 2020
Sales revenues	4 690	7 374	5 171	4 690	5 171	(36,4)	(9,3)	(9,3)
<i>of which:</i>								
<i>Sales of services</i>	3 863	6 568	4 245	3 863	4 245	(41,2)	(9,0)	(9,0)
<i>Interest income on loans</i>	827	807	927	827	927	2,5	(10,8)	(10,8)
<i>Dividend income</i>	-	-	-	-	-	-	-	-
Profit on sales	3 923	6 643	3 892	3 923	3 892	(40,9)	0,8	0,8
<i>% of sales revenues</i>	83,64	90,08	75,26	83,64	75,26	(6,4) p.p.	8,4 p.p.	8,4 p.p.
Administrative expenses	(4 467)	(9 071)	(5 483)	(4 467)	(5 483)	(50,8)	(18,5)	(18,5)
Other operating income	287	2 354	271	287	271	(87,8)	6,0	6,0
Other operating expenses	(360)	(16)	(608)	(360)	(608)	2 104,9	(40,7)	(40,7)
EBIT	(617)	(91)	(1 928)	(617)	(1 928)	581,1	(68,0)	(68,0)
<i>% of sales revenues</i>	(13,16)	(1,23)	(37,29)	(13,16)	(37,29)	(11,9) p.p.	24,1 p.p.	24,1 p.p.
EBITDA	(490)	(186)	(1 641)	(490)	(1 641)	163,2	(70,1)	(70,1)
<i>% of sales revenues</i>	(10,45)	(2,52)	(31,73)	(10,45)	(31,73)	(7,9) p.p.	21,3 p.p.	21,3 p.p.
Financial income	1 078	1 672	1 295	1 078	1 295	(35,5)	(16,7)	(16,7)
Financial expenses	(7 541)	(2 558)	(7 157)	(7 541)	(7 157)	194,8	5,4	5,4
Gross profit	(7 080)	(977)	(7 791)	(7 080)	(7 791)	624,7	(9,1)	(9,1)
Income tax	-	(32)	-	-	-	-	-	-
Net profit	(7 080)	(1 009)	(7 791)	(7 080)	(7 791)	601,8	(9,1)	(9,1)
<i>% of sales revenues</i>	(150,96)	(13,68)	(150,65)	(150,96)	(150,65)	(137,3) p.p.	(0,3) p.p.	(0,3) p.p.

Revenues

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

Sales revenues for Q1 2021 amounted to PLN 4,690 thousand and comprised services provided to Group companies (PLN 3,863 thousand) and interest income on loans (PLN 827 thousand). In the equivalent period of the previous year, the standalone sales revenues amounted to PLN 5,171 thousand and comprised services provided to Group companies (PLN 4,245 thousand), and interest income on loans (PLN 927 thousand).

In Q4 2020, the standalone sales revenues amounted to PLN 7,374 thousand which included revenues from the services provided to Group companies (PLN 6,568 thousand) and interest income on loans granted (PLN 807 thousand).

In 2021 and in 2020, the Company did not render services to the Pulp Mills of the Rottneros Group.

In 2021, the costs of sales comprised interest expense on loans received from other Group companies and internal costs of sales of logistics services.

Selling and distribution costs

In both the first quarter of 2021 and 2020, the Company did not recognise selling and distribution costs.

Administrative expenses

In Q1 2021, the administrative expenses amounted to PLN 4,467 thousand and were lower than in the same period of the previous year (by PLN 5,483 thousand) and than the expenses recorded in Q4 2020 (PLN 9,071 thousand).

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

Other operating income and expenses

Other operating income totalled PLN 287 thousand in Q1 2021, which was a slight increase as compared to the equivalent period of the previous year by PLN 271 thousand. In Q4 2020, the revenues amounted to PLN 2,354 thousand (mostly related to reversal of impairment write-off on assets in Arctic Paper Investments AB).

Other operating expenses totalled PLN 360 thousand in Q1 2020. In the equivalent period of 2020, the expenses amounted to PLN 608 thousand while in Q4 2020 they amounted to PLN +1,494 thousand.

Financial income and financial expenses

In Q1 2020, the financial income amounted to PLN 1,078 thousand and was by PLN 217 thousand lower than generated in Q1 2020.

The financial expenses in 2021 amounted to PLN 7,541 thousand (in the equivalent period of 2020: PLN 7,157 thousand), while in Q4 2020 they amounted to PLN 2,558 thousand. The largest part of financial expenses in Q1 2021 included FX losses, interest on loans measured at amortised cost and costs of financial transactions.

Selected items of the standalone statement of financial position

PLN '000	31/03/2021	31/12/2020	31/03/2020	Change	Change
				31/03/2021	31/03/2021
				-31/12/2020	-31/03/2020
Fixed assets	692 260	701 798	717 596	(9 538)	(25 336)
Receivables	27 453	29 308	46 968	(1 854)	(19 515)
Other current assets	127 901	110 864	88 733	17 037	39 167
Cash and cash equivalents	15 602	40 148	41 034	(24 546)	(25 432)
Total assets	863 215	882 117	894 331	(18 902)	(31 116)
Equity	565 448	570 594	560 188	(5 146)	5 259
Short-term liabilities	281 338	280 472	240 756	866	40 582
Long-term liabilities	16 429	31 049	93 386	(14 620)	(76 957)
Total equity and liabilities	863 215	882 117	894 331	(18 902)	(31 116)

As at 31 March 2021 total assets amounted to PLN 863,215 thousand, as compared to PLN 882,117 thousand at the end of 2020.

Fixed assets

As at the end of March 2021 non-current assets represented nearly 80.2% of total assets which means the share increased (by 0.6 p.p.) compared to the end of 2020. The main item of non-current assets includes interests in subsidiaries. At the end of Q1 2021, the value was PLN 676,137 thousand and was the same as at the end of 2020.

Current assets

As at the end of March 2021, current assets amounted to PLN 170,956 thousand as compared to PLN 180,319 thousand at the end of 2020. Working assets decreased in Q1 2021, particularly in trade receivables and cash and cash equivalents. As at the end of Q1 2021, current assets represented 19.8% of total assets compared to 20.4% as at the end of the previous year.

Equity

In Q1 2021, the equity amounted to PLN 565,448 thousand as compared to PLN 570,594 thousand at the end of 2020. Equity amounted to 65.5% of balance sheet total as at the end of March 2021 and the share increased by 0.8 p.p as compared to the end of 2020.

Short-term liabilities

As at the end of March 2021, short-term liabilities amounted to PLN 281,338 thousand (32.6% of balance sheet total) as compared to PLN 280,472 thousand as at the end of 2020 (31.8% of balance sheet total).

Long-term liabilities

As at the end of March 2021, long-term liabilities amounted to PLN 16,429 thousand (1.9% of balance sheet total) as compared to PLN 31,049 thousand as at the end of 2020 (3.5% of balance sheet total). The decrease in non-current liabilities was due to reclassification to current liabilities in line with the loan repayment schedule.

Selected items of the standalone statement of cash flow

PLN '000	Q1 2021	Q4 2020	Q1 2020	YTD Q1 2021	YTD Q1 2020	% change Q1 2021/ Q4 2020	% change Q1 2021/ Q1 2020	% change YTD Q1 2021/ YTD Q1 2020
Cash flows from operating activities	(6 170)	(16 370)	41 261	(6 170)	41 261	(62,3)	(115,0)	(115,0)
<i>of which:</i>								
Gross profit (loss)	(7 080)	(977)	(7 791)	(7 080)	(7 791)	624,7	(9,1)	(9,1)
Depreciation/amortisation	127	450	287	127	287	(71,8)	(55,8)	(55,8)
Changes to working capital	(2 032)	(2 258)	4 567	(2 032)	4 567	(10,0)	(144,5)	(144,5)
Net interest and dividends	2 245	3 474	-	2 245	-	(35,4)	-	-
Increase / decrease of loans granted to subsidiaries	13 124	29 992	20 231	13 124	20 231	(56,2)	(35,1)	(35,1)
Change to liabilities due to cash-pooling	(14 280)	(40 628)	20 754	(14 280)	20 754	(64,9)	(168,8)	(168,8)
Other adjustments	1 725	(6 423)	3 212	1 725	3 212	(126,9)	(46,3)	(46,3)
Cash flows from investing activities	-	-	-	-	-	-	-	-
Cash flows from financing activities	(18 376)	(4 274)	(32 167)	(18 376)	(32 167)	329,9	(42,9)	(42,9)
Total cash flows	(24 545)	(20 644)	9 094	(24 545)	9 094	18,9	(369,9)	(369,9)

The cash flows statement presents a decrease in cash and cash equivalents in Q1 2021 by PLN 24,545 thousand which includes:

- negative cash flows from operating activities of PLN -6,170 thousand,
- no cash flows from investing activities,
- negative cash flows from financing activities of PLN -18,376 thousand.

Cash flows from operating activities

In Q1 2021, net cash flows from operating activities amounted to PLN -6,170 thousand as compared to PLN 41,261 thousand in the equivalent period of 2020. The negative cash flows from operating activities this year was affected largely by the changes to the working capital.

Cash flows from investing activities

In the first three months 2021, and 2020 cash flows from investing activities amounted to PLN 0 thousand.

Cash flows from financing activities

In 2021 cash flows from financing activities amounted to PLN -18,376 thousand as compared to PLN -32,167 thousand in Q1 2020. The cash flows from financing activities were primarily affected by repayments of liabilities under borrowings.

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

Key factors affecting the performance results

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

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

Macroeconomic and other economic factors

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

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

Demand growth for products based on natural fibres

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

Reduced demand for certain paper types

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

Paper prices

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

Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses include raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Pulp Mills and chemical agents used for paper and pulp production. Our energy costs historically include mostly the costs of electricity, gas and rights to CO2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

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

A part of pulp supplies to our Paper Mills is made from our own Pulp Mills. The remaining part of pulp manufactured at our Pulp Mills is sold to external customers.

Currency rate fluctuations

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

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

Unusual events and factors

In Q1 2021 there were no atypical events or factors other than related to COVID-19, that are detailed in item 5.1 of the attached interim consolidated financial statements.

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

In Q1 2021, there were no material changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

Other material information

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

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

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

Recommendations concerning dividend distribution

On 26 February 2021, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for the year 2020, made a decision to recommend to the Annual General Meeting of the Company to pay a dividend from the Company's net profit for the financial year 2020 and from the net profits

from previous years accumulated on the Company's reserve capital, in the total amount of PLN 20,786,334.90, i.e. PLN 0.30 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 25 March 2021.

The recommendation of the Management Board together with the opinion of the Supervisory Board will be submitted to the General Meeting for resolution. The final decision on the distribution of the Company's 2020 profit and the payment of the dividend will be taken by the Annual General Meeting.

Conclusion by Arctic Paper S.A. of a material agreement related to the refinancing process

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

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

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

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

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

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

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

Disbursement of funds under the Loans shall be made subject to the satisfaction of conditions precedent by the Company and the Guarantors, including, inter alia, the delivery of documents required under the Loan Agreement.

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

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

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

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

The Company and the Guarantors will establish collateral for the repayment of obligations under, inter alia, the Loan Agreement for the duration of the Loan Agreement.

Factors influencing the development of the Arctic Paper Group

Information on market trends

Supplies of fine paper

In Q1 2021 the Arctic Paper Group recorded an increased level of orders versus Q4 2020 by 10% and a decrease of orders versus the equivalent period of 2020 by 6.1%.

Source of data: Analysis by Arctic Paper

Paper prices

In Q1 2021, the average prices of high quality UWF paper decreased by 5.2% while the prices of CWF paper decreased by 7.6% versus equivalent prices of Q1 2020.

In the period from December 2020 to March 2021, the prices declared by manufacturers of uncoated wood-free paper (UWF) and coated wood-free paper (CWF) for selected markets: Germany, France, Spain, Italy and the UK, expressed in EUR and GBP, experienced similar decreases: by 1.9% and 2.7% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) decreased at the end of Q1 2020 by 6.5% versus the equivalent period of 2020 while in the segment of coated wood-free paper (CWF) the prices decreased by 1.4%.

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

Pulp prices

At the end of Q1 2021, the pulp prices reached the level of: NBSK – USD 1,029.9/tonne and BHKP – USD 865.1/tonne. The average price of NBSK in Q1 2021 was higher by 16.6% compared to the equivalent period of the previous year while the price of BHKP was by 12.8% higher. The average pulp price in Q1 2021 was higher as compared to Q4 2020 by 12.7% for NBSK by 12.8% for BHKP.

The average cost of pulp per tonne of the produced paper as calculated for the AP Group, expressed in PLN, in Q1 2021 increased by 1.1% compared to Q4 2020 and decreased by 1.4% compared to Q1 2020. The share of pulp costs in the internal costs of paper sales in Q1 of the current year amounted to 49% and was lower compared to the level recorded in Q1 2020 (52%).

In Q1 2021, the AP Group used pulp in the production process in the following structure: BHKP 72%, NBSK 21% and other 7%.

Source of data: www.foex.fi Arctic Paper analysis

Currency exchange rates

The EUR/PLN exchange rate at the end of Q1 2021 amounted to 4.6603 and was higher by 1% than at the end of Q4 2020 and higher by 2.4% than at the end of Q1 2020. The average exchange rate in Q1 2021 was higher by 0.9% than in Q4 2020 and amounted to 4.5467, compared to 4.5072. The average exchange rate in Q1 2021 was by 5.1% higher than in Q1 2020.

The EUR/SEK exchange rate at the end of March 2021 was 10.2289 versus 10.0365 at the end of 2020, and 11.0654 at the end of Q1 2020 which was an appreciation of EUR to SEK by 1.9 and depreciation by 6.2% respectively.

For this pair, the mean exchange rate in Q1 2021 was by 1.5% lower compared to Q4 2020. The mean exchange rate in Q1 2020 was 5.1% lower than in the corresponding period of 2020.

The changes mean an appreciation of SEK vis-a-vis EUR in Q1 2021 which had an unfavourable impact on the Group's financial results, primarily with reference to the sales revenues generated by the Swedish factories that rely on prices in EUR.

At the end of Q1 2021, the USD/PLN rate recorded an increase by 5.6% versus the end of Q4 2020 and amounted to 3.9676. In Q1 2021, the average exchange rate amounted to 3.7752 compared to 3.7804 in Q4 2020. That was a PLN appreciation to USD by 0.1%.

At the end of Q1 2021, the USD/SEK rate amounted to 8.7085 and was by 6.5% higher than at the end of 2020. The mean exchange rate in Q4 2021 amounted to 8.4026 which was a decrease by 2.5% compared to Q4 2020.

The changes of the USD/SEK exchange rates in Q1 2021 positively affected the costs incurred in USD by the Swedish Paper Mills, in particular the costs of pulp. With reference to the Paper Mill in Kostrzyn, the mean monthly USD/PLN exchange rate remained relatively stable versus the equivalent rate from Q4 2020 which slightly affected the pulp purchase costs in USD by the Polish factory.

At the end of March 2018, the EUR/USD rate amounted to 1.1746 compared to 1.2279 at the end of Q4 2020 and to 1.0978 at the end of March 2020. In terms of percentage, that means a depreciation of EUR to USD by 4.3% versus Q4 2020 and an appreciation of the currency by 7% Q1 2020. In Q1 2021, the mean exchange rate of the pair amounted to 1.2046 compared to 1.1927 in Q4 2020 (+1%).

The appreciation of SEK versus EUR has negatively affected the Group's financial profit, mainly due to decreased sales revenues generated in EUR and translated into SEK. The slight appreciation of the PLN against the USD in Q1 2021 had no impact on raw material purchase prices at the Kostrzyn mill. SEK appreciating vis-a-vis USD positively affected the costs in the Paper Mills in Sweden.

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

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

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

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

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

Risk factors

In Q1 2021, there were no material changes to the risk factors. Those were presented in detail in the annual report for 2020.

Supplementary information

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

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

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

Managing and supervising persons	Number of shares or rights to shares as at 11/05/2021	Number of shares or rights to shares as at 16/03/2021	Change
Management Board			
Michał Jarczyński	-	-	-
Göran Eklund	-	-	-
Supervisory Board			
Per Lundeen	34 760	34 760	-
Thomas Onstad	6 223 658	6 223 658	-
Roger Mattsson	-	-	-
Dorota Raben	-	-	-
Mariusz Grendowicz	-	-	-

Information on sureties and guarantees

As at 31 March 2021, the Capital Group reported:

- pledge on properties of Arctic Paper Grycksbo AB resulting from an FPG agreement in favour of the mutual life insurance company PRI for SEK 50,000 thousand;
- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 1,184 thousand at Arctic Paper Grycksbo AB and for SEK 764 thousand at Arctic Paper Munkedals AB;
- pledge on properties of Arctic Paper Munkedals AB resulting from an FPG contract in favour of the mutual life insurance company PRI for SEK 50,000 thousand; SEK
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand SEK
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 402 thousand; thousand;
- pledge on properties held by Arctic Paper Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 80,000 thousand (related to the investment in the hydro power plant),
- pledges on shares in subsidiaries in the Rottneros Group for SEK 284,730 thousand; under loan agreements concluded with Danske Bank;
- margin on hedging transactions in the bank account of Rottneros with SEB for SEK 53,600 thousand;

In connection with the term and revolving loan agreements, agreements relating to the bond issue and the intercreditor agreement (described in more detail in the note "Obtaining new financing") signed on 9 September 2016, on 3 October 2016 the Company signed agreements and statements pursuant to which collateral to the above debt and other claims would be established in favour of Bank BNP Paribas S.A., acting as the Collateral Agent, that is

1. under Polish law – Collateral Documents establishing the following Collateral:

- › financial and registered pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in companies in the Company Group (with the exception of Rottneros AB, Arctic Paper Mochenwangen GmbH and Arctic Paper Investment GmbH), except the shares in the Company;
 - › mortgages on all properties located in Poland and owned by the Company and the Guarantors;
 - › registered pledges on all material rights and movable assets owned by the Company and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
 - › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
 - › declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
 - › financial pledges and registered pledges on the bank accounts of the Company and the Guarantors, registered in Poland;
 - › powers of attorney to Polish bank accounts of the Company and the Guarantors, registered in Poland;
 - › subordination of the debt held by intragroup lenders (specified in the Intercreditor Agreement).
2. under Swedish law – Collateral Documents establishing the following Collateral:
- › pledges on all shares and interests registered in Poland, owned by the Company and the Guarantors, in Group companies, with the exception of the shares in the Company, as well as pledged on the shares in Rottneros (with the exception of the free package of shares in Rottneros);
 - › mortgages on all properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
 - › corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
 - › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
 - › pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.
 - › As a result of repayment on 7 January 2018 of liabilities of Arctic Paper Grycksbo AB under the lease contract with Svenska Handelsbanken AB (pledge on movable assets and properties) and in view of the provisions of loan agreements, the process of releasing the above pledges made in favour of Svenska Handelsbanken AB was started and they were incorporated in the inter-creditor agreement.

Material off-balance sheet items

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

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

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

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

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

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	11 May 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	11 May 2021	signed with a qualified electronic signature



Quarterly abbreviated consolidated financial statements

for the period of three months
ended on 31 March 2021

Consolidated financial statements

Abbreviated consolidated statement of profit and loss

	3-month period ended on 31 March 2021 (unaudited)	3-month period ended on 31 March 2020 (unaudited)	Year ended 31 December 2020
Continuing operations			
Revenues from sales of products	782 812	813 948	2 847 450
Sales revenues	782 812	813 948	2 847 450
Costs of sales	(630 472)	(626 018)	(2 305 659)
Profit / (loss) on sales	152 340	187 930	541 791
Selling and distribution costs	(91 717)	(92 618)	(336 524)
Administrative expenses	(19 894)	(19 170)	(76 348)
Other operating income	12 525	13 312	65 280
Other operating expenses	(10 071)	(9 790)	(35 957)
Operating profit (loss)	43 183	79 665	158 242
Financial income	2 584	1 457	710
Financial expenses	(6 871)	(7 705)	(36 633)
Gross profit (loss)	38 897	73 416	122 318
Income tax	(6 628)	(11 128)	(18 733)
Net profit (loss) for the period	32 269	62 289	103 586
Attributable to:			
The shareholders of the Parent Entity	29 095	54 963	111 070
The non-controlling shareholder	3 175	7 326	(7 485)
	32 269	62 289	103 586
Earnings per share:			
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,42	0,79	1,60
– diluted earnings from the profit for the period attributable to the shareholders of the Parent Entity	0,42	0,79	1,60

Abbreviated consolidated statement of total comprehensive income

	3-month period ended on 31 March 2021 (unaudited)	3-month period ended on 31 March 2020 (unaudited)	Year ended 31 December 2020
Net profit (loss) for the reporting period	32 269	62 289	103 586
Items to be reclassified to profit/loss in future reporting periods:			
FX differences on translation of foreign operations	(5 313)	6 378	77 882
Measurement of financial instruments	(17 942)	(102 624)	(23 149)
Deferred income tax on the measurement of financial instruments	4 133	21 628	5 185
Items not to be reclassified to profit /loss in future reporting periods:			
Actuarial profit / (loss) for defined benefit plans	-	-	(969)
Deferred income tax on actuarial profit / (loss) relating to defined benefit plans	-	-	(29)
Other comprehensive income	(19 122)	(74 618)	58 920
Total comprehensive income	13 148	(12 329)	162 505
Total comprehensive income attributable to:			
The shareholders of the Parent Entity	(6 931)	226	143 068
Non-controlling interest	20 078	(12 555)	19 437

Abbreviated consolidated statement of financial position

	As at 31 March 2021 (unaudited)	As at 31 December 2020	As at 31 March 2020 (unaudited)
ASSETS			
Fixed assets			
Tangible fixed assets	1 080 920	1 085 121	984 605
Investment properties	3 086	3 086	4 128
Intangible assets	40 203	43 251	38 226
Goodwill	9 568	9 656	8 639
Interests in joint ventures	1 663	1 678	1 426
Other financial assets	22 866	23 996	20 236
Other non-financial assets	2 587	2 598	2 054
Deferred income tax asset	23 892	25 117	40 140
	1 184 784	1 194 503	1 099 454
Current assets			
Inventories	349 239	365 491	356 536
Trade and other receivables	356 543	297 543	368 031
Corporate income tax receivables	7 229	5 209	5 760
Other financial assets	7 755	6 149	411
Other non-financial assets	11 109	12 188	8 174
Cash and cash equivalents	218 293	255 563	265 738
	950 169	942 142	1 004 650
TOTAL ASSETS	2 134 953	2 136 646	2 104 104
EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	69 288	69 288	69 288
Reserve capital	407 976	407 976	407 976
Other reserves	154 111	160 376	80 880
FX differences on translation	13 076	15 827	(25 445)
Retained earnings / Accumulated losses	125 605	96 510	74 436
	770 056	749 977	607 135
Non-controlling interest	276 125	283 056	251 064
TOTAL EQUITY	1 046 181	1 033 033	858 199
Long-term liabilities			
Interest-bearing loans, borrowings and bonds	194 889	211 094	274 736
Provisions	133 359	137 373	127 475
Other financial liabilities	42 073	30 050	74 979
Deferred income tax liability	68 379	71 448	70 551
Accruals and deferred income	13 829	14 631	14 270
	452 528	464 596	562 011
Short-term liabilities			
Interest-bearing loans, borrowings and bonds	134 543	136 278	92 288
Provisions	2 201	756	4 213
Other financial liabilities	9 956	12 148	39 600
Trade and other payables	384 553	379 445	444 654
Income tax liability	1 871	11 037	7 591
Accruals and deferred income	103 120	99 353	95 547
	636 244	639 016	683 894
TOTAL LIABILITIES	1 088 772	1 103 612	1 245 905
TOTAL EQUITY AND LIABILITIES	2 134 953	2 136 646	2 104 104

Abbreviated consolidated statement of cash flow

	3-month period ended on 31 March 2021 (unaudited)	3-month period ended on 31 March 2020 (unaudited)	Year ended 31 December 2020
Cash flows from operating activities			
Gross profit (loss)	38 897	73 416	122 318
Adjustments for:			
Depreciation/amortisation	29 050	32 169	113 126
FX gains / (loss)	4 540	7 494	1 608
Net interest and dividends	4 366	6 071	19 127
Profit / loss from investing activities	106	(811)	277
Increase / decrease in receivables and other non-financial assets	(60 647)	(54 957)	39 918
Change to inventories	13 347	1 127	23 291
Increase / decrease in liabilities except for loans, borrowings and debt securities	13 217	10 457	(85 383)
Change in accruals and prepayments	(1 428)	(1 273)	(2 878)
Change in provisions	(1 708)	(269)	(6 618)
Income tax paid	(15 013)	(2 267)	(11 514)
Co-generation certificates and emission rights	(669)	(390)	(1 832)
Other	19	13	22
Net cash flows from operating activities	24 076	70 781	211 464
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets	11	1 216	1 349
Purchase of tangible fixed assets and intangible assets	(35 525)	(32 693)	(136 499)
Acquisition of a subsidiary	-	(6 089)	(6 089)
Net cash flows from investing activities	(35 514)	(37 565)	(141 239)
Cash flows from financing activities			
Change to overdraft facilities	63 503	405	0
Repayment of financial leasing liabilities	(3 762)	(3 075)	(10 514)
Inflows from other financial liabilities	-	(2)	422
Inflows under contracted loans, borrowings and bonds	17	2 548	15 266
Repayment of loans, borrowings and bonds	(79 739)	(28 765)	(87 519)
Interest paid	(4 366)	(5 296)	(18 605)
Net cash flows from financing activities	(24 347)	(34 185)	(100 950)
Change in cash and cash equivalents	(35 785)	(969)	(30 725)
Net FX differences	(1 486)	823	20 403
Cash and cash equivalents at the beginning of the period	255 563	265 885	265 885
Cash and cash equivalents at the end of the period	218 293	265 738	255 563

Abbreviated consolidated statement of changes in equity

Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total	Non-controlling stake	Total equity
As at 01 January 2021	69 288	407 976	15 827	160 376	96 510	749 977	283 056	1 033 033
Net profit for the period	-	-	-	-	29 095	29 095	3 175	32 269
Other comprehensive income for the period	-	-	(2 751)	(6 265)	-	(9 016)	(10 106)	(19 122)
Total comprehensive income for the period	-	-	(2 751)	(6 265)	29 095	20 078	(6 931)	13 148
As at 31 March 2021 (unaudited)	69 288	407 976	13 076	154 111	125 605	770 056	276 125	1 046 181

Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total	Non-controlling stake	Total equity
As at 01 January 2020	69 288	407 976	(28 863)	139 035	19 473	606 909	263 619	870 528
Net profit for the period	-	-	-	-	54 963	54 963	7 326	62 289
Other comprehensive income for the period	-	-	3 418	(58 155)	-	(54 737)	(19 881)	(74 618)
Total comprehensive income for the period	-	-	3 418	(58 155)	54 963	226	(12 555)	(12 329)
As at 31 March 2020 (unaudited)	69 288	407 976	(25 445)	80 880	74 436	607 135	251 064	858 199

Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total	Non-controlling stake	Total equity
As at 01 January 2020	69 288	407 976	(28 863)	139 035	19 473	606 909	263 619	870 528
Net profit (loss) for the financial year	-	-	-	-	111 070	111 070	(7 485)	103 586
Other comprehensive income for the year	-	-	44 690	(11 694)	(998)	31 998	26 922	58 920
Total comprehensive income for the year	-	-	44 690	(11 694)	110 072	143 068	19 437	162 505
Profit distribution	-	-	-	33 035	(33 035)	-	-	-
As at 31 December 2020	69 288	407 976	15 827	160 376	96 510	749 977	283 056	1 033 033

Standalone financial statements

Abbreviated standalone statement of profit and loss

	3-month period ended on 31 March 2021 (unaudited)	3-month period ended on 31 March 2020 (unaudited)	Year ended on 31 December 2020
Continuing operations			
Sales of services	3 863	4 245	20 495
Interest income on loans	827	927	3 687
Dividend income	-	-	15 287
Sales revenues	4 690	5 171	39 469
Interest expense to related entities and internal costs of sales of logistics services	(767)	(1 279)	(4 329)
Profit (loss) on sales	3 923	3 892	35 139
Other operating income	287	271	783
Administrative expenses	(4 467)	(5 483)	(24 292)
Impairment charges to assets	(360)	(608)	1 110
Other operating expenses	(1)	(0)	(94)
Operating profit (loss)	(617)	(1 928)	12 646
Financial income	1 078	1 295	4 893
Financial expenses	(7 541)	(7 157)	(14 120)
Gross profit (loss)	(7 080)	(7 791)	3 419
Income tax	-	-	(32)
Net profit (loss) from continuing operations	(7 080)	(7 791)	3 387
Net profit (loss) for the period	(7 080)	(7 791)	3 387
Earnings per share:			
- basic earnings from the profit (loss) for the period	(0,10)	(0,11)	(0,57)
- diluted earnings from the profit (loss) for the period	(0,10)	(0,11)	(0,57)

Abbreviated standalone statement of total comprehensive income

	3-month period ended on 31 March 2021 (unaudited)	3-month period ended on 31 March 2020 (unaudited)	Year ended on 31 December 2020
Net profit (loss) for the reporting period	(7 080)	(7 791)	3 387
<i>Items to be reclassified to profit/loss in future reporting periods:</i>			
Measurement of financial instruments	1 807	12	591
FX differences on translation of foreign operations	126	(111)	(1 335)
Other comprehensive income (net)	1 933	(99)	(744)
Total comprehensive income	(5 147)	(7 890)	2 643

Abbreviated standalone statement of financial position

	As at 31 March 2021 (unaudited)	As at 31 December 2020	As at 31 March 2020 (unaudited)
ASSETS			
Fixed assets			
Tangible fixed assets	748	1 239	1 754
Intangible assets	1 366	1 440	1 665
Shares in subsidiaries	676 137	676 137	673 937
Other financial assets	11 747	20 699	38 491
Other non-financial assets	2 262	2 283	1 748
	692 260	701 799	717 596
Current assets			
Trade and other receivables	27 451	28 973	46 644
Income tax receivables	2	335	325
Other financial assets	124 835	107 070	84 357
Other non-financial assets	3 065	3 793	4 377
Cash and cash equivalents	15 602	40 148	41 034
	170 956	180 319	176 735
TOTAL ASSETS	863 216	882 117	894 331
EQUITY AND LIABILITIES			
Equity			
Share capital	69 288	69 288	69 288
Reserve capital	427 502	427 502	427 502
Other reserves	138 548	136 741	103 127
FX differences on translation	576	450	1 674
Retained earnings / Accumulated losses	(70 466)	(63 386)	(41 402)
Total equity	565 448	570 595	560 188
Long-term liabilities			
Interest-bearing loans, borrowings and bonds	13 560	28 093	90 731
Provisions	2 811	2 837	2 172
Other financial liabilities	58	119	483
	16 429	31 049	93 386
Short-term liabilities			
Interest-bearing loans, borrowings and bonds	257 586	252 112	212 400
Trade payables	17 348	18 443	17 957
Other financial liabilities	626	2 717	3 291
Other short-term liabilities	1 042	1 685	1 683
Accruals and deferred income	4 736	5 515	5 425
	281 338	280 472	240 756
TOTAL LIABILITIES	297 767	311 521	334 142
TOTAL EQUITY AND LIABILITIES	863 214	882 117	894 329

Abbreviated standalone statement of cash flow

	3-month period ended on 31 March 2021 (unaudited)	3-month period ended on 31 March 2020 (unaudited)	Year ended on 31 December 2020
Cash flows from operating activities			
Gross profit (loss)	(7 080)	(7 791)	3 419
Adjustments for:			
Depreciation/amortisation	127	287	1 021
FX gains / (loss)	(465)	3 415	4 256
Net interest and dividends	2 245	-	7 450
Profit / loss from investing activities	438	-	(5)
Increase / decrease in receivables and other non-financial assets	2 603	24 435	42 145
Increase / decrease in liabilities except for loans and borrowings and other financial liabilities	(3 830)	(15 951)	(16 874)
Change in accruals and prepayments	(779)	(3 938)	(3 847)
Change in provisions	(26)	22	686
Change to liabilities due to cash-pooling	(14 280)	20 754	32 546
Increase / decrease of loans granted to subsidiaries	13 124	20 231	29 367
Other	1 752	(202)	(15)
Net cash flows from operating activities	(6 170)	41 261	97 949
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets	-	-	-
Purchase of tangible fixed assets and intangible assets	-	-	-
Net cash flows from investing activities	-	-	-
Cash flows from financing activities			
Repayment of leasing liabilities	(61)	(55)	(567)
Borrowings received	63 506	-	-
Repayment of loan liabilities	(78 961)	(28 756)	(86 635)
Interest paid	(2 860)	(3 356)	(2 539)
Net cash flows from financing activities	(18 376)	(32 167)	(89 741)
Change in cash and cash equivalents	(24 545)	9 094	8 208
Cash and cash equivalents at the beginning of the period	40 148	31 939	31 939
Cash and cash equivalents at the end of the period	15 602	41 034	40 148

Abbreviated standalone statement of changes in equity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2021	69 288	427 502	450	136 741	(63 386)	570 594
FX differences on translation	-	-	126	-	-	126
Net profit (loss) for the reporting period	-	-	-	-	(7 080)	(7 080)
Other comprehensive income for the period	-	-	-	1 807	-	1 807
Total comprehensive income for the period	-	-	126	1 807	(7 080)	(5 147)
As at 31 March 2021 (unaudited)	69 288	427 502	576	138 548	(70 466)	565 448

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2020	69 288	427 502	1 785	103 115	(33 611)	568 078
FX differences on translation	-	-	(111)	-	-	(111)
Net profit for the period	-	-	-	-	(7 791)	(7 791)
Other comprehensive income	-	-	-	12	-	12
Total comprehensive income for the period	-	-	(111)	12	(7 791)	(7 890)
As at 31 March 2020 (unaudited)	69 288	427 502	1 674	103 127	(41 402)	560 188

Additional notes to the quarterly abbreviated financial statements
provided on pages 49 to 69 form an integral part hereof

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings / (Accumulated losses)	Total equity
As at 01 January 2020	69 288	427 502	1 785	103 115	(33 611)	568 078
Net profit for the period	-	-	-	-	3 387	3 387
Other comprehensive income for the period	-	-	(1 335)	591	-	(744)
Total comprehensive income for the period	-	-	(1 335)	591	3 387	2 643
Settlement of the tax group in Sweden	-	-	-	33 035	(33 035)	-
Dividend distribution	-	-	-	-	-	-
Financial profit distribution	-	-	-	-	(127)	(127)
As at 31 December 2020 (audited)	69 288	427 502	450	136 741	(63 386)	570 594

Additional notes to the quarterly abbreviated financial statements
 provided on pages 49 to 69 form an integral part hereof

Additional explanatory notes

1. General information

The Arctic Paper Group is a producer of bulky book paper, offering a broad range of products in the segment, and of high-quality graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. As at 31 March 2021 the Arctic Paper Group employed about 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our paper mills are located in Poland and in Sweden. Pulp Mills are located in Sweden. As at 31 March 2021, the Group had 14 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 3 months of 2021 amounted to PLN 783 million.

Arctic Paper Spółka Akcyjna is a holding company set up in April 2008. As a result of capital restructuring carried out in 2008, the Paper Mills Arctic Paper Kostrzyn (Poland) and Arctic Paper Munkedals (Sweden), Distribution Companies and sales offices have become the properties of Arctic Paper S.A. Previously they were owned by Arctic Paper AB (later Trebruk AB and Nemus Holding AB), the indirect Parent Entity of Arctic Paper S.A. In addition, in its expansion, the Group acquired the Paper Mill Arctic Paper Mochenwangen (Germany) in November 2008 and the Paper Mill Grycksbo (Sweden) in March 2010. In December 2012, the Group acquired a controlling package of shares in Rottneros AB, a company listed on NASDAQ in Stockholm, Sweden, holding interests in two pulp companies (Sweden).

The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra (Poland) – 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255.

The company's registered office is located in Poland, in Kostrzyn nad Odrą (ul. Fabryczna 1). The Company also has a foreign branch in Göteborg, Sweden.

The Quarterly Abbreviated Consolidated Financial Statements of the Company comprise income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period of the first three months ended on 31 March 2021 and include comparative data for the period of first three months ended on 31 March 2020 as well as for the twelve month period ended on 31 December 2020.

The Quarterly Abbreviated Consolidated Financial Statements of the Company comprise also a statement of financial position as at 31 March 2021 and include comparative data as on 31 December 2020 and 31 March 2020.

1.1. Business objects

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

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

- generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper distribution.

1.2. Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 31 March 2021) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 31 March 2021 was 68.13% and has not changed until the date hereof.

The top owner of the Group is Mr. Thomas Onstad.

2. Composition of the Group

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

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at		
			11 May 2021	31 March 2021	31 December 2020
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Paper production (now discontinued operations)	99,74%	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, 20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainburgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%

Unit	Registered office	Business objects	Group's interest in the equity of the subsidiary entities as at		
			11 May 2021	31 March 2021	31 December 2020
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading company	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51,27%	51,27%	51,27%
Utansjö Bruk AB	Sweden, Söderhamn	Non-active company	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%	51,27%
Nykvist Skogs AB	Sweden, Sunne	Company grouping private owners of forests	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Sweden, Sunne	Procurement bureau	51,27%	51,27%	51,27%

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

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

As at 31 March 2021, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

3. Management and supervisory bodies

3.1. Management Board of the Parent Entity

As at 31 March 2021, the Parent Entity's Management Board was composed of:

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

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

3.2. Supervisory Board of the Parent Entity

As at 31 March 2021, the Parent Entity's Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
- Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 22 September 2016 (appointed as a Member of the Supervisory Board on 16 September 2014);
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
- Mariusz Grendowicz – Member of the Supervisory Board appointed on 28 June 2012 (independent member);
- Dorota Raben – Member of the Supervisory Board appointed on 28 May 2019 (independent member).

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

3.3. Audit Committee of the Parent Entity

As at 31 March 2021, the Parent Entity's Audit Committee was composed of:

- Mariusz Glendowicz – Chairman of the Audit Committee appointed on 18 September 2017 (appointed as a Member of the Audit Committee on 20 February 2013).
- Roger Mattsson – Member of the Audit Committee appointed on 23 June 2016;
- Dorota Raben – Member of the Audit Committee appointed on 19 July 2019.

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

4. Approval of the financial statements

These abbreviated quarterly consolidated financial statements were approved for publication by the Management Board on 11 May 2021.

5. Basis of preparation of the consolidated financial statements

These Abbreviated Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), in particular in accordance with IAS 34 and IFRS endorsed by the European Union.

These Abbreviated Consolidated Financial Statements have been presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except as stated otherwise.

These Abbreviated Consolidated Financial Statements have been prepared based on the assumption that the Group companies will continue as a going concern in the foreseeable future.

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

5.1. Covid-19

In the first quarter of 2021, COVID Pandemic 19 had a limited impact on the operations of the Arctic Paper Group. There were no disruptions to the logistics chain except for minor delays due to additional sanitary requirements on drivers at borders. The continuation of lockdown in some countries has affected reduced book purchases due to the closure of shopping malls, bookshops and shops. Our customers – the publishers – have seen an increase in online book purchases.

In order to mitigate the risks arising from potential adverse scenarios, the management of the Group continues to apply the measures implemented in 2020, which include in particular:

- implementation of employee protection programmes, including the introduction of personal protection solutions and shift work;
- contractual arrangements with transport companies to ensure uninterrupted circulation of materials and products;

In the opinion of the Group's management, the above circumstances as well as the uninterrupted operation of the production units throughout 2020 and the first quarter of 2021 justify the assumption that the Group is well prepared for pandemic risk.

The management of the Group concluded that the impact of the possible scenarios considered in making this judgement does not create material uncertainty about events or circumstances that would cast serious doubt on the Group's ability to continue as a going concern.

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

6. Significant accounting principles (policies)

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

- Amendments to IFRS 4 Insurance Contracts (effective for annual periods beginning on or after 1 January 2021) – Amendments extend the period of temporary exemption from the application of *IFRS 9* Financial Instruments by two years to annual periods beginning on 1 January 2023 in order to align with the first application of *IFRS 17* Insurance Contracts, which replaces *IFRS 4* Insurance Contracts.
- Amendments to IFRS 16 Leases Covid-19 Rent Relief (effective for annual periods beginning on or after 1 July 2020, early application possible) – The amendments allow lessees not to assess whether Covid-19 rent relief is a modification of leases. Therefore, under the appropriate conditions, lessees who apply a practical solution will recognize the rent reliefs received until 31 June 2021 in profit or loss for the period in which the relief was granted. In the absence of a practical solution, the relief would be recognised in profit and loss over the term of the lease contract.
- Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments and IFRS 7 Financial Instruments: Disclosure of IFRS 4 Insurance Contracts and IFRS 16 Leases: Reform of the interest rate benchmark – Stage 2 (effective for annual periods beginning on or after 1 January 2021) -The purpose of the amendments is to make it easier for entities to provide users of financial statements and to assist entities that prepare IFRS-compliant financial statements with useful information when the contractual cash flows or hedging relationships change due to a change in the reference rate ratio. The amendments provide for a practical solution for certain changes in contractual cash flows and an exemption for certain hedge accounting requirements.

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

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

6.1. Foreign currency translation

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

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

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

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

The following exchange rates were used for book valuation purposes:

	As at 31 March 2021	As at 31 December 2020
USD	3,9676	3,7584
EUR	4,6603	4,6148
SEK	0,4556	0,4598
DKK	0,6267	0,6202
NOK	0,4657	0,4400
GBP	5,4679	5,1327
CHF	4,2119	4,2641

Mean foreign exchange rates for the reporting periods are as follows:

	01/01 - 31/03/2021	01/01 - 31/03/2020
USD	3,7752	3,9237
EUR	4,5467	4,3257
SEK	0,4493	0,4055
DKK	0,6114	0,5789
NOK	0,4434	0,4141
GBP	5,2076	5,0169
CHF	4,1668	4,0557

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

The following standards and interpretations were issued by the International Accounting Standards Board but are not yet effective:

- Sale or Transfer of Assets Between an Investor and an Associate or Joint Venture (Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Associates – the European Commission decided to postpone the endorsement of these amendments indefinitely) – The amendments clarify that in the case of a transaction with an associate or a joint venture, the extent to which the associated gain or loss should be recognised depends on whether the assets transferred or sold were a business:
 - the entire profit or loss is recognised if the transferred assets meet the definition of a venture (irrespective of the fact if the venture is a subsidiary entity or not);
 - the profit or loss is recognised in part when the transaction covers assets that do not constitute a venture even if such assets were held in a subsidiary entity.
- IFRS 17 Insurance Contracts (effective for annual periods beginning on or after 1 January 2023, prospective application, early application permitted – the standard has not yet been endorsed by the EU) – IFRS 17, which replaces the transitional standard IFRS 4 Insurance Contracts which was introduced in 2004. IFRS 4 provided companies with a possibility to continue disclosing insurance contracts pursuant to the accounting principles applicable in national standards, which, as a result, meant application of different solutions. IFRS 17 solves the issue of comparability created by IFRS 4 through a requirement of coherent disclosure of all insurance contracts, which will be beneficial for both investors and insurers. Liabilities arising from contracts will be recognised at present values, instead of historic cost.
- Amendments to IFRS 3 Business Combinations, IAS 16 Property, Plant and Equipment, IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Amendments to International Financial Reporting Standards 2018-2020 (effective for annual periods beginning on or after 1 January 2022, early application permitted – Amendments not yet endorsed by the EU) – The amendment package contains three amendments of narrow scope to the standards:
 - updates the reference in IFRS 3 Business Combinations to the Framework for the Preparation and Presentation of Financial Statements without changing the accounting requirements for the recognition of business combinations,
 - prohibits an entity from reducing the cost of an item of property, plant and equipment by the amount received from the sale of assets produced while the entity is preparing the item of property, plant and equipment for its intended use. Such income and related expenses will be recognised in profit or loss for the period,
 - explains what costs an entity uses in assessing whether a particular contract will result in a loss.The package also includes Amendments to International Financial Reporting Standards 2018-2020 which clarify the vocabulary used and correct minor inconsistencies, omissions or contradictions between the standards' requirements in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples in IFRS 16 Leases;
- Amendments to IAS 1 Presentation of Financial Statements Presentation of Liabilities as Current or Non-Current (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments clarify that the presentation of liabilities as current or non-current should be based only on the entity's right at the reporting date to defer settlement of the liability. Such right to defer the payment of a liability for minimum 12 months from the reporting date does not have to be unconditional but it has to be material. The above presentation is not affected by intentions or expectations of the Entity's management as to the exercising of the right or the date when this is to happen. The amendments further provide clarification as to the events that are treated as discharge of liabilities.
- Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – Amendments to IAS 1 require entities to disclose significant accounting policies instead of significant accounting policies;
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2023, earlier application permitted – Amendments not yet endorsed by the EU) – The amendments introduce a definition of an estimate and include other amendments to IAS 8 clarifying how to distinguish a

change in accounting policy from a change in estimate. The above distinction is very important because changes in accounting policies are generally applied retrospectively while changes in estimates are recognised in the period in which the changes occur.

The above changes are not expected to have material impact on the Group's financial statements.

8. Seasonality

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

9. Information on business segments

Operational segments cover continuing activities. The core activity of the Group comprises production of paper presented as "Uncoated" and "Coated" segments and covering the financial results of the Mochenwangen Group and three Paper Mills:

- Arctic Paper Kostrzyn S.A. (Poland) – produces high-quality uncoated graph paper under the Amber brand;
- Arctic Paper Munkedals AB (Sweden) – produces high quality uncoated graphic paper under the Munken brand;
- Arctic Paper Grycksbo (Sweden) – production of coated wood-free paper under the brands of G-Print and Arctic.

The "Pulp" operating segment is related to the purchase of the Rottneros Group in December 2012 and covers, inter alia, two Pulp Mills:

- the Pulp Mill in Rottneros (Sweden) produces mainly two types of mechanical pulp: groundwood and chemo-thermo mechanical pulp (CTMP), production level of about 160,000 tonnes annually;
- the Pulp Mill in Vallvik (Sweden) produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp. Production level of about 240,000 tonnes annually.

The Group identifies the following business segments:

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

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

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

- Demand for products and their supply as well as the prices of products sold in the market are affected by operational factors characteristic for each segment, such as e.g. the production capacity level in the specific paper and pulp segment,
- The key operating parameters such as inflow of orders or the level of production costs are determined by the factors that are similar for each paper and pulp segment,

- The products manufactured at the Paper Mills operated by the Group may (with certain restrictions) be allocated to production in other entities within the same paper segment which to a certain extent distorts the financial results generated by each Paper Mill,
- The results of the Arctic Paper Group are under the pressure of global market trends with respect to the prices of paper and pulp, and to a lesser extent are subject to the specific conditions of the production entities.

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

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

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 31 March 2021 and as at 31 March 2021.

3-month period ended on 31 March 2021 and on 31 March 2021

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	401 764	145 575	235 473	782 812	-	782 812
Sales between segments	-	7 766	8 027	15 793	(15 793)	-
Total segment revenues	401 764	153 341	243 500	798 605	(15 793)	782 812
Result of the segment						
EBITDA	54 494	3 807	15 249	73 549	(1 317)	72 233
Depreciation	(17 288)	(1 471)	(10 164)	(28 924)	(126)	(29 050)
Operating profit (loss)	37 205	2 336	5 085	44 626	(1 443)	43 183
Interest income	(30)	15	0	(15)	133	118
Interest expense	(236)	(402)	(1 797)	(2 434)	(2 090)	(4 524)
FX gains and other financial income	2 842	157	4 942	7 941	(5 475)	2 466
FX losses and other financial expenses	(1 102)	(2 808)	-	(3 910)	1 564	(2 346)
Gross profit	38 680	(701)	8 229	46 208	(7 311)	38 897
Assets of the segment	1 037 597	327 168	999 297	2 364 062	(254 664)	2 109 398
Liabilities of the segment	436 220	416 844	392 272	1 245 335	(224 942)	1 020 393
Capital expenditures	(26 978)	(1 883)	(6 663)	(35 525)	-	(35 525)
Interests in joint ventures	1 663	-	-	1 663	-	1 663

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 2,584 thousand of which PLN 118 thousand is interest income) and financial expenses (PLN 6,871 thousand of which PLN 4,524 thousand is interest expense), depreciation/amortisation (PLN 29,050 thousand) and income tax liability (PLN 6,628 thousand),
- Segment assets do not include deferred taxes (PLN 23,892 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,663 thousand). Segment liabilities do not include deferred taxes (PLN 68,379 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities by segment of the Group for the period of 3-month period ended on 31 March 2020 and as at 31 March 2020 (transformed data).

3-month period ended on 31 March 2020 and as at 31 March 2020 (transformed data)

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	424 496	163 285	226 167	813 948	-	813 948
Sales between segments	-	8 793	11 030	19 823	(19 823)	-
Total segment revenues	424 496	172 078	237 197	833 770	(19 823)	813 948
Result of the segment						
EBITDA	69 457	17 632	26 761	113 850	(2 016)	111 834
Depreciation	(15 968)	(5 265)	-10 664	(31 897)	(272)	(32 169)
Operating profit (loss)	53 488	12 367	16 097	81 953	(2 288)	79 665
Interest income	117	61	0	178	253	432
Interest expense	(1 173)	(885)	(2 027)	(4 085)	(2 145)	(6 230)
FX gains and other financial income	4 697	24	5 677	10 397	(9 372)	1 024
FX losses and other financial expenses	(974)	(6 583)	-	(7 557)	6 082	(1 475)
Gross profit (loss)	56 155	4 984	19 746	80 885	(7 469)	73 416
Assets of the segment	986 852	275 185	959 448	2 221 484	(158 946)	2 062 538
Liabilities of the segment	470 314	427 576	403 583	1 301 473	(126 120)	1 175 354
Capital expenditures	(19 471)	(4 295)	(8 927)	(32 693)	-	(32 693)
Interests in joint ventures	1 426	-	-	1 426	-	1 426

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 1,457 thousand of which PLN 432 thousand is interest income) and financial expenses (PLN 7,705 thousand of which PLN 6,230 thousand is interest expense), depreciation/amortisation (PLN 32,169 thousand) and income tax liability (PLN 11,128 thousand).
- Segment assets do not include deferred taxes (PLN 40,140 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,426 thousand). Segment liabilities do not include deferred taxes (PLN 70,551 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 12 months ended on 31 December 2020 and as at 31 December 2020.

12-month period ended on 31 December 2020 and on 31 December 2020

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	1 449 226	541 548	856 677	2 847 450	-	2 847 450
Sales between segments	-	23 350	30 779	54 129	(54 129)	-
Total segment revenues	1 449 226	564 898	887 456	2 901 579	(54 129)	2 847 450
Result of the segment						
EBITDA	212 924	27 990	35 908	276 823	(5 455)	271 368
Depreciation	(66 694)	(4 621)	(40 790)	(112 105)	(1 021)	(113 126)
Operating profit (loss)	146 230	23 369	(4 882)	164 718	(6 476)	158 242
Interest income	343	117	0	460	248	708
Interest expense	(3 486)	(3 846)	(8 056)	(15 388)	(4 442)	(19 830)
FX gains and other financial income	7 207	210	-	7 417	(7 415)	2
FX losses and other financial expenses	(10 471)	(3 279)	(8 056)	(21 806)	5 002	(16 804)
Gross profit	139 823	16 572	(20 994)	135 401	(13 083)	122 318
Assets of the segment	1 019 390	313 735	1 013 394	2 346 519	(236 669)	2 109 850
Liabilities of the segment	446 214	409 052	386 692	1 241 957	(209 793)	1 032 164
Capital expenditures	(71 437)	(13 342)	(51 660)	(136 440)	(59)	(136 499)
Interests in joint ventures	1 678	-	-	1 678	-	1 678

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 710 thousand of which PLN 708 thousand is interest income) and financial expenses (PLN 36,633 thousand of which PLN 19,830 thousand is interest expense), depreciation/amortisation (PLN 113,126 thousand) impairment of non-financial assets (PLN 0 thousand) and income tax liability (PLN -18,733 thousand).
- Segment assets do not include deferred taxes (PLN 25,117 thousand), as this item is managed at Group level and interests in joint ventures (PLN 1,678 thousand). Segment liabilities do not include deferred taxes (PLN 71,448 thousand), since this item is managed at the Group level.

10. Dividend paid and proposed

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

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

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

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

In connection with the term and revolving loan agreements signed on 9 September 2016, agreements related to the bond issue pursuant to which on 30 September 2016 the Company issued bonds and the intercreditor agreement, the possibility of the Company to pay dividend is subject to satisfying certain financial ratios by the Group in two periods preceding such distribution (as the term is defined in the term and revolving loan agreements) and no occurrence of any events of default (as defined in the term and revolving loan agreements).

In 2020 the Company did not pay out dividend.

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

The recommendation of the Management Board together with the opinion of the Supervisory Board will be submitted to the General Meeting for resolution. The final decision on the distribution of the Company's 2020 profit and the payment of the dividend will be taken by the Annual General Meeting.

11. Earnings per share

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

Information regarding profit and the number of shares which constituted the base to calculate earnings per share and diluted earnings per share is presented below:

	3-month period ended on 31 March 2020 (unaudited)	3-month period ended on 31 March 2019 (unaudited)
Net profit / (loss) for the reporting period from continuing operations attributable to the shareholders of the Parent Entity	29 095	54 963
Number of ordinary shares – A series	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783
Profit (loss) per share (in PLN)		
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,42	0,79
Diluted profit (loss) per share (in PLN)		
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0,42	0,79

12. Acquisition of a subsidiary company

On 1 January 2020 the Group – via Rottneros AB – acquired control over Nykvist Skogs AB, a company grouping private owners of forests in Sweden. The transaction provided a broader access to raw materials over a long-term horizon. The value of the acquired net assets was SEK 5.5 million (PLN 2.1 million) and the purchase price was SEK 26.4 million (PLN 10.7 million). As a result, the Group disclosed goodwill (assets) of PLN 8.6 million. The net expense (net of receivables as at the acquisition date and the amount of the acquired cash) was PLN 6.1 million.

13. Interest-bearing bank loans and borrowings and lease contracts

In the period covered with these financial statements, the Group made a full redemption of PLN bonds and partly repaid its term loan under the loan agreement of 9 September 2016 with a bank consortium of PLN 79,739 thousand in total. The Group increased its debt under revolving overdraft facilities by PLN 63,503 thousand and increased its debt under the loan with Nordea Bank Abp by 17 thousand.

The other changes to loans, borrowings and bonds as at 31 March 2021, compared to 31 December 2020 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2020 and paid in Q1 2021.

On 2 April 2021, the Company entered into a term loan and revolving credit facility agreement between the Company as borrower and the guarantor, subsidiaries of the Company: Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as guarantors and a consortium of banks as follows: Santander Bank Polska S.A., BNP Paribas Bank

Polska S.A. and Bank Polska Kasa Opieki S.A., pursuant to which the Lenders granted the Company a term loan divided into two tranches in the amount of PLN 75,000,000 and EUR 16,100,000 respectively and a revolving loan in the total amount of EUR 32,200,000, as further described in Note 22.1 – Material post-balance sheet events.

14. Equity securities

	As at 31 March 2021 (unaudited)	As at 31 December 2020
Share capital		
series A ordinary shares of the nominal value of PLN 1 each	50 000	50 000
series B ordinary shares of the nominal value of PLN 1 each	44 253 500	44 253 500
series C ordinary shares of the nominal value of PLN 1 each	8 100 000	8 100 000
series E ordinary shares of the nominal value of PLN 1 each	3 000 000	3 000 000
series F ordinary shares of the nominal value of PLN 1 each	13 884 283	13 884 283
Number of shares	69 287 783	69 287 783
Value of share capital	69 287 783	69 287 783

15. Financial instruments

The Company uses the following financial instruments: cash on hand and in bank accounts, bank loans, borrowings, bonds, receivables, liabilities under leases, SWAP interest rate contracts, floor interest rate option, forward FX contracts, forward contracts for sales of pulp and forward contracts for the purchase of electricity.

15.1. Hedge accounting

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

As at 31 March 2021, the Group used cash flow hedge accounting for the following hedging items:

- Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in EUR on a bank loan in EUR,
- Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in PLN on a bank loan in PLN,
- Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and the companies of the Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge future purchases of electricity,
- the Companies of the Rottneros Group designated for cash flow hedge accounting the FX forward derivatives for the sale of pulp in order to hedge the sale prices of pulp in SEK.

As at 31 March 2021, the Group used fair value hedge accounting for the following hedging items:

- Arctic Paper S.A. designated floor option derivatives to hedge accounting to hedge fair value, entitling to reduce EURIBOR for the interest rate of a part of the bank loan in EUR to the market level if the market EURIBOR falls under 0%.

Cash flow hedges

As at 31 March 2021, the Group's cash flows were hedged with a forward contract for purchase of electricity, a forward contract for sale of pulp, an interest rate SWAP.

Hedge accounting of cash flows from sales of pulp

The table below presents detailed information concerning the hedging relationship in cash flow hedge accounting regarding sales of pulp:

Type of hedge	Cash flow hedge related to sales of pulp
Hedged position	The hedged position is a part of highly likely future cash inflows for pulp sales
Hedging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK
Contract parameters:	
Contract conclusion date	2019-2020
Maturity date:	subject to contract; by 30.06.2021
Hedged quantity of pulp	6,000 tonnes
Term price	SEK 9,450/tonne

Cash flow hedge accounting related to electricity purchases with the use of forward transactions

The table below presents detailed information concerning the hedging relationship in the cash flow hedge accounting related to electricity purchases:

Type of hedge	Cash flow hedge related to planned purchases of electricity
Hedged position	The hedged position is a part of highly likely future cash flows for electricity purchases
Hedging instruments	Forward contract for the purchase of electricity at Nord Pool Exchange
Contract parameters:	
Contract conclusion date	subject to contract; from 01.05.2016
Maturity date:	subject to contract; by 31.12.2025
Hedged quantity of electricity	1,787,664 MWh
Term price	from 23,65 to 34,50 EUR/MWh

Cash flow volatility hedge accounting related to variable loan interest rate of the long-term loan with the use of SWAP transactions

The table below presents detailed information concerning the hedging relationship in the cash flow hedge accounting related to payment of interest in EUR and PLN on the loan in EUR and PLN:

	As at 31 March 2020 (unaudited)		As at 31 December 2020	
	Assets	Equity and Liabilities	Assets	Equity and Liabilities
Forward on pulp sales	-	911	3 678	-
SWAP	-	765	-	2 572
Floor option	-	(241)	-	(377)
Forward for electricity	7 755	16 751	9 429	3 175
Total hedging derivative instruments	7 755	18 187	13 107	5 370

16. Financial risk management objectives and policies

The Group's principal financial instruments comprise bank loans, borrowings, bonds. The main purpose of those financial instruments is to raise finance for the Group's operations. The Group companies also conclude lease agreements.

The Group also uses factoring without recourse for trade receivables. The main purpose for using the financial instrument is to quickly raise funds. The receivables covered with factoring were derecognised from the consolidated balance sheet since conditions have been met to derecognise the assets in compliance with IFRS 9.

The Group has various other financial instruments such as trade receivables and payables which arise directly from its operations. The core risks arising from the Group's financial instruments include: interest rate risk, liquidity risk, FX risk and credit risk. The Management Board reviews and approves policies for managing each of those risks.

In the opinion of the Management Board – in comparison to the annual consolidated financial statements made as at 31 December 2020 there have been no significant changes of the financial risk. There have been no changes to the objectives and policies of the management of the risk.

17. Capital management

The primary objective of the Group's capital management is maintaining a strong credit rating and healthy capital ratios in order to support its business operations and maximise shareholder value. In the Management Board's opinion – in comparison to the annual consolidated financial statements made as at 31 December 2020, there have been no significant changes to the objectives and policies of capital management.

18. Contingent liabilities and contingent assets

As at 31 March 2021, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 1,184 thousand (PLN 539 thousand) at Arctic Paper Grycksbo AB and for SEK 764 thousand (PLN 348 thousand) at Arctic Paper Munkedals AB;
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 62 thousand).

19. Legal claims

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

20. CO2 emission rights

As of the date of this Quarterly Report, the Paper and Pulp Mills' CO2 emission rights allocations for 2021 are not known due to the ongoing process of establishing a new CO2 emission rights allocation programme.

21. Government grants and operations in the Special Economic Zone

21.1. Government grants

In the current quarter the Group companies have not received any grants. The subsidies for 2020 were detailed in the annual consolidated financial statements for the year ended on 31 December 2020.

21.2. Operations in the Special Economic Zone

Arctic Paper Kostrzyn S.A. operates in the Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna (Special Economic Zone – KSSSE).

The Company is entitled to use the permit by 2026 or by the date SSE exist in Poland pursuant to the applicable regulations. The company meets the conditions for taking advantage of the exemption.

The conditions of the exemption have not changed in the reporting period. The Company has not been inspected by any competent body.

During the period from 25 August 2006 to 31 March 2021, the Company incurred eligible investment expenditures classified as (non-discounted) expenditure in KSSSE in the amount of PLN 227,102 thousand. During the period, the discounted amount of related public aid was PLN 66,358 thousand.

As at 31 March 2021, the Group had used all the tax benefits related to the expenses incurred in the KSSSE and therefore did not recognise any deferred tax asset on that account.

22. Material events after the balance sheet date

22.1 Conclusion by Arctic Paper S.A. of a material agreement related to the refinancing process

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

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

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

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

(i) a Term Loan repayable in two tranches: the first tranche in the amount of PLN 75,000,000 (seventy five million) and the second tranche in the amount of EUR 16,100,000 (sixteen million and one hundred thousand euro) (the “Term Loan”); and

(ii) a revolving loan of EUR 32,200,000 (thirty-two million, two hundred thousand euro) (the "Revolving Loan").

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

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

Disbursement of funds under the Loans shall be made subject to the satisfaction of conditions precedent by the Company and the Guarantors, including, inter alia, the delivery of documents required under the Loan Agreement.

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

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

(i) in the case of a Term Loan, on the day falling five years after the date of conclusion of the Loan Agreement; and

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

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

The Company and the Guarantors will establish collateral for the repayment of obligations under, inter alia, the Loan Agreement for the duration of the Loan Agreement.

After the balance sheet date, there were no other material events which have not been disclosed in this report and which might have had a material influence on the capital and financial position of the Group.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	11 May 2021	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	11 May 2021	signed with a qualified electronic signature

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