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Independent Auditor's Report

To the General Shareholders' Meeting and Supervisory Board of Arctic Paper S.A.

Report on the Audit of the Annual Consolidated Financial Statements

Opinion

We have audited the accompanying annual consolidated financial statements of Arctic Paper S.A. Group (the "Group"), whose parent entity is Arctic Paper S.A. (the "Parent Entity"), which comprise:

- the consolidated statement of financial position as at 31 December 2020;

and, for the period from 1 January to 31 December 2020:

- the consolidated statement of profit or loss;
- the consolidated statement of comprehensive income;
- the consolidated statement of changes in equity;
- the consolidated statement of cash flows;

and

- notes comprising a summary of significant accounting principles and additional explanatory notes;

(the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements of the Group:

- give a true and fair view of the consolidated financial position of the Group as at 31 December 2020 and of its consolidated financial performance and its consolidated cash flows for the financial year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union ("IFRS EU") and the adopted accounting policy;
- comply, in all material respects, with regard to form and content, with applicable laws and the provisions of the Parent Entity's articles of association.

Our audit opinion on the consolidated financial statements is consistent with our report to the Audit Committee dated 10 March 2021.

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Basis for Opinion

We conducted our audit in accordance with:

- International Standards on Auditing as adopted by the National Council of Statutory Auditors as National Standards on Auditing (the “NSA”) by the resolution no. 3430/52a/2019 dated 21 March 2019 and the resolution no. 1107/15a/2020 dated 8 September 2020; and
- the act on statutory auditors, audit firms and public oversight dated 11 May 2017 (the “Act on statutory auditors”); and
- regulation (EU) No 537/2014 of the European Parliament and of the Council of 16 April 2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (the “EU Regulation”); and
- other applicable laws.

Our responsibilities under those regulations are further described in the Auditor’s Responsibility for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Ethics

We are independent of the Group in accordance with International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”) as adopted by the resolution of the National Council of Statutory Auditors, together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Poland and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During our audit the key statutory auditors and the audit firm remained independent of the Group in accordance with requirements of the Act on statutory auditors and the EU Regulation.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. They are the most significant assessed risks of material misstatements, including those due to fraud, described below and we performed appropriate audit procedures to address these matters. Key audit matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon we have summarised our response to those risks. We do not provide a separate opinion on these matters. We have determined the following key audit matters:

Impairment of cash generating unit

The carrying value of the Group’s property, plant and equipment and intangible assets presented in the consolidated financial statements amounted to PLN 1 128 million as at 31 December 2020.

The carrying value of property, plant and equipment and intangible assets of the cash generating unit Arctic paper Grycksbo AB as at 31 December 2020 amounted to PLN 82 million, net of an impairment write of PLN 325 million.

Refer to disclosures in the consolidated financial statements: Note 5 *Material values based on professional judgements and estimates*, Note 9 *Significant accounting policies*, Note 22 *Impairment test in respect of property, plant and equipment and intangible assets*.

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Key audit matter

The financial results of the Arctic Paper Grycksbo AB cash generating unit (“CGU”) for 2020, mainly due to the impact of COVID-19 pandemic on sales volume, are below those expected by the Management

Our response

Our procedures included, among others:

- understanding of the process relating to impairment testing of CGUs as well as related internal controls,

of the Group.

A recoverable amount of assets which do not generate cash flows independently from other assets is estimated based on the projected cash flows of the smallest cash-generating unit to which these assets belong.

As a result, as at 31 December 2019 the Group performed an impairment test in respect of the Arctic Paper Grycksbo AB cash generating unit.

The estimate of future cash flows requires the Group to apply a number of assumptions including those with respect to discount rate, exchange rates, expected prices of paper and pulp, as well as assumptions in respect of projected production volume, sales, operating expenses and long term assumptions regarding macroeconomic trends. These assumptions require significant subjective judgments and estimates which have a significant impact the consolidated financial statements.

Based on the above, we considered the impairment of the property, plant and equipment and intangible assets to be a key audit matter.

- evaluation of compliance of the policy adopted by the Group with regards to identification and impairments of investments in subsidiaries with respective financial reporting standards,

- evaluation of the quality of the Group's budgeting process by comparing previous budgets to their subsequent realization,

- with the support of our valuation specialists:

- assessment of the macroeconomic assumptions including discount rate applied in the model by comparing them to publicly available data,

- assessment of whether the discounted cash flows model complies with the requirements of the relevant financial reporting standards,

- assessment of significant assumptions applied in the impairment model, in particular related to sales, production levels and operating costs by comparing them to historical data of the cash-generating unit subject to impairment testing and with respect to projected prices of pulp to publicly available external forecasts,

- challenging significant assumptions by analysing sensitivity of the model to changes in significant assumptions and considering whether significant assumptions applied in the model indicate management bias.

Furthermore, we assessed the appropriateness and completeness of the disclosures in the consolidated financial statements in relation to the impairment of tangible and intangible fixed assets.

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Responsibility of the Management Board and Supervisory Board of the Parent Entity for the Consolidated Financial Statements

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards, as adopted by the European Union, the adopted accounting policy, the applicable laws and the provisions of the Parent Entity's articles of association and for such internal control as the Management Board of the Parent Entity determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Management Board of the Parent Entity is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management Board of the Parent Entity either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

According to the accounting act dated 29 September 1994 (the "Accounting Act"), the Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the consolidated financial statements are in compliance with the requirements set forth in the Accounting Act. Members of the Supervisory Board of the Parent Entity are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with NSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The scope of audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Management Board of the Parent Entity has conducted or will conduct the affairs of the Group.

As part of an audit in accordance with NSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board of the Parent Entity;
- conclude on the appropriateness of the Management Board of the Parent Entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report on the audit of the consolidated financial statements to the related disclosures in the consolidated financial

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statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report on the audit of the consolidated financial statements. However, future events or conditions may cause the Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board of the Parent Entity with a statement that we have complied with relevant ethical requirements

regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Supervisory Board of the Parent Entity, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current reporting period and are therefore the key audit matters. We describe these matters in our auditors' report on the audit of the consolidated financial statements unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information

The other information comprise:

- the letter of the President of the Management Board;
- the selected financial data;
- the report on activities of the Group for the year ended 31 December 2020 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities;
- the separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act;
- the statement of the Management Board regarding the preparation of the consolidated financial statements and Report on activities;
- the Management Board's information regarding the appointment of the audit firm;
- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board's assessment of the consolidated financial statements and the Report on activities

(the "Other information").

Responsibility of the Management Board and Supervisory Board

The Management Board of the Parent Entity is responsible for the Other information in accordance with applicable laws.

The Management Board and members of the Supervisory Board of the Parent Entity are required to ensure that the report on activities of the Group for the year ended 31 December 2020 (the "Report on activities"), including the corporate governance statement and the report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act are in compliance with the requirements set forth in the Accounting Act.

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Auditor's Responsibility

Our opinion on the consolidated financial statements does not cover the Other information.

In connection with our audit of the consolidated financial statements, our responsibility was to read the Other information and, in doing so, consider whether the Other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Other information, we are required to report that fact.

In accordance with the Act on statutory auditors our responsibility was to report if the Report on activities was prepared in accordance with applicable laws and the information given in the Report on activities is consistent with the consolidated financial statements.

Moreover, in accordance with the requirements of the Act on statutory

auditors our responsibility was to report whether the Group included in the statement on corporate governance information required by the applicable laws and regulations, and in relation to specific information indicated in these laws or regulations, to determine whether it complies with the applicable laws and whether it is consistent with the consolidated financial statements and to inform whether the Group prepared a separate report on non-financial information.

The letter of the President of the Management Board, the selected financial data and the report on activities of the Group for the year ended 31 December 2020 (the "Report on activities"), including the corporate governance statement, which is a separate part of the Report on activities, the separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act, the statement of the Management Board regarding the preparation of the consolidated financial statements and Report on activities and the Management Board's information regarding the appointment of the audit firm were made available for us before the date of this auditor's report and the following elements:

- the statement of the Supervisory Board regarding the Audit Committee; and
- the Supervisory Board's assessment of the consolidated financial statements and the Report on activities

are expected to be made available for us after this date. If we conclude that there is a material misstatement therein, we are required to communicate this matter to the Supervisory Board of the Parent Entity.

Opinion on the Report on Activities

Based on the work undertaken in the course of our audit of the consolidated financial statements, in our opinion, the accompanying Report on activities, in all material respects:

- has been prepared in accordance with applicable laws, and
- is consistent with the consolidated financial statements.

Opinion on the Statement on Corporate Governance

In our opinion, the corporate governance statement, which is a separate part of the Report on activities, includes the information required by paragraph 70 subparagraph 6 point 5 of the Decree of the Ministry of Finance dated 29 March 2018 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent of information required by the laws of a non-member state (the "decree").

Furthermore, in our opinion, the information identified in paragraph 70 subparagraph 6 point 5 letter c-f, h and letter i of the decree, included in the corporate governance statement, in all material respects:

- has been prepared in accordance with applicable laws; and
- is consistent with the consolidated financial statements.

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Information about the Statement on Non-financial Information

In accordance with the requirements of the Act on statutory auditors, we report that the Group has prepared a separate report on non-financial information referred to in art. 55 paragraph 2c of the Accounting Act.

We have not performed any assurance procedures in relation to the separate report on non-financial information and, accordingly, we do not express any assurance conclusion thereon.

Statement on Other Information

Furthermore, based on our knowledge about the Group and its environment obtained in the audit of the consolidated financial statements, we have not identified material misstatements in the Report on activities and the Other information.

Report on Other Legal and Regulatory Requirements

Statement on Services Other than Audit of the Financial Statements

To the best of our knowledge and belief, we did not provide prohibited non-audit services referred to in art. 5 paragraph 1 second subparagraph of the EU Regulation and art. 136 of the act on statutory auditors.

Appointment of the Audit Firm

We have been appointed for the first time to audit the annual consolidated financial statements of the Group by resolution of the Supervisory Board dated 22 February 2018 and reappointed in the following years, including the resolution dated 23 October 2019, to audit the annual consolidated financial statements for the year ended 31 December 2020. Our period of total uninterrupted engagement is 3 years, covering the periods ended 31 December 2018 to 31 December 2020.

Opinion on the compliance of the consolidated financial statements prepared in the single electronic reporting format with the requirements of the regulations on technical standards on the specification of a single electronic reporting format

As part of our audit of the consolidated financial statements we were engaged to perform a reasonable assurance engagement in order to express an opinion on whether the consolidated financial statements of the Group as at 31 December 2020 and for the year then ended prepared in the single electronic reporting format included in the reporting package named ESEF_APSA_2020_Raport_roczny_skonsolidowany.zip (the 'consolidated financial statements in the ESEF format') were tagged in accordance with the requirements specified in the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format and other Commission Delegated Regulations (EU) with respect to updates of the taxonomy laid down in the regulatory technical standards for the single electronic reporting format, hereinafter jointly referred to as regulatory technical standards on ESEF (the 'ESEF RTS') and meet the technical conditions of a single electronic reporting format which are specified in these regulations.

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Responsibility of the Management Board and Supervisory Board of the Parent Entity

The Management Board of the Parent Entity is responsible for the preparation of consolidated financial statements in the ESEF format in accordance with the tagging requirements and technical conditions of a single electronic reporting format which are specified in the ESEF RTS. Such responsibility includes the selection and application of appropriate XBRL tags using the taxonomy specified in the ESEF RTS.

This responsibility of the Management Board of the Parent Entity includes designing, implementing and maintaining internal control relevant to the preparation of the consolidated financial statements in the ESEF format that is free from material non-compliance with requirements specified in ESEF RTS, whether due to fraud or error.

The members of the Parent Entity's Supervisory Board are responsible for overseeing the financial reporting process, including the preparation of financial statements in the format required by applicable law.

Auditor's Responsibility

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Our objective is to issue an opinion about whether the consolidated financial statements in the ESEF format were tagged in accordance with the requirements specified in the ESEF RTS and meet the technical conditions of a single electronic reporting format specified in those regulations.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (revised), 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' as adopted by the National Council of Statutory Auditors ('NCSA') by resolution no. 3436/52e/2019 dated 8 April 2019 as National Standard on Assurance Engagement 3000 (revised) ('KSUA 3000 (Z)'). That standard requires that the auditor plan and perform procedures to obtain reasonable assurance about whether the consolidated financial statements in the ESEF format were prepared in accordance with specified criteria.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with KSUA 3000 (Z) will always detect material non-compliance with requirements specified in the ESEF RTS.

The procedures selected depend on our judgment, including the assessment of the risks of material non-compliance with requirements specified in the ESEF RTS, whether due to fraud or error.

In making those risk assessments, the auditor has considered internal controls relevant to the preparation of the consolidated financial statements in the ESEF format in accordance with the specified criteria in order to design procedures that are appropriate, which provide the auditor with sufficient and appropriate evidence under the circumstances. The assessment of internal controls was not performed for the purpose of expressing an opinion thereof. The procedures performed by the auditor also included assessing the appropriateness of the subject matter and the suitability of the criteria used under the circumstances.

Our procedures included, in particular:

- obtaining an understanding of the process of selection and application of XBRL tags by the Parent Entity and maintaining compliance with the ESEF RTS, including an understanding of the operation of internal control relevant to this process,
- assessing compliance with the technical conditions on the specification of a single electronic reporting format, including the use of the XHTML format,
- agreeing the tagged information included in the reporting package containing the consolidated financial statements in the ESEF format to the consolidated financial statements of the Group presented in human-readable format,
- evaluating the completeness of tagging of information in the consolidated financial statements in the ESEF format using XBRL tags,
- assessing whether the XBRL tags from the taxonomy specified in the ESEF RTS used by the Parent Entity were properly applied and that taxonomy extensions were used where the relevant elements have not been identified in the primary taxonomy specified in the ESEF RTS, including whether the applied taxonomy extensions were correctly anchored in the primary taxonomy specified in the ESEF RTS.

The firm applies International Standard on Quality Control 1 as adopted by National Council of Statutory Auditors by resolution no 2040/37a/2018 dated 3 March 2018 (with subsequent amendments) as national standard on quality control and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the IESBA Code which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior as well as other independence and ethical requirements, applicable to this assurance engagement in Poland.

Defining the criteria

The criteria for assessing compliance of the consolidated financial statements in the ESEF format are defined in the ESEF RTS.

Basis for Qualified Opinion

The consolidated financial statements in the ESEF format as at 31 December 2020 and for the year then ended do not contain the complete calculation linkbases of extension taxonomy to document arithmetical relationships between numeric core or extension taxonomy elements. In our opinion, in accordance with point 6 of annex IV to the Commission Delegated Regulation (EU) of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory

technical standards on the specification of a single electronic reporting format, the Management Board of the Parent Entity should ensure the completeness of the calculation linkbases of extension taxonomy to document arithmetic relationships between core or extension taxonomy elements from the statement of financial position, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows.

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Qualified Opinion

Our opinion has been formed on the basis of, and is subject to, the matters outlined above.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on assurance engagement.

In our opinion, except for the effect of the matter described in the "Basis for Qualified Opinion" section, the consolidated financial statements in the ESEF format as at 31 December 2020 and for the year then ended was prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

On behalf of audit firm

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Signed on the Polish original

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Poznań, 16 March 2021

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