

Current report number 14/2023

Dated: 9th of August 2023

Subject: Construction of a biofuel installation and commencement of negotiations regarding the conclusion of an agreement on significant financing for the Issuer's Group

General legal basis:

Art. 17 sec. 1 of MAR – inside information

Content:

The Management Board of Arctic Paper S.A. ("Company", "Issuer") hereby reports that today it decided to proceed with negotiations on the agreement (the "Amendment Agreement") amending a term and revolving facilities agreement dated 2nd of April 2021 (as amended) the conclusion of which was published by the Company in current report no. 12/2021 dated 2nd of April 2021 (**the "Facilities Agreement"**) which was concluded between the Company as borrower and guarantor, the Company's subsidiaries as guarantors and a consortium of banks composed of: Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A. and Santander Bank Polska S.A. (jointly: the "Lenders") under which the Lenders will grant the Company additional facility (**the "Additional Facility"**) to finance the construction of a biomass drying and pellet production plant, which will be located in Grycksbo on a property owned by Arctic Paper Grycksbo AB (**the "Amendment Agreement"**).

The investment will reduce energy costs by approximately SEK 50 million per year. In addition to electricity and steam, the installation will produce approximately 50 thousand tons of pellets annually. According to the Issuer's estimates, the investment will generate an annual revenue of approximately SEK 100 million from the sale of pellets.

The total estimated cost of the investment will amount to approximately EUR 28.5 million of which approximately EUR 8.5 million will be financed from equity funds, and its completion is planned for the first half of 2025.

Based on preliminary financing proposals received from banks, the Company anticipates the following main conditions of the Additional Facility:

1. total amount of financing: the equivalent of EUR 20 million;
2. currency: EUR;
3. facilities: investment term loan;

4. financing period: seven years from the date of the conclusion of the Amendment Agreement;
5. repayment conditions: 67,5% of the Additional Facility will be repaid in equal instalments paid every six months starting from March 2026. The remaining part will be repaid on the final maturity date of the Additional Facility;
6. interest rate: interest at a floating rate based on the EURIBOR base reference rate and variable margin, the level of which will depend on the level of the net debt-to-EBITDA ratio; and
7. security: Additional Facility will be secured with the same package of securities established in connection with the Facilities Agreement.

The above-mentioned parameters of the Additional Facility are preliminary and may be changed in the course of negotiations with banks. Additionally, the Company informs that negotiations with banks concerning Additional Facility may, but need not necessarily end with an execution of the Amendment Agreement.

The Company will provide information on the completion of negotiations and their result in a separate current report.

Specific legal basis: Art. 17 sec. 1 of Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation) and repealing Directive 2003/6/EC of the European Parliament and of the Council and Commission Directives 2003/124/EC, 2003/125/EC and 2004/72/EC.