



# ARCTIC PAPER CAPITAL GROUP

Consolidated quarterly report for Q1 2022

**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 2022 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on the current and periodic information provided by securities issuers and on the conditions for recognizing information required by the law of a non-member state as equivalent information (Journal of Laws of 2018, item 757) and a part of the abbreviated consolidated financial statements, particularly in accordance with International Financial Reporting Standards 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 2021.

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 specified, are disclosed in PLN '000.

## 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, 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 Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	Arctic Power 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; since 1 January 2020 – 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 Kuldiga, 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 in Zielona Góra
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 activities (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 allowances (Earnings Before Interest, Taxes, Depreciation and Amortisation)

EBITDA profitability, EBITDA margin	Ratio of operating profit plus depreciation and amortisation and impairment allowances 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 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
Cash solvency 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 activities 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

	Period from 01.01.2022 to 31.03.2022 PLN '000	Period from 01.01.2021 to 31.03.2021 PLN '000	Period from 01.01.2022 to 31.03.2022 EUR '000	Period from 01.01.2021 to 31.03.2021 EUR '000
Continuing operations				
Sales revenues	1 110 758	782 812	240 118	172 170
Operating profit/(loss)	176 082	43 183	38 065	9 498
Gross profit/(loss)	172 020	38 897	37 186	8 555
Net profit/(loss) for the period	146 364	32 269	31 640	7 097
Net profit / (loss) attributable to the shareholders of the Parent Entity	120 681	29 095	26 088	6 399
Net cash flows from operating activities	17 949	24 076	3 880	5 295
Net cash flows from investing activities	(40 502)	(35 514)	(8 755)	(7 811)
Net cash flows from financing activities	(7 562)	(24 347)	(1 635)	(5 355)
Change in cash and cash equivalents	(30 115)	(35 785)	(6 510)	(7 871)
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)	1,74	0,42	0,38	0,09
Diluted EPS (in PLN/EUR)	1,74	0,42	0,38	0,09
Mean PLN/EUR exchange rate*			4,6259	4,5467

	As at 31 March 2022 PLN '000	As at 31 December 2021 PLN '000	As at 31 March 2022 EUR '000	As at 31 December 2021 EUR '000
Assets	2 618 539	2 389 266	562 824	519 473
Long-term liabilities	459 699	424 205	98 807	92 230
Short-term liabilities	716 220	722 065	153 943	156 991
Equity	1 442 620	1 242 996	310 074	270 252
Share capital	69 288	69 288	14 893	15 064
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)	20,82	17,94	4,48	3,90
Diluted book value per share (in PLN/EUR)	20,82	17,94	4,48	3,90
Declared or paid dividend (in PLN/EUR)	-	20 786 335	-	4 519 358
Declared or paid dividend per share (in PLN/EUR)	-	0,30	-	0,07
PLN/EUR exchange rate at the end of the period**	-	-	4,6525	4,5994

\* – Profit and loss 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 01.01.2022 to 31.03.2022 PLN '000	Period from 01.01.2021 to 31.03.2021 PLN '000	Period from 01.01.2022 to 31.03.2022 EUR '000	Period from 01.01.2021 to 31.03.2021 EUR '000
Sales revenues	3 601	4 690	778	1 032
Operating profit/(loss)	(1 176)	(617)	(254)	(136)
Gross profit/(loss)	(2 749)	(7 080)	(594)	(1 557)
Net profit/(loss) for the period	(2 196)	(7 080)	(475)	(1 557)
Net cash flows from operating activities	(6 758)	(6 170)	(1 461)	(1 357)
Net cash flows from investing activities	-	-	-	-
Net cash flows from financing activities	(487)	(18 376)	(105)	(4 042)
Change in cash and cash equivalents	(7 245)	(24 545)	(1 566)	(5 399)
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)	(0,03)	(0,10)	(0,01)	(0,02)
Diluted EPS (in PLN/EUR)	(0,03)	(0,10)	(0,01)	(0,02)
Mean PLN/EUR exchange rate*			4,6259	4,5467

	As at 31 March 2022 PLN '000	As at 31 December 2021 PLN '000	As at 31 March 2022 EUR '000	As at 31 December 2021 EUR '000
Assets	837 126	857 299	179 930	186 394
Long-term liabilities	105 661	105 398	22 711	22 916
Short-term liabilities	153 609	174 841	33 016	38 014
Equity	577 857	577 059	124 203	125 464
Share capital	69 288	69 288	14 893	15 064
Number of ordinary shares	69 287 783	69 287 783	69 287 783	15 064 526
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	15 064 526
Book value per share (in PLN/EUR)	8,34	8,33	1,79	1,81
Diluted book value per share (in PLN/EUR)	8,34	8,33	1,79	1,81
Declared or paid dividend (in PLN/EUR)	-	20 786 335	-	4 519 358
Declared or paid dividend per share (in PLN/EUR)	-	0,30	-	0,07
PLN/EUR exchange rate at the end of the period**	-	-	4,6525	4,5994

\* – Profit and loss 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.



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

to the report for Q1 2022

# Description of the business of the the Arctic Paper Group

## General information

Arctic Paper Group is a paper and pulp producer. We offer bulky book paper and a wide range of products in this segment, as well as 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. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As at 31 March 2022, the Arctic Paper Group employs 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 Sweden, and have total production capacity of over 685,000 tonnes of paper per year. Our Pulp Mills located in Sweden have aggregated production capacities of over 400,000 tonnes of pulp annually. As at 31 March 2022, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for Q1 2022 amounted to PLN 1,111 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 Zielona Góra, 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 activity

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 2022, 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 2022, 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;
- Unbleached sulphate pulp;
- Mechanical fibre pulp.

A detailed description of the Group's assortment is included in the consolidated annual report for 2021.

### **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**

In Q1 2022, 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 2022) 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 2022 was 68.13% and has not changed until the date hereof.

as at 09.05.2022

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
<b>Thomas Onstad</b>	<b>47 205 107</b>	<b>68,13%</b>	<b>47 205 107</b>	<b>68,13%</b>
- 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%
<b>Other</b>	<b>22 082 676</b>	<b>31,87%</b>	<b>22 082 676</b>	<b>31,87%</b>
Total	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%
<b>Total</b>	<b>69 287 783</b>	<b>100,00%</b>	<b>69 287 783</b>	<b>100,00%</b>

The data in the above table is provided as of the date hereof, which has not changed compared to the date of the 2021 Annual Report.

## Summary of consolidated financial results

### Selected items of the consolidated statement of profit and loss

<i>PLN'000</i>	Q1 2022	Q4 2021	Q1 2021	YTD Q1 2022	YTD Q1 2021	Change % Q1 2022/ Q4 2021	Change % Q1 2022/ Q1 2021	Change % YTD Q1 2022/ YTD Q1 2021
Continuing operations								
<b>Sales revenues</b>	<b>1 110 758</b>	<b>953 547</b>	<b>782 812</b>	<b>1 110 758</b>	<b>782 812</b>	<b>16,5</b>	<b>41,9</b>	<b>41,9</b>
<i>of which:</i>								
<i>Sales of paper</i>	<i>819 558</i>	<i>689 247</i>	<i>547 339</i>	<i>819 558</i>	<i>547 339</i>	<i>18,9</i>	<i>49,7</i>	<i>49,7</i>
<i>Sales of pulp</i>	<i>291 199</i>	<i>264 299</i>	<i>235 473</i>	<i>291 199</i>	<i>235 473</i>	<i>10,2</i>	<i>23,7</i>	<i>23,7</i>
Profit on sales	300 617	202 346	152 340	300 617	152 340	48,6	97,3	97,3
<i>% of sales revenues</i>	<i>27,06</i>	<i>21,22</i>	<i>19,46</i>	<i>27,06</i>	<i>19,46</i>	<i>5,8 p.p.</i>	<i>7,6 p.p.</i>	<i>7,6 p.p.</i>
Selling and distribution costs	(99 294)	(100 507)	(91 717)	(99 294)	(91 717)	(1,2)	8,3	8,3
Administrative expenses	(25 361)	(31 248)	(19 894)	(25 361)	(19 894)	(18,8)	27,5	27,5
Other operating income	21 302	27 474	12 525	21 302	12 525	(22,5)	70,1	70,1
Other operating expenses	(21 182)	(23 976)	(10 071)	(21 182)	(10 071)	(11,7)	110,3	110,3
<b>EBIT</b>	<b>176 082</b>	<b>74 089</b>	<b>43 183</b>	<b>176 082</b>	<b>43 183</b>	<b>137,7</b>	<b>307,8</b>	<b>307,8</b>
<i>% of sales revenues</i>	<i>15,85</i>	<i>7,77</i>	<i>5,52</i>	<i>15,85</i>	<i>5,52</i>	<i>8,1 p.p.</i>	<i>10,3 p.p.</i>	<i>10,3 p.p.</i>
<b>EBITDA</b>	<b>205 725</b>	<b>69 249</b>	<b>72 233</b>	<b>205 725</b>	<b>72 233</b>	<b>197,1</b>	<b>184,8</b>	<b>184,8</b>
<i>% of sales revenues</i>	<i>18,52</i>	<i>7,26</i>	<i>9,23</i>	<i>18,52</i>	<i>9,23</i>	<i>11,3 p.p.</i>	<i>9,3 p.p.</i>	<i>9,3 p.p.</i>
Financial income	180	1 365	2 584	180	2 584	(86,8)	(93,0)	(93,0)
Financial expenses	(4 242)	(3 511)	(6 871)	(4 242)	(6 871)	20,8	(38,3)	(38,3)
<b>Gross profit/(loss)</b>	<b>172 020</b>	<b>71 943</b>	<b>38 897</b>	<b>172 020</b>	<b>38 897</b>	<b>139,1</b>	<b>342,2</b>	<b>342,2</b>
Income tax	(25 656)	(17 266)	(6 628)	(25 656)	(6 628)	48,6	287,1	287,1
<b>Net profit/(loss)</b>	<b>146 364</b>	<b>54 677</b>	<b>32 269</b>	<b>146 364</b>	<b>32 269</b>	<b>167,7</b>	<b>353,6</b>	<b>353,6</b>
<i>% of sales revenues</i>	<i>13,18</i>	<i>5,73</i>	<i>4,12</i>	<i>13,18</i>	<i>4,12</i>	<i>7,4 p.p.</i>	<i>9,1 p.p.</i>	<i>9,1 p.p.</i>
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	120 681	42 845	29 095	120 681	29 095	181,7	314,8	314,8



### **Comments of the President of the Management Board Michał Jarczyński on the results of Q1 2022**

The first quarter of 2022 was impressively strong, with continued solid demand for paper, pulp, and packaging. The increase in both paper and pulp prices increased the Group's revenues to PLN 1,110.8 million (782.8) and EBITDA to PLN 205.7 million (72.2), making the quarterly result the best in Arctic Paper's history with an EBITDA margin of 18.5 percent (9.2). The financial position is solid with a net debt / EBITDA ratio of 0.33 (0.70). The combination of pulp and paper, which have historically balanced each other through the economic cycles, now reinforces each other and the Group's performance even more clearly.

The paper segment increased revenues by almost 50 percent during the period and reached PLN 819.6 million (547.3) with an EBITDA of 130.0 million (56.7). Capacity utilization remained at a high of 99 percent (94) for the third quarter in a row and our mills are actively considering both the product and the price mix to optimize production. We have succeeded well in offsetting the rising costs of raw materials, energy, and logistics with paper price increases. We have not yet experienced any major disruptions in our logistics chain during the period, but we have updated our contingency plans to increase our readiness.

For the pulp segment, Rottneros, revenues increased to 660 MSEK (542) with an EBITDA of 174 MSEK (40) and a net result of 114 MSEK (5). The pulp market continues to be strong and the list price for NBSK returned to a historic high in March. Limited shipping opportunities from other regions and the rapidly growing interest in fossil-free packaging contributed to the positive development during the period.

For packaging, volume growth stabilized during the first quarter in line with our ambition to maximize production from our mills in terms of value per tonne. At the same time, we have advanced our plan to invest in new production capacity in the developing segment of sustainable packaging.

The rapid rise in energy prices proves the value of investing in green energy. As announced in December, we are now advancing our plan to build a solar energy park in Kostrzyn. During the period, we also signed an agreement with NTP to build a production plant on our premises and start production in 2025. At the same time, we will buy residual energy from the new plant, which will reduce our CO2 emissions by 20,000 tonnes annually.

Since the launch of our 4P strategy in October, we have worked intensively to change and diversify the Group in line with the new focus. The steps we have taken - and the steps we are about to take - will transform our business. While the Group's performance is at an all-time high, Russian aggression and the war in Ukraine have made the outlook for the economy more uncertain.

## Revenues

In Q1 2022, consolidated sales revenues reached PLN 1,110,758 thousand compared to PLN 782,812 thousand in the same period of the previous year. This represents an increase of PLN 327,946 thousand and +41.9% respectively. Revenues from paper sales in Q1 2022 amounted to PLN 819,558 thousand (Q1 2021: PLN 547,339 thousand) while from pulp sales PLN 291,199 thousand (Q1 2021: PLN 235,473 thousand)

Paper sales volume in Q1 2022 amounted to 166 thousand tonnes compared to 161 thousand tonnes in the same period of the previous year. The change represents an increase of 5 thousand tonnes and by +3.1% respectively.

Pulp sales volume in Q1 2022 amounted to 100 thousand tonnes compared to 108 thousand tonnes in the same period of the previous year. The change represents a decrease of 8 thousand tonnes and by -7.4% respectively.

The higher sales revenue in Q1 2022 compared to Q4 2021 is due to higher pulp sales volume as well as higher paper and pulp sales prices denominated in PLN. Revenues from paper sales in Q4 2021 amounted to PLN 689,247 thousand (sales volume 168 thousand tonnes) and from the sale of pulp PLN 264,299 thousand (sales volume 93 thousand tonnes).

## Profit on sales, selling and distribution costs and administrative expenses

Profit on sales in Q1 2022 amounted to PLN 300,617 thousand and was 97.3% higher than in the same period of the previous year and 48.6% higher than in Q4 2021. Sales profit margin in the current quarter stood at 27.06% compared to 19.46% (+7.6 p.p.) in the same period of the previous year and 21.22% (+5.8%) in Q4 2021.

The main reason for the increase in profit on sales in Q1 2022 compared to the same period of the previous year and Q4 2021 was higher selling prices for paper and pulp.

In Q1 2022, cost of sales amounted to PLN 99,294 thousand, an increase of 8.3% compared to the costs incurred in Q1 2021 and a decrease of 1.2% compared to Q4 2021. 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 2022.

In Q1 2022, general and administrative expenses reached PLN 25,361 thousand compared to PLN 19,894 thousand in the corresponding period of 2021 and PLN 31,248 thousand in Q4 2021. 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 amounted to PLN 21,302 thousand in Q1 2022, up by PLN 8,777 thousand y/y and down by PLN 6,172 thousand compared to Q4 2021.

Other operating income consists mainly of income from heat and electricity sales as well as income from sales of other materials. In addition, in 2021, within other operating income and expenses, the Group recognised costs related to research work partially compensated by the National Centre for Research and Development. The Group did not receive compensation in Q1 2022.

In Q1 2022, other operating expenses reached PLN 21,182 thousand, compared to PLN 10,071 thousand in Q1 2021 and PLN 23,976 thousand in Q4 2021. Other operating expenses consisted mainly of costs of heat and electricity sold, costs of other materials sold and costs related to research work.

## Financial income and financial expenses

In Q1 2022, the financial income amounted to PLN 180 thousand and was by PLN 2,404 thousand lower than income generated in Q1 2021 and was by PLN 1,185 thousand lower than the financial income for Q4 2021.

The lower financial revenues in Q1 2021 were due to net FX losses (specified below).

In Q1 2022, financial income amounted to PLN 4,242 thousand as compared to PLN 6,871 thousand incurred in Q1 2021 and PLN 3,511 thousand for the last quarter of 2021.

FX differences are presented net, i.e. the surplus of FX profit over FX loss is presented as financial income while the surplus of FX loss over FX profit is presented as financial expenses. The Group generated FX loss of PLN 1,245 thousand in Q1 2022, and FX gains of PLN 2,464 thousand for Q1 2022 and FX gains of PLN 1,411 thousand in Q4 2021. In addition, the refinancing of debt in Q2 2021 and the interest SWAP contracts entered into resulted in a reduction in interest expense in 2022.

### **Income tax**

Income tax in Q1 2022 amounted to PLN -25,656 thousand, while it amounted to PLN -6,628 thousand in the corresponding period of 2021 and PLN -17,266 thousand for Q4 2021.

The current portion of income tax amounted to PLN -21,793 thousand in the quarter under review, while the deferred portion amounted to PLN -3,863 thousand. In the first quarter of the previous year, the amount was PLN -4,510 thousand PLN and PLN -2.118 thousand. In the last quarter of the previous year, the amount was PLN +5,812 thousand and PLN -23,078 thousand.

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

In Q1 2022, the Group generated net profit of PLN 146,364 thousand, of which the portion attributable to the shareholders of Arctic Paper S.A. amounted to PLN 120,681 thousand.

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

In Q4 2021, the Group generated net profit of PLN 54,677 thousand, of which the portion attributable to the shareholders of Arctic Paper S.A. amounted to PLN 42,845 thousand.

### Profitability analysis

The result on operating activities in Q1 2022 was PLN +176,082 thousand, compared to PLN +43,183 thousand in the same period of the previous year and PLN +74,089 thousand in Q4 2021. Those changes mean there was an increase of operating profit margin from +5.52% in Q1 2021 and an increase of operating profit margin from +7.77% in Q4 2021 to +15.85 in the first quarter of the current year.

EBITDA in Q1 2022 was PLN 205,725 thousand while in the equivalent period in 2021 it was PLN 72,233 thousand and PLN 69,249 thousand in Q4 2021. In the reporting period, the EBITDA margin was +18.52% compared to +9.23% in the equivalent period of 2021 and 7.26% in Q4 2021. EBIT higher than EBITDA in Q4 2021 is the result of the partial reversal of the impairment allowance on non-financial assets for APG exceeding the depreciation expense for the fourth quarter of the previous year.

In Q1 2022, net profit amounted to PLN 146,364 thousand as compared to the net profit of PLN 32,269 thousand in Q1 2021 and net profit of PLN 54,677 thousand in Q4 2021.

<i>PLN'000</i>	Q1 2022	Q4 2021	Q1 2021	YTD Q1 2022	YTD Q1 2021	Change % Q1 2022/ Q4 2021	Change % Q1 2022/ Q1 2021	Change % YTD Q1 2022/ YTD Q1 2021
Profit/(loss) on sales	300 617	202 346	152 340	300 617	152 340	48,6	97,3	97,3
<i>% of sales revenues</i>	27,06	21,22	19,46	27,06	19,46	5,8 p.p.	7,6 p.p.	7,6 p.p.
<b>EBITDA</b>	<b>205 725</b>	<b>69 249</b>	<b>72 233</b>	<b>205 725</b>	<b>72 233</b>	<b>197,1</b>	<b>184,8</b>	<b>184,8</b>
<i>% of sales revenues</i>	18,52	7,26	9,23	18,52	9,23	11,3 p.p.	9,3 p.p.	9,3 p.p.
<b>EBIT</b>	<b>176 082</b>	<b>74 089</b>	<b>43 183</b>	<b>176 082</b>	<b>43 183</b>	<b>137,7</b>	<b>307,8</b>	<b>307,8</b>
<i>% of sales revenues</i>	15,85	7,77	5,52	15,85	5,52	8,1 p.p.	10,3 p.p.	10,3 p.p.
<b>Net profit/(loss)</b>	<b>146 364</b>	<b>54 677</b>	<b>32 269</b>	<b>146 364</b>	<b>32 269</b>	<b>167,7</b>	<b>353,6</b>	<b>353,6</b>
<i>% of sales revenues</i>	13,18	5,73	4,12	13,18	4,12	7,4 p.p.	9,1 p.p.	9,1 p.p.
Return on equity / ROE (%)	10,1	4,4	3,1	10,1	3,1	5,7 p.p.	7,1 p.p.	7,1 p.p.
Return on assets / ROA (%)	5,6	2,3	1,5	5,6	1,5	3,3 p.p.	4,1 p.p.	4,1 p.p.

In Q1 2022, return on equity was +10.1% while in Q1 2021 it was +3.1% and in Q4 2021 it was +4.4%.

In the same period, return on assets was +5.6% while in Q1 2021 it was +1.5% and in Q4 2021 it was +2.3%.

The growth of return on equity and return of assets in Q1 2022, compared to the first and last quarter of 2021 was mainly due to the net profit generated in the analysed period.

## Selected items of the consolidated statement of financial position

<i>PLN'000</i>	31.03.2022	31.12.2021	31.03.2021	Change 31.03.2022 -31.12.2021	Change 31.03.2022 -31.03.2021
Fixed assets	1 362 625	1 301 750	1 184 784	60 874	177 841
Inventories	434 112	402 868	349 239	31 244	84 873
Receivables	566 071	410 939	363 773	155 132	202 298
<i>trade receivables</i>	<i>559 686</i>	<i>402 530</i>	<i>356 543</i>	<i>157 156</i>	<i>203 143</i>
Other current assets	117 771	105 781	18 864	11 990	98 907
Cash and cash equivalents	137 960	167 927	218 293	(29 968)	(80 333)
<b>Total assets</b>	<b>2 618 539</b>	<b>2 389 266</b>	<b>2 134 953</b>	<b>229 273</b>	<b>483 587</b>
Equity	1 442 620	1 242 996	1 046 181	199 624	396 439
Short-term liabilities	716 220	722 065	636 244	(5 846)	79 976
<i>of which:</i>					
<i>trade and other payables</i>	<i>518 015</i>	<i>506 813</i>	<i>404 119</i>	<i>16 202</i>	<i>118 895</i>
<i>interest-bearing debt</i>	<i>69 779</i>	<i>96 659</i>	<i>144 499</i>	<i>(26 879)</i>	<i>(74 719)</i>
<i>other non-financial liabilities</i>	<i>128 425</i>	<i>118 594</i>	<i>87 625</i>	<i>4 831</i>	<i>35 800</i>
Long-term liabilities	459 699	424 205	452 528	35 495	7 171
<i>of which:</i>					
<i>interest-bearing debt</i>	<i>218 979</i>	<i>190 363</i>	<i>236 961</i>	<i>28 616</i>	<i>(17 982)</i>
<i>other non-financial liabilities</i>	<i>240 720</i>	<i>233 841</i>	<i>215 567</i>	<i>6 879</i>	<i>25 153</i>
<b>Total equity and liabilities</b>	<b>2 618 539</b>	<b>2 389 266</b>	<b>2 134 953</b>	<b>229 273</b>	<b>483 587</b>

As at 31 March 2022, total assets amounted to PLN 2,618,539 thousand as compared to PLN 2,389,266 thousand at the end of 2021, which was an increase by PLN 229,273 thousand.

### Fixed assets

At the end of March 2022, non-current assets amounted to PLN 1,362,625 thousand and accounted for 52.0% of total assets compared to PLN 1,301,750 thousand at the end of 2021 – 54.5%. Fixed assets mainly consist of tangible fixed assets and intangible assets. The increase in non-current assets in Q1 2022 was primarily due to an increase in property, plant and equipment and intangible assets (capital purchases lower than depreciation and amortisation) and an increase in the positive valuation of energy forward contracts.

### Current assets

As at the end of March 2022, current assets amounted to PLN 1,255,914 thousand as compared to PLN 1,087,516 thousand at the end of December 2021. Within current assets, inventories increased by PLN 31,244 thousand, receivables increased by PLN 155,132 thousand, other current assets increased by PLN 11,990 thousand, while cash and cash equivalents decreased by PLN 29,968 thousand. Current assets represented 48.0% of total assets as at the end of March 2022 (45.5% as at the end of 2021) and included inventories – 16.6% (16.9% as at the end of 2021), receivables – 21.6% (17.2% as at the end of 2021), other current assets – 4.5% (4.4% as at the end of 2021) and cash and cash equivalents – 5.3% (7.0% as at the end of 2021).

### Equity

In Q1 2022, the equity amounted to PLN 1,442,620 thousand as compared to PLN 1,242,996 thousand at the end of 2021. Equity represented 55.1% of total equity and liabilities as at the end of March 2022 as compared to 52.0% of balance sheet total as at the end of December 2021. The increase in equity during Q1 2022 was due to net profit, an increase in the positive valuation of financial instruments hedging future cash flows and an increase in FX gains on translation of subsidiaries.

### Short-term liabilities

As at the end of March 2022, current liabilities amounted to PLN 716,220 thousand (27.4% of total assets) compared to PLN 722,065 thousand (30.2% of total assets) at the end of 2021. In the current quarter, a decrease of short-term liabilities

occurred by PLN 5,846 thousand. The main changes within current liabilities were a decrease in short-term loans (classification of the loan from Nordea Bank to the short-term part, the extension of the contract for another 3 years took place at the beginning of 2022) offset in part by an increase in trade and other payables and income tax liabilities.

### Long-term liabilities

As at the end of March 2022, short-term liabilities amounted to PLN 459,699 thousand (17.5% of balance sheet total) as compared to PLN 424,205 thousand as at the end of 2021 (17.8% of balance sheet total). In the period under review, non-current liabilities increased by PLN 35,495 thousand mainly as a result of the reclassification of the loan described above and the partial repayment of the loan debt.

### Debt analysis

	Q1 2022	Q4 2021	Q1 2021	Change % Q1 2022/ Q4 2021	Change % Q1 2022/ Q1 2021
Debt to equity ratio (%)	81,5	92,2	104,1	(10,7) p.p.	(22,6) p.p.
Equity to fixed assets ratio (%)	105,9	95,5	88,3	10,4 p.p.	17,6 p.p.
Interest-bearing debt-to-equity ratio (%)	20,0	23,1	36,5	(3,1) p.p.	(16,4) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	0,3x	0,4x	0,7x	(0,1)	(0,4)
EBITDA to interest expense ratio for the last 12 months (x)	28,1x	17,4x	12,8x	10,7	15,3

As at the end of March 2022, debt to equity ratio amounted to 81.5% and was lower by 10.7 p.p. compared to the end of 2021 and lower by 22.6 p.p. compared to the end of March 2021. An increasing share of equity in total liabilities contributed to the decline in the ratio.

The equity to non-current assets ratio was 105.9% as at the end of Q1 2022 and was higher by 10.4 p.p. than at the end of 2021 and higher by 17.6 p.p. than at the end of March 2021. An increase in equity contributed to the increase in the ratio.

Interest bearing debt to equity ratio amounted to 20.0% as at the end of Q1 2022 and was lower by 3.1 p.p. compared to the end of December 2021 and lower by 16.4 p.p. compared to the level of the ratio calculated at the end of March 2021. Rising equity contributed to the decline in the ratio.

Net borrowings to EBITDA calculated for the last 12 months ended on 31 March 2022 amounted to 0.3x compared to 0.4x in the equivalent period ended on 31 December 2021 and 0.7x for the 12-month period ended on 31 March 2021. The decrease in the ratio was mainly due to rising EBITDA.

The EBITDA to interest coverage ratio amounted to 28.1x for the twelve months ended on 31 March 2022, 17.4x for the twelve months ended on 31 December 2021 and 12.8x for the twelve months ended on 31 March 2021. The increase in the ratio was the result of both rising EBITDA and falling interest expense.

### Liquidity analysis

	Q1 2022	Q4 2021	Q1 2021	Change % Q1 2022/ Q4 2021	Change % Q1 2022/ Q1 2021
<b>Current ratio</b>	<b>1,8x</b>	<b>1,5x</b>	<b>1,5x</b>	<b>0,3</b>	<b>0,3</b>
<b>Quick ratio</b>	<b>1,1x</b>	<b>0,9x</b>	<b>0,9x</b>	<b>0,2</b>	<b>0,2</b>
<b>Cash solvency ratio</b>	<b>0,2x</b>	<b>0,2x</b>	<b>0,3x</b>	<b>(0,0)</b>	<b>(0,2)</b>
DSI (days)	48,2	53,6	49,9	(5,4)	(1,6)
DSO (days)	45,3	42,5	41,0	2,8	4,4
DPO (days)	58,1	67,5	57,7	(9,4)	0,4
Operational cycle (days)	93,6	96,1	90,8	(2,5)	2,7
<b>Cash conversion cycle (days)</b>	<b>36,0</b>	<b>28,6</b>	<b>33,2</b>	<b>6,9</b>	<b>2,3</b>

The current ratio was 1.8 at the end of March 2022 and 1.5 as at 31 December 2021 and at the end of March 2021.

The quick ratio was 1.1 as at end of March 2022 and 0.9 as at 31 December 2021 and as at end of March 2021.

The increase in the current and quick liquidity ratios was mainly due to the increase in the respective current assets (primarily receivables and inventories).

The cash solvency ratio was 0.2 at the end of March 2022 and as at the end of 2021 and 0.3 at the end of March 2021.

The cash conversion cycle for the period ended on 31 March 2022 was 36 days (the period ended on 31 December 2021: 28.6 days and for the period ended on 31 March 2021: 33.2 days). The extension of the cash conversion cycle was mainly influenced by the shortening of the payables turnover calculated in days.

## Selected items of the consolidated statement of cash flow

<i>PLN'000</i>	Q1 2022	Q4 2021	Q1 2021	YTD Q1 2022	YTD Q1 2021	Change % Q1 2022/ Q4 2021	Change % Q1 2022/ Q1 2021	Change % YTD Q1 2022/ YTD Q1 2021
Cash flows from operating activities	17 949	132 876	24 076	17 949	24 076	(86,5)	(25,4)	(25,4)
<i>of which:</i>								
<i>Gross profit/(loss)</i>	172 020	71 943	38 897	172 020	38 897	139,1	342,2	342,2
<i>Depreciation/amortisation and impairment allowances</i>	29 643	(4 840)	29 050	29 643	29 050	(712,4)	2,0	2,0
<i>Changes to working capital</i>	(173 890)	90 301	(32 383)	(173 890)	(32 383)	(292,6)	437,0	437,0
<i>Other adjustments</i>	(9 823)	(24 528)	(11 488)	(9 823)	(11 488)	(60,0)	(14,5)	(14,5)
Cash flows from investing activities	(40 502)	(56 447)	(35 514)	(40 502)	(35 514)	(28,2)	14,0	14,0
Cash flows from financing activities	(7 562)	(53 463)	(24 347)	(7 562)	(24 347)	(85,9)	(68,9)	(68,9)
<b>Total cash flows</b>	<b>(30 115)</b>	<b>22 965</b>	<b>(35 785)</b>	<b>(30 115)</b>	<b>(35 785)</b>	<b>(231,1)</b>	<b>(15,8)</b>	<b>(15,8)</b>

### Cash flows from operating activities

In Q1 2022, net cash flow from operating activities amounted to PLN +17.949 thousand, compared to PLN +24,076 thousand in the corresponding period of 2021 and PLN +132,876 thousand in the fourth quarter of the previous year. Gross profit generated in Q1 2022, 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 2022.

### Cash flows from investing activities

In Q1 2022, cash flows from investing activities amounted to PLN -40,502 thousand compared to PLN -35,514 thousand in Q1 2021 and PLN -56,447 thousand in Q4 2021. Cash flows from investing activities in Q1 2022 resulted primarily from purchase of tangible fixed and intangible assets.

### Cash flows from financing activities

In Q1 2022, cash flows from financing activities amounted to PLN -7,562 thousand as compared to PLN -24,347 thousand in Q1 2021 and PLN -53,463 thousand in Q4 2021. In Q1 2022, negative cash flows from financing activities were related primarily to repayment of debt under bank loans and lease agreements with interest.



## Summary of standalone financial results

### Selected items of the standalone statement of profit and loss

<i>PLN'000</i>	1Q 2022	4Q 2021	1Q 2021	YTD 1Q 2022	YTD 1Q 2021	Change % 1Q 2022/ 4Q 2021	Change % 1Q 2022/ 1Q 2021	Change % YTD 1Q 2022/ YTD 1Q 2021
<b>Sales revenues</b>	<b>3 601</b>	<b>9 209</b>	<b>4 690</b>	<b>3 601</b>	<b>4 690</b>	<b>(61)</b>	<b>(23)</b>	<b>(23)</b>
<i>of which:</i>								
<i>Revenues from sales of services</i>	3 019	8 260	3 863	3 019	3 863	(63)	(22)	(22)
<i>Interest on loans</i>	582	583	827	582	827	(0)	(30)	(30)
<i>Dividend income</i>	-	366	-	-	-	(100)	-	-
<b>Profit on sales</b>	<b>1 493</b>	<b>7 183</b>	<b>3 923</b>	<b>1 493</b>	<b>3 923</b>	<b>(79)</b>	<b>(62)</b>	<b>(62)</b>
<i>% of sales revenues</i>	41,46	(2,34)	83,64	41,46	83,64	43,8 p.p.	(42,2) p.p.	(42,2) p.p.
Administrative expenses	(2 617)	(9 126)	(4 467)	(2 617)	(4 467)	(71)	(41)	(41)
Other operating income	12	10	287	12	287	15	(96)	(96)
Other operating expenses	(63)	(101)	(360)	(63)	(360)	(38)	(82)	(82)
<b>EBIT</b>	<b>(1 176)</b>	<b>(2 034)</b>	<b>(617)</b>	<b>(1 176)</b>	<b>(617)</b>	<b>(42)</b>	<b>91</b>	<b>91</b>
<i>% of sales revenues</i>	(32,66)	(12,42)	(13,16)	(32,66)	(13,16)	(20,2) p.p.	(19,5) p.p.	(19,5) p.p.
<b>EBITDA</b>	<b>(1 110)</b>	<b>(1 962)</b>	<b>(490)</b>	<b>(1 110)</b>	<b>(490)</b>	<b>(43)</b>	<b>127</b>	<b>127</b>
<i>% of sales revenues</i>	(30,83)	(12,39)	(10,45)	(30,83)	(10,45)	(18,4) p.p.	(20,4) p.p.	(20,4) p.p.
Financial income	593	470	1 078	593	1 078	26	(45)	(45)
Financial expenses	(2 166)	(2 789)	(7 541)	(2 166)	(7 541)	(22)	(71)	(71)
<b>Gross profit (loss)</b>	<b>(2 749)</b>	<b>(4 354)</b>	<b>(7 080)</b>	<b>(2 749)</b>	<b>(7 080)</b>	<b>(37)</b>	<b>(61)</b>	<b>(61)</b>
Income tax	<b>553</b>	-	-	<b>553</b>	-	-	-	-
<b>Net profit / (loss)</b>	<b>(2 196)</b>	<b>(4 354)</b>	<b>(7 080)</b>	<b>(2 196)</b>	<b>(7 080)</b>	<b>(50)</b>	<b>(69)</b>	<b>(69)</b>
<i>% of sales revenues</i>	(61,00)	(13,72)	(150,96)	(61,00)	(150,96)	(47,3) p.p.	90,0 p.p.	90,0 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.

In Q1 2022 the sales revenues amounted to PLN 3,601 thousand and comprised services provided to Group companies (PLN 3,019 thousand) and interest on loans (PLN 582 thousand). In the equivalent period of the previous year, the standalone sales revenues amounted to PLN 4,690 thousand and comprised services provided to Group companies (PLN 3,863 thousand) and interest on loans (PLN 827 thousand).

In Q4 2021, the standalone sales revenues amounted to PLN 9,209 thousand, including revenues from the services provided to Group companies (PLN 8,260 thousand) and interest income on borrowings granted (PLN 583 thousand) and dividend (PLN 366 thousand).

In 2022 and in 2021, the Company did not render services to the Pulp Mills of the Rottneros Group.

In 2022, 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 Q1 2022 and 2021, the Company did not recognise selling and distribution costs.

### **Administrative expenses**

In Q1 2022, general and administrative expenses reached PLN 2,617 thousand and were lower than in the same period of the previous year (PLN 4,467 thousand) and from the expenses recorded in Q4 2021 (PLN 9,126 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 12 thousand in Q1 2022 which was a decrease as compared to the equivalent period of the previous year by PLN 275 thousand. In Q4 2021, the revenues amounted to PLN 10 thousand.

Other operating expenses totalled PLN 63 thousand in Q1 2022. In the corresponding period of 2021, costs were at PLN 360 thousand and in Q4 2021 they amounted to PLN 101 thousand.

### **Financial income and financial expenses**

In Q1 2022, the financial income amounted to PLN 593 thousand and was lower by PLN 485 thousand than generated in Q1 2021.

Finance costs in 2022 amounted to PLN 2,166 thousand (in the corresponding period of 2021: PLN 7,541 thousand) while in Q4 2021 they amounted to PLN 2,789 thousand. The largest part of financial expenses in Q1 2022 included interest on loans measured at amortised cost and costs of financial transactions.

### **Income tax**

Income tax in Q1 2022 amounted to PLN +553 thousand and resulted from the settlement of the tax group.

## Selected items of the standalone statement of financial position

<i>PLN'000</i>	31/03/2022	2020-12-31	31/03/2021	Change 31/03/2022 -31.12.2021	Change 31/03/2022 -31/03/2021
Fixed assets	689 366	686 451	692 260	2 915	(2 894)
Receivables	28 332	31 903	27 453	(3 572)	878
Other current assets	111 708	123 978	127 901	(12 270)	(16 192)
Cash and cash equivalents	7 721	14 966	15 602	(7 245)	(7 881)
<b>Total assets</b>	<b>837 126</b>	<b>857 299</b>	<b>863 215</b>	<b>(20 172)</b>	<b>(26 088)</b>
Equity	577 857	577 059	565 448	798	12 409
Short-term liabilities	153 609	174 841	281 338	(21 232)	(127 729)
<i>interest-bearing debt</i>	<i>124 896</i>	<i>145 648</i>	<i>124 835</i>	<i>(20 752)</i>	<i>61</i>
Long-term liabilities	105 661	105 398	16 429	262	89 232
<i>interest-bearing debt</i>	<i>101 805</i>	<i>101 546</i>	<i>11 747</i>	<i>258</i>	<i>90 058</i>
<b>Total equity and liabilities</b>	<b>837 126</b>	<b>857 299</b>	<b>863 215</b>	<b>(20 173)</b>	<b>(26 089)</b>

As at 31 March 2022, total assets amounted to PLN 837,126 thousand as compared to PLN 857,299 thousand at the end of 2021.

### Fixed assets

As at the end of March 2022 non-current assets represented nearly 82.3% of total assets which means the share increased (by 2.2 p.p.) compared to the end of 2021. The main item of non-current assets includes interests in subsidiaries. At the end of Q1 2021, the value was PLN 678,635 thousand and was the same as at the end of 2021.

### Current assets

As at the end of March 2022, current assets amounted to PLN 147,761 thousand as compared to PLN 170,848 thousand at the end of 2021. Working assets decreased in Q1 2022, particularly in other current assets and cash and cash equivalents. As at the end of Q1 2022, current assets represented 17.7% of total assets compared to 19.9% as at the end of the previous year.

### Equity

In Q1 2022, the equity amounted to PLN 577,857 thousand as compared to PLN 577,059 thousand at the end of 2021. Equity amounted to 69% of balance sheet total as at the end of March 2022 and the share increased by 1.7 p.p as compared to the end of 2021.

### Short-term liabilities

As at the end of March 2022, current liabilities amounted to PLN 153,609 thousand (18.3% of balance sheet total) as compared to PLN 174,841 thousand as at the end of 2021 (20.4% of balance sheet total).

### Long-term liabilities

As at the end of March 2022, long-term liabilities amounted to PLN 105,661 thousand (12.6% of balance sheet total) as compared to PLN 105,398 thousand as at the end of 2021 (12.3% of balance sheet total).

## Selected items of the standalone statement of cash flow

PLN'000	1Q 2022	4Q2021	1Q2021	YTD 1Q 2022	YTD 1Q 2021	Change % 3Q2022/ 2Q2022	Change % 3Q2022/ 3Q2021	Change % YTD 2022/ YTD 2021
Cash flows from operating activities	(6 758)	42 857	(6 170)	(6 758)	(6 170)	(199)	(273,0)	9,5
<i>of which:</i>								
<i>Gross profit/(loss)</i>	(2 749)	(4 354)	(7 080)	(2 749)	(7 080)	(37)	(61,2)	(61,2)
<i>Depreciation/amortisation and impairment allowance</i>	66	72	127	66	127	(8)	(48,0)	(48,0)
<i>Changes to working capital</i>	917	5 865	(2 032)	917	(2 032)	(84)	(145,1)	(145,1)
<i>Interest and dividend (net)</i>	1 294	511	2 245	1 294	2 245	153	(42,4)	(42,4)
<i>Change in loans granted to subsidiaries</i>	1 308	(95 419)	13 124	1 308	13 124	(101)	(90,0)	(90,0)
<i>Change in cash pooling liabilities</i>	(11 604)	131 599	(14 280)	(11 604)	(14 280)	(109)	(18,7)	(18,7)
<i>Other adjustments</i>	4 011	4 584	1 725	4 011	1 725	(13)	132,4	132,4
Cash flows from investing activities	-	(2 498)	-	-	-	(100)	-	-
Cash flows from financing activities	(487)	(46 542)	(18 376)	(487)	(18 376)	(99)	12 293,4	(97,3)
<b>Total cash flows</b>	<b>(7 245)</b>	<b>(6 182)</b>	<b>(24 545)</b>	<b>(7 245)</b>	<b>(24 545)</b>	<b>17</b>	<b>12 020,4</b>	<b>(70,5)</b>

The cash flows statement presents a decrease in cash and cash equivalents in Q1 2022 by PLN 7,245 thousand, including:

- negative cash flows from operating activities of PLN -6,758 thousand,
- no cash flows from investing activities,
- negative cash flows from financing activities of PLN -487 thousand.

### Cash flows from operating activities

In Q1 2022, net cash flows from operating activities amounted to PLN -6,758 thousand as compared to PLN 72,509 thousand in the equivalent period of 2021. 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 2022, and 2021 cash flows from investing activities amounted to PLN 0 thousand.

### Cash flows from financing activities

In 2022, cash flows from financing activities amounted to PLN -487 thousand as compared to PLN -36,829 thousand in Q1 2021. Interest payments on loans had the greatest impact on cash flows from financing activities.

## 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 activities have 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 2022, there were no unusual events or factors.

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

In Q1 2022, 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**

#### **Letter of Intent on joint investment by Arctic Paper and Rottneros**

On 21 October 2021, Arctic Paper SA and Rottneros AB signed a letter of intent regarding the establishment of a joint venture to build a moulded pulp fibre packaging plant. The new factory in Kostrzyn nad Odrą, Poland, is scheduled to be operational by the end of 2023. It is estimated that the value of the investment will amount to EUR 12-15 million (around PLN 55-70 million), of which the Issuer's share will be 50%. The method of financing the investment is still being determined.

On 10 February 2022, the Company's Supervisory Board expressed a favourable opinion as to the Company's undertaking to enter into the aforementioned partnership agreement.

The production capacity of the new factory is estimated at 60-80 million trays per year. According to the Issuer's estimates, the investment will generate annual revenue of EUR 9-11 million (around PLN 40-50 million).

The new investment will utilise Rottneros Packaging AB's expertise in pulp packaging. The planned products include both non-laminated and laminated trays for so-called modified atmosphere packaging with an oxygen barrier, which provides up to three weeks of shelf life for packaged items.

The investment is an important element of the implementation of the new Arctic Paper 4P strategy, which consists in expanding the Arctic Paper offer by new, fast-growing segments (packaging production, manufacturing and energy trading).

### **Recommendations concerning dividend distribution**

On 17 February 2022, 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 2021, 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 2021, in the total amount of PLN 27,715,113.20, i.e. PLN 0.40 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 20 April 2022.

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 2021 profit and the payment of the dividend will be taken by the Annual General Meeting.

# Factors influencing the development of the Arctic Paper Group

## Information on market trends

### Supplies of fine paper

In Q1 2022, the Arctic Paper Group recorded a decreased level of orders versus Q4 2021 by 0.8% and a growth of orders versus the equivalent period of 2021 by 3.4%.

Source of data: Analysis by Arctic Paper

### Paper prices

In Q1 2022, the average prices of high quality UWF paper increased by 33.8% while the prices of CWF paper increased by 46.8% versus equivalent prices of Q1 2021.

In the period from the end of December 2021 to March 2022, the prices 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 an increase by 17.8% and 26,8% respectively:

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased at the end of Q1 2022 by 48.9% versus the equivalent period of 2021 while in the segment of coated wood-free paper (CWF) the prices increased by 51.1%.

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 customers 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 2022, the pulp prices were as follows: NBSK 1,342,1 USD/tonne and BHKP 1,177 USD/tonne. The average price of NBSK in Q1 2022 was higher by 34.5% compared to the equivalent period of the previous year while the price of BHKP was by 50.1% higher. The average pulp price in Q1 2021 was lower by 1% for NBSK and higher by 1% for BHKP as compared to Q4 2021.

The average cost of pulp per ton of produced paper as calculated for the AP Group, expressed in PLN, in Q1 2022 increased by 1% versus Q4 2021 and increased by 58.4% versus Q1 2021. The share of pulp costs in cost of paper sales in Q1 of the current year amounted to 58% and grew compared to the level recorded in Q1 2021 (49%).

In Q1 2022, 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](http://www.foex.fi) Arctic Paper analysis

### Currency exchange rates

The EUR/PLN exchange rate at the end of Q1 2022 amounted to 4.6525 and was higher by 1.2% than at the end of Q4 2021 and lower by 0.2% than at the end of Q1 2021. The average exchange rate in Q1 2022 was higher by 0.1% than in Q4 2021 and amounted to 4.6259 versus 4.6199. The average exchange rate in Q1 2022 was by 1.7% higher than in Q1 2021.

The EUR/SEK exchange rate at the end of March 2022 stood at 10.3297 against 10.2528 at the end of 2021 and 10.2289 at the end of Q1 2021, implying an appreciation of the EUR against the SEK by 0.8% and 1% respectively:

For this pair, the mean exchange rate in Q1 2022 was by 3.5% higher compared to Q4 2021. The mean exchange rate in Q1 2022 was by 3.6% higher than in the corresponding period of 2021.



The changes mean an appreciation of EUR vis-a-vis SEK in Q1 2022 which had a favourable 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 2022, the USD/PLN rate recorded an increase by 3% versus the end of Q4 2021 and amounted to 4.1801. In Q1 2022, the mean exchange rate amounted to 4.1260 compared to 4.0421 in Q4 2021. That was a PLN depreciation to USD by 2.1%.

At the end of Q1 2022, the USD/SEK rate amounted to 9.2809 and was by 2.5% higher than at the end of 2021. The mean exchange rate in Q1 2022 amounted to 9.3494 which was an increase by 5.4% compared to Q4 2021.

The changes of the USD/SEK exchange rates in Q1 2022 adversely affected the costs incurred in USD by the Swedish Pulp Mills, in particular the costs of pulp. With reference to the Paper Mill in Kostrzyn, the mean monthly USD/PLN exchange rate strengthened versus the equivalent rate from Q4 2021 which has adversely affected the pulp purchase costs in USD by the Polish factory.

At the end of March of the current year, the EUR/USD rate amounted to 1.1130 compared to 1.1329 at the end of Q4 2021 and to 1.1746 at the end of March 2021. In terms of percentage, that means a depreciation of EUR to USD by 1.8% versus Q4 2021 and a depreciation of the currency by 5.2% versus Q1 2021. In Q1 2022, the mean exchange rate of the pair amounted to 1.1218 compared to 1.1432 in Q4 2021 (-1.9%).

The weakening of the SEK against the EUR had a favourable effect on the Group's financial results, mainly due to an increase in sales revenues generated in EUR and expressed in SEK. The depreciating PLN versus USD in Q1 2022 adversely affected the purchase prices of raw materials for the paper mill in Kostrzyn. SEK depreciating vis-a-vis USD negatively 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:

- Shaping demand for high-grade papers in Europe in the context of the war in Ukraine.

The geopolitical situation in Europe due to the war in Ukraine creates uncertainty for the overall economic situation. The economic sanctions imposed on Russia may result in a reduction in demand for the products offered by the Group and therefore adversely affect the Group's financial results.

- Shaping demand for high-grade papers in Europe in the post-COVID-19 pandemic period.

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. Changes during the pandemic, such as the intensification of remote working and the wider use of electronic media, may have an additional impact on reducing demand for high quality graphic papers and therefore adversely affect the Group's financial performance.

- Price changes of fine paper. In particular, financial performance will be impacted by the ability to maintain, or increase, current price levels for Arctic Paper's products in local currencies, due to intensely rising raw material costs and weakening supply/demand levels in Europe, as well as in the context of changes in currency exchange rates.
- 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, growing NBSK pulp prices may positively 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 2022, there were no material changes to the risk factors. Those were presented in detail in the annual report for 2021.

## 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 2022.

### 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 09.05.2022	Number of shares or rights to shares as at 31.03.2022	Number of shares or rights to shares as at 22.03.2022	Change
<b>Management Board</b>				
Michał Jarczyński	5 572	5 572	-	5 572
Göran Eklund	-	-	-	-
<b>Supervisory Board</b>				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

\*the statement includes only shares held directly

### Information on sureties and guarantees

As at 31 March 2022, 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; SEK
- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 674 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;
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 578 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;

In connection with the term and revolving loan agreements signed on 2 April 2021, on 11 May 2021 the Company signed agreements and declarations pursuant to which collateral for the above receivables and other claims was established in favour of Bank Santander Bank Polska S.A. acting as Security Agent, i.e.

1. under Polish law – Collateral Documents establishing the following Collateral:
  - › financial and registered pledges on all shares held by the Company and the Guarantors, registered in Poland, belonging to companies in the Company's group (except Rottneros AB, Arctic Paper Mochenwangen GmbH, Arctic Paper Investment GmbH and Munkedals Kraft AB), with the exception of the Company's shares;

- › mortgages on all real properties located in Poland and owned by the Guarantors;
- › registered pledges on all material rights and movable assets owned by 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;

2. under Swedish law – Collateral Documents establishing the following Collateral:

- › pledges on all shares held by the Companies and the Guarantors, registered in Sweden, belonging to group companies, except for the Company's shares
- › mortgages on all real 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.

### 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 a given 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	09 May 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	09 May 2022	signed with a qualified electronic signature



**Quarterly abbreviated  
consolidated  
financial statements**

for the period of three months  
ended on 31 March 2022

## Consolidated financial statements

### Abbreviated consolidated statement of profit and loss

	3-month period ended on 31 March 2022 (unaudited)	3-month period ended on 31 March 2021 (unaudited)	Year ended on 31 December 2021
<b>Continuing operations</b>			
Revenues from sales of products	1 110 758	782 812	3 412 576
Sales revenues	1 110 758	782 812	3 412 576
Costs of sales	(810 140)	(630 472)	(2 704 647)
Gross profit/(loss) on sales	300 617	152 340	707 929
Selling and distribution costs	(99 294)	(91 717)	(381 287)
Administrative expenses	(25 361)	(19 894)	(103 080)
Other operating income	21 302	12 525	73 749
Other operating expenses	(21 182)	(10 071)	(52 741)
Operating profit/(loss)	176 082	43 183	244 570
Financial income	180	2 584	3 435
Financial expenses	(4 242)	(6 871)	(24 890)
Gross profit/(loss)	172 020	38 897	223 115
Income tax	(25 656)	(6 628)	(47 208)
Net profit/(loss)	146 364	32 269	175 907
Attributable to:			
The shareholders of the Parent Entity	120 681	29 095	127 154
Non-controlling shareholders	25 683	3 175	48 753
	146 364	32 269	175 907
Earnings per share:			
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	1,74	0,42	1,84
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	1,74	0,42	1,84

## Abbreviated consolidated statement of total comprehensive income

	3-month period ended on 31 March 2022 (unaudited)	3-month period ended on 31 March 2021 (unaudited)	Year ended on 31 December 2021
Net profit/(loss) for the reporting period	146 364	32 269	175 907
Other comprehensive income			
<i>Items to be reclassified to profit/(loss) in future reporting periods:</i>			
FX differences on translation of foreign operations	6 029	(5 313)	(15 038)
Measurement of financial instruments	64 129	(15 407)	103 065
Deferred income tax on the measurement of financial instruments	(12 565)	3 549	(21 027)
<i>Items that were reclassified to profit/(loss) during the reporting period:</i>			
Measurement of financial instruments	(5 391)	(2 534)	(3 538)
Deferred income tax on the measurement of financial instruments	1 056	584	722
<i>Items not to be reclassified to profit/loss:</i>			
Actuarial profit/(loss) for defined benefit plans	-	-	6 251
Deferred income tax on actuarial profit/(loss) relating to defined benefit plans	-	-	(414)
<b>Other net comprehensive income</b>	<b>53 258</b>	<b>(19 122)</b>	<b>70 020</b>
Total comprehensive income for the period	199 622	13 148	245 927
Total comprehensive income attributable to:			
The shareholders of the Parent Entity	156 944	(6 931)	182 946
Non-controlling shareholders	42 679	20 078	62 981

## Abbreviated consolidated statement of financial position

	As at 31 March 2022 (unaudited)	As at 31 December 2021	As at 31 March 2021* (unaudited)
<b>ASSETS</b>			
Fixed assets			
Tangible fixed assets	1 162 078	1 155 280	1 080 920
Investment properties	2 978	2 978	3 086
Intangible assets	62 065	56 667	40 203
Goodwill	9 458	9 421	9 568
Interests in joint ventures	2 951	2 943	1 663
Other financial assets	113 188	59 858	25 126
Other non-financial assets	308	300	327
Deferred income tax assets	9 599	14 304	23 892
	1 362 625	1 301 750	1 184 784
Current assets			
Inventories	434 112	402 868	349 239
Trade and other receivables	559 686	402 530	356 543
Corporate income tax receivables	6 385	8 409	7 229
Other non-financial assets	13 245	8 424	7 755
Other financial assets	104 526	97 358	11 109
Cash and cash equivalents	137 960	167 927	218 293
	1 255 914	1 087 516	950 169
<b>TOTAL ASSETS</b>	<b>2 618 539</b>	<b>2 389 266</b>	<b>2 134 953</b>
<b>EQUITY AND LIABILITIES</b>			
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	233 320	201 226	154 111
FX differences on translation	11 705	7 534	13 076
Retained earnings/Accumulated losses	346 794	226 113	125 605
	1 069 083	912 137	770 056
Non-controlling interests	373 537	330 859	276 125
<b>Total equity</b>	<b>1 442 620</b>	<b>1 242 996</b>	<b>1 046 181</b>
Long-term liabilities			
Interest-bearing loans and bonds	190 984	161 210	194 889
Provisions	1 351	1 346	1 367
Employee liabilities	109 112	111 993	131 992
Other financial liabilities	27 995	29 153	42 073
Deferred income tax liability	117 220	106 633	68 379
Grants and deferred income	13 037	13 870	13 829
	459 699	424 205	452 528
Short-term liabilities			
Interest-bearing loans and bonds	53 213	84 489	134 543
Provisions	324	494	1 561
Other financial liabilities	16 567	12 170	9 956
Trade and other payables	518 015	506 812	404 119
Employee liabilities	104 037	107 028	80 803
Income tax liability	14 970	3 914	1 871
Grants and deferred income	9 095	7 158	3 391
	716 220	722 065	636 244
<b>TOTAL LIABILITIES</b>	<b>1 175 919</b>	<b>1 146 270</b>	<b>1 088 772</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 618 539</b>	<b>2 389 266</b>	<b>2 134 953</b>

\* information on the transformed data is provided in note 6.3

## Abbreviated consolidated statement of cash flow

	3-month period ended on 31 March 2022 (unaudited)	3-month period ended on 31 March 2021* (unaudited)	Year ended on 31 December 2021
<b>Cash flows from operating activities</b>			
Gross profit/(loss)	172 020	38 897	223 115
Adjustments for:			
Depreciation/amortisation	29 643	29 050	114 672
Impairment of non-financial assets	-	-	(31 486)
FX gains/(loss)	378	4 540	3 200
Interest, net	1 922	4 366	17 804
Profit / loss on investing activities	2	106	647
(Increase) / decrease in receivables and other receivables	(153 879)	(60 647)	(114 759)
(Increase) / decrease in inventories	(29 088)	13 347	(44 459)
Increase (decrease) in liabilities except loans, borrowings, bonds and other financial liabilities	18 835	18 636	139 265
Change in provisions	(1 161)	(1 708)	1 295
Change in non-financial assets	(4 367)	(1 428)	(7 506)
Income tax paid	(9 304)	(15 013)	(31 178)
Change in pension provisions and employee liability	(5 392)	(2 291)	(5 707)
Change in grants and deferred income	1 045	(3 129)	1 040
Co-generation certificates and CO2 emission rights	(5 769)	(669)	(8 658)
Change in settlement of realised forward contracts	3 734	-	(18 811)
Other	(669)	19	(281)
<b>Net cash flows from operating activities</b>	<b>17 949</b>	<b>24 076</b>	<b>238 193</b>
<b>Cash flows from investing activities</b>			
Disposal of tangible fixed assets and intangible assets	-	11	911
Purchase of tangible fixed assets and intangible assets	(40 502)	(35 525)	(159 874)
Other capital outflows / inflows	-	-	(550)
<b>Net cash flows from investing activities</b>	<b>(40 502)</b>	<b>(35 514)</b>	<b>(159 513)</b>
<b>Cash flows from financing activities</b>			
Change to overdraft facilities	5 110	63 503	18 332
Repayment of leasing liabilities	(3 119)	(3 762)	(12 179)
Changes resulting from other financial liabilities	-	-	1
Inflows under contracted loans and bonds	-	17	214 642
Repayment of loans, borrowings and debt securities	(7 660)	(79 739)	(328 976)
Dividend paid to shareholders of AP SA	-	-	(20 786)
Dividend paid to non-controlling shareholders	-	-	(15 179)
Interest paid	(1 894)	(4 366)	(17 924)
<b>Net cash flows from financing activities</b>	<b>(7 562)</b>	<b>(24 347)</b>	<b>(162 068)</b>
Increase (decrease) in cash and cash equivalents	(30 115)	(35 785)	(83 388)
Net FX differences	147	(1 486)	(4 248)
<b>Cash and cash equivalents at the beginning of the period</b>	<b>167 927</b>	<b>255 563</b>	<b>255 563</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>137 960</b>	<b>218 293</b>	<b>167 927</b>

\* information on the transformed data is provided in note 6.3



## 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	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2022	69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996
Net profit/(loss) for the period	-	-	-	-	120 681	120 681	25 683	146 364
Other net comprehensive income for the period	-	-	4 170	32 094	-	36 263	16 996	53 258
Total comprehensive income for the period	-	-	4 170	32 094	120 681	156 944	42 679	199 622
As at 31 March 2022 (unaudited)	69 288	407 976	11 705	233 320	346 794	1 069 083	373 537	1 442 620

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	Equity attributable to non-controlling shareholders	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/(loss) for the period	-	-	-	-	29 095	29 095	3 175	32 269
Other net 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
Profit distribution	-	-	-	-	-	-	-	-
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	Equity attributable to non-controlling shareholders	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/(loss) for the financial year	-	-	-	-	127 154	127 154	48 753	175 907
Other net comprehensive income for the year	-	-	(8 293)	58 249	5 836	55 792	14 228	70 020
Total comprehensive income for the year	-	-	(8 293)	58 249	132 990	182 946	62 981	245 927
Payment of dividend to shareholders	-	-	-	(17 399)	(3 387)	(20 786)	(15 178)	(35 964)
As at 31 December 2021	69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996

## Standalone financial statements

### Abbreviated standalone statement of profit and loss

	3-month period ended on 31 March 2022 (unaudited)	3-month period ended on 31 March 2021 (unaudited)	Year ended on 31 December 2021
<b>Continuing operations</b>			
Revenues from sales of services	3 019	3 863	22 402
Interest on loans	582	827	2 710
Dividend income	-	-	38 724
<b>Sales revenues</b>	<b>3 601</b>	<b>4 690</b>	<b>63 836</b>
Interest expense for related parties and cost of sales of logistics services	(2 108)	(767)	(5 171)
<b>Gross profit/(loss) on sales</b>	<b>1 493</b>	<b>3 923</b>	<b>58 664</b>
Other operating income	12	287	488
Administrative expenses	(2 617)	(4 467)	(25 144)
Impairment allowances on assets	-	(360)	(996)
Other operating expenses	(63)	(1)	(92)
<b>Operating profit/(loss)</b>	<b>(1 176)</b>	<b>(617)</b>	<b>32 920</b>
Financial income	593	1 078	3 899
Financial expenses	(2 166)	(7 541)	(15 031)
<b>Gross profit/(loss)</b>	<b>(2 749)</b>	<b>(7 080)</b>	<b>21 787</b>
Income tax	553	-	-
<b>Net profit/(loss) for the period</b>	<b>(2 196)</b>	<b>(7 080)</b>	<b>21 787</b>
<b>Earnings per share:</b>			
- basic earnings from the profit (loss) for the period	(0,03)	(0,10)	0,31
- basic earnings from the profit (loss) from continuing operations for the period (in PLN)	(0,03)	(0,10)	0,31

## Abbreviated standalone statement of comprehensive income

	3-month period ended on 31 March 2022 (unaudited)	3-month period ended on 31 March 2021 (unaudited)	Year ended on 31 December 2021
Net profit/(loss) for the reporting period	(2 196)	(7 080)	21 787
<i>Items which were reclassified to profit/loss in current reporting period:</i>			
Measurement of financial instruments	-	-	2 574
<i>Items to be reclassified to profit/loss in future reporting periods:</i>			
Measurement of financial instruments	3 040	1 807	3 190
Deferred income tax on the measurement of financial instruments	-	-	(606)
FX differences on translation of foreign operations	(46)	126	306
Other net comprehensive income	2 994	1 933	5 464
Total comprehensive income	798	(5 147)	27 251

## Abbreviated standalone statement of financial position

	As at 31 March 2022 (unaudited)	As at 31 December 2021	As at 31 March 2021 (unaudited)
<b>ASSETS</b>			
Fixed assets			
Tangible fixed assets	662	797	748
Intangible assets	1 319	1 319	1 366
Shares in subsidiaries	678 635	678 635	676 137
Other financial assets	8 751	5 701	14 009
	689 366	686 451	692 260
Current assets			
Trade and other receivables	28 321	31 868	27 451
Income tax receivables	11	35	2
Other financial assets	109 687	121 104	124 835
Other non-financial assets	2 021	2 874	3 065
Cash and cash equivalents	7 721	14 966	15 602
	147 760	170 848	170 956
<b>TOTAL ASSETS</b>	<b>837 126</b>	<b>857 299</b>	<b>863 215</b>
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	69 288	69 288	69 288
Reserve capital	427 502	427 502	427 502
Other reserves	127 540	124 500	138 548
FX differences on translation	710	756	576
Retained earnings / Accumulated losses	(47 182)	(44 986)	(70 466)
Total equity	577 857	577 059	565 448
Long-term liabilities			
Interest-bearing loans, borrowings and bonds	101 805	101 546	13 560
Provisions	3 130	3 117	2 811
Other financial liabilities	119	128	58
Deferred income tax liability	606	606	-
	105 661	105 398	16 429
Short-term liabilities			
Interest-bearing loans, borrowings and bonds	124 896	145 648	257 586
Trade and other payables	20 755	27 307	21 372
Other financial liabilities	86	111	626
Other short-term liabilities	7 871	1 776	1 754
Accruals and deferred income	-	-	-
	153 609	174 841	281 337
<b>TOTAL LIABILITIES</b>	<b>259 270</b>	<b>280 239</b>	<b>297 766</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>837 126</b>	<b>857 299</b>	<b>863 215</b>

## Abbreviated standalone statement of cash flow

	3-month period ended on 31 March 2022 (unaudited)	3-month period ended on 31 March 2021 (unaudited)	Year ended on 31 December 2021
<b>Cash flows from operating activities</b>			
Gross profit/(loss)	(2 749)	(7 080)	21 787
Adjustments for:			
Depreciation/amortisation	66	127	389
FX gains/(loss)	416	(465)	7 749
Interest and dividend, net	1 294	2 245	5 368
Profit / loss on investing activities	70	438	(264)
Change in receivables and other non-financial assets	1 374	2 603	(1 902)
Change in liabilities excluding loans and borrowings and other financial liabilities	(457)	(3 830)	3 440
Change in accruals and prepayments	-	(779)	-
Change in provisions	13	(26)	280
Change in cash pooling liabilities	(11 604)	(14 280)	(94 821)
Change in loans granted to subsidiaries	1 308	13 124	42 464
Other	3 513	1 752	190
<b>Net cash flows from operating activities</b>	<b>(6 758)</b>	<b>(6 170)</b>	<b>(15 320)</b>
<b>Cash flows from investing activities</b>			
Increase of interests in subsidiaries	-	-	(2 498)
<b>Net cash flows from investing activities</b>	<b>-</b>	<b>-</b>	<b>(2 498)</b>
<b>Cash flows from financing activities</b>			
Repayment of leasing liabilities	(34)	(61)	(402)
Loans received	-	63 506	166 787
Repayment of borrowing liabilities	-	(78 961)	(144 933)
Other financial expenses	-	-	(2 585)
Interest paid	(453)	(2 860)	(5 445)
Dividend paid	-	-	(20 786)
<b>Net cash flows from financing activities</b>	<b>(487)</b>	<b>(18 376)</b>	<b>(7 364)</b>
Change in cash and cash equivalents	(7 245)	(24 545)	(25 182)
Cash and cash equivalents at the beginning of the period	14 966	40 148	40 148
<b>Cash and cash equivalents at the end of the period</b>	<b>7 721</b>	<b>15 602</b>	<b>14 966</b>

### Abbreviated consolidated 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	756	124 500	(44 986)	577 059
FX differences on translation	-	-	(46)	-	-	(46)
Net profit/(loss) for the period	-	-	-	-	(2 196)	(2 196)
Other total comprehensive income for the period	-	-	-	3 040	-	3 040
Total comprehensive income for the period	-	-	(46)	3 040	(2 196)	798
As at 31 March 2021 (unaudited)	69 288	427 502	710	127 540	(47 182)	577 857

	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 for the period	-	-	-	-	(7 080)	(7 080)
Other total comprehensive income	-	-	-	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

Additional notes to the quarterly abbreviated financial statements  
 provided on pages 49 to 67 constitute 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 2021	69 288	427 502	450	136 741	(63 386)	570 594
FX differences on translation	-	-	-	-	21 787	21 787
Net profit for the period	-	-	-	-	21 787	21 787
Other total comprehensive income for the period	-	-	306	5 158	-	27 251
Total comprehensive income for the period	-	-	306	5 158	21 787	27 251
Dividend distribution	-	-	-	(17 399)	(3 387)	(20 786)
As at 31 December 2021 (audited)	69 288	427 502	756	124 500	(44 986)	577 059

Additional notes to the quarterly abbreviated financial statements provided on pages 49 to 67 constitute an integral part hereof



## Additional explanatory notes

### 1. General information

Arctic Paper Group is a paper and pulp producer. We offer bulky book paper and a wide range of products in this segment, as well as 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 2022, the Arctic Paper Group employs 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 2022, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 3 months of 2022 amounted to PLN 1,111 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 2022 and include comparative data for the period of first three months ended on 31 March 2021 as well as for the twelve month period ended on 31 December 2021.

The Quarterly Abbreviated Consolidated Financial Statements of the Company comprise also a statement of financial position as at 31 March 2022 and include comparative data as on 31 December 2021 and 31 March 2021.

#### 1.1. Business activity

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 2022) 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 2022 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 activity	Group's interest in the equity of the subsidiary entities as at		
			09 May 2022	31 March 2022	31 December 2021
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, D-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, Hainborgerstrasse 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%
Arctic Power Sp.z o.o. (previously Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Energy production	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 2022 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 2022, 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 2022, 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 14 September 2014);
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
- Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021 (independent member);
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021 (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 2022, the Parent Entity's Audit Committee was composed of:

- Anna Jakubowski – Chairperson of the Audit Committee appointed on 22 June 2021 (appointed as Member of the Audit Committee on 5 August 2021);
- Zofia Dzik – Member of the Audit Committee appointed on 22 June 2021 (appointed as Member of the Audit Committee on 5 August 2021);
- Roger Mattsson – Audit Committee Member appointed on 14 September 2014 (appointed as Audit Committee Member on 23 June 2016);

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 Consolidated Financial Statements were approved for publication by the Management Board on 09 May 2022.

## 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") as endorsed by the EU ("EU IFRS"), in particular International Accounting Standard 34.

These Abbreviated Consolidated Financial Statements are presented in the Polish Zloty ("PLN"), and all values, unless indicated otherwise, are stated in PLN '000.

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 2021.

In connection with the term and revolving loan agreements, signed on 2 April 2021, the Group agreed to maintain specified financial ratios that are calculated at the end of each quarter. As at 31 March 2022, the Group complied with the financial ratios required under the above loan agreement concluded with a consortium of financing banks (Santander Bank S.A., Bank BNP Paribas S.A. and the European Bank for Reconstruction and Development).

As mentioned in the annual report 2021, the Arctic Paper Group sells graphic paper to, among others, Russia, Ukraine and Belarus. The total volume of trade with these countries did not exceed 1.8% of the Group's revenues in 2021. The sources of raw materials and materials are properly diversified and we do not expect any disruptions in the production process. We believe that the war in Ukraine has no direct impact on the Group's operations, including the assumption of business continuation.

## 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 2021, with the following exceptions.

The amendments to IFRS listed below were applied to these financial statements when they became effective; however, they have no material impact on the presented and disclosed financial information and did not apply to any transactions concluded by the Group.

- *Amendments to IFRS 4 Insurance Contracts*; effective for annual periods beginning on or after 01 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 Rent reliefs related to Covid-19* ( effective for annual periods beginning on or after 1 July 2020, earlier application possible). The amendments allow lessees not to assess whether the Covid-19 rent reliefs are a change to their lease agreements. Therefore, under the appropriate conditions, lessees who apply a practical solution will recognize the rent reliefs received until 30 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 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: Interest rate benchmark reform – Step 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 changes restrict and clarify the definition of business. They also support a simplified assessment if a set of assets and activities constitutes a group of assets and not a business.

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

## 6.1. 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:

— 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* (all issued 14 May 2020 ) are effective for annual periods beginning on or after 1 January 2022, earlier application is permitted.

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*

— *IFRS 17 Insurance Contracts* (issued 18 May 2017 ); including Amendments to IFRS 17 (issued 25 June 2020 ) effective for annual periods beginning on or after 1 January 2023, prospective application, early application permitted);

IFRS 17 that replaces temporary standard IFRS 4 Insurance Contracts that was implemented 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 IAS 1 Presentation of Financial Statements and IFRSs – a practical position 2: Disclosures of accounting policies (issued 12 February 2021 ); Effective for annual periods beginning on or after 1 January 2023, earlier application permitted.

The amendments to IAS 1 clarify the scope of disclosure of significant accounting policies in an entity's financial statements. The amendments require an entity to disclose in its financial statements only significant accounting policies instead of significant accounting policies.

— Amendments to *IAS 8 Accounting policies, changes in accounting estimates and errors: Definition of Estimates* (issued 12 February 2021 ) – effective for annual periods beginning on or after 1 January 2023, earlier application permitted;

The amendments introduce a definition of estimates as monetary amounts recognised in the financial statements that are subject to measurement uncertainty and clarify the link between accounting policies and estimates, indicating that an entity develops estimates to meet the objectives set out in the accounting policies.

Standards and Interpretations awaiting EU endorsement as at 9 May 2022.

— *Amendments to IAS 1 Presentation of Financial Statements Classification of Liabilities as Current or Non-current* – applicable to annual reporting periods beginning on or after 1 January 2023, earlier application is permitted;

The amendments clarify that presentation of liabilities as current and non-current should be based solely on the right available to the Entity as of the reporting date to defer the payment of relevant liabilities. 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 12 Income Taxes: Deferred tax on assets and liabilities recognised as a result of a single transaction* (issued 7 May 2021) Effective for annual periods beginning on or after 1 January 2023, earlier application permitted)

The amendments narrow the scope of applicability of the deferred tax recognition exclusion and indicate that such exclusion cannot be applied to transactions where an entity recognises both an asset and a liability that result in the simultaneous recognition of offsetting taxable and deductible temporary differences. Consequently, the entity should recognise both a deferred tax asset and liability for the temporary differences arising from the initial recognition of leases and asset liquidation obligations.

— *Amendments to IFRS 17 Insurance Contracts: First-time adoption of IFRS 17 and IFRS 9 – comparative figures* (issued 9 December 2021). Effective for annual periods beginning on and after 1 January 2023)

The amendment introduces a new option to apply IFRS 17 for the first time in order to reduce operational complexity and accounting mismatches in the comparative figures between insurance contract liabilities and related financial assets when IFRS 17 is first applied. The amendment allows the presentation of comparative figures for financial assets in a more consistent manner with IFRS 9 Financial Instruments.

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

## 6.2. Foreign currency translation

Transactions denominated in currencies other than the functional currency of the entity are translated into the presentation currency at the FX 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 FX rate prevailing for the presentation currency as at the end of the reporting period. FX 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 FX 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 profit and loss accounts 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 2022	As at 31 December 2021
USD	4,1801	4,0600
EUR	4,6525	4,5994
SEK	0,4504	0,4486
DKK	0,6255	0,6184
NOK	0,4806	0,4608
GBP	5,4842	5,4846
CHF	4,5207	4,4484

Mean FX rates for the reporting periods are as follows:

	01/01 – 31/03/2022	01/01 – 31/03/2021
USD	4,1260	3,7752
EUR	4,6259	4,5467
SEK	0,4412	0,4493
DKK	0,6217	0,6114
NOK	0,4663	0,4434
GBP	5,5311	5,2076
CHF	4,4649	4,1668

### 6.3. Comparability of data

As at 30 June 2021 the Group for the first time distinguished in the statement of financial position new items: employee liabilities and grants and deferred income, respectively in the long-term and short-term part of liabilities. Employee liabilities primarily comprise provisions for retirement benefits, liabilities for wages and salaries and social security and accruals for unused leave and bonuses. Grants and deferred income include grants for tangible and intangible fixed assets and other deferred income.



The table below shows the impact of the change in presentation on selected items in the statement of financial position as at 31 December 2021.

	Approved data	Impact of the adjustment	Transformed data
Impact on the consolidated statement of financial activities at 31 March 2021			
Long-term liabilities (selected items)			
Provisions	133 359	(131 992)	1 367
Employee liabilities	-	131 992	131 992
Grants and deferred income	-	13 829	13 829
Accruals and deferred income	13 829	(13 829)	-
Short-term liabilities (selected items)			
Provisions	2 201	(640)	1 561
Trade and other payables	384 553	19 566	404 119
Employee liabilities	-	80 803	80 803
Grants and deferred income	-	3 391	3 391
Accruals and deferred income	103 120	(103 120)	-
Total impact on equity and liabilities	637 061	-	637 061

In addition, in order to unify the presentation within non-current other financial and non-financial assets, the amount of PLN 2,260 thousand was transferred from other non-financial assets to other financial assets as at 31 March 2021.

## 7. 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.

## 8. Operational segments

Operational segments cover continuing activities. The Group's principal activity is the manufacture of paper and pulp.

The paper production business is presented as the "Uncoated" and "Coated" segments and includes the financial results of, among others, 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 business is presented as the "Pulp" segment and includes, among others, two cellulose plants:

- 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 allowances 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 2022 and as at 31 March 2022.

**3-month period ended on 31 March 2022 and as at 31 March 2022**

	Uncoated	Coated	Pulp	Total	Eliminations	Total continuing operations
<b>Revenues</b>						
Sales to external customers	571 249	248 310	291 199	1 110 758	-	1 110 758
Sales between segments	-	964	0	964	(964)	-
Total segment revenues	571 249	249 273	291 199	1 111 721	(964)	1 110 758
<b>Result of the segment</b>						
EBITDA	86 445	44 907	75 447	206 799	(1 074)	205 725
Depreciation/amortisation	(17 009)	(2 586)	(9 982)	(29 577)	-	(29 643)
Operating profit/(loss)	69 436	42 321	65 465	177 222	(1 140)	177 222
Interest income	131	28	-	158	22	180
Interest expense	(538)	(712)	(441)	(1 691)	(417)	(2 108)
FX gains and other financial income	519	142	1 324	1 984	(1 985)	(0)
FX losses and other financial expenses	(1 390)	(1 779)	-	(3 169)	1 035	(2 134)
Gross profit	68 158	39 999	66 348	174 505	(2 485)	172 020
Assets of the segment	1 198 051	427 030	1 115 582	2 740 663	(134 674)	2 605 989
Liabilities of the segment	621 758	374 152	273 843	1 269 754	(211 054)	1 058 699
Capital expenditures	(24 621)	(2 515)	(13 366)	(40 502)	-	(40 502)
Interests in joint ventures	2 951	-	-	2 951	-	2 951

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 180 thousand of which PLN 180 thousand is interest income) and financial expenses (PLN 4,242 thousand of which PLN 2,108 thousand is interest expense), depreciation/amortisation (PLN 29,643 thousand) as well as income tax cost (PLN 25,656 thousand).
- Segment assets do not include deferred tax (PLN 9,599 thousand) because this item is managed at Group level and interests in joint ventures (PLN 2,951 thousand). Segment liabilities do not include deferred tax (PLN 117,220 thousand) as this item is managed at 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 3 months ended on 31 March 2021 and as at 31 March 2021.

**3-month period ended on 31 March 2021 and as at 31 March 2021**

	Uncoated	Coated	Pulp	Total	Eliminations	Total continuing operations
<b>Revenues</b>						
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
<b>Result of the segment</b>						
EBITDA	54 494	3 807	15 249	73 549	(1 317)	72 233
Depreciation/amortisation	(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	-	(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 (loss)	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.
- Segment results do not include 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) as well as income tax cost (PLN 6,628 thousand).
- Segment assets do not include deferred tax (PLN 23,892 thousand) because this item is managed at Group level and interests in joint ventures (PLN 1,663 thousand). Segment liabilities do not include deferred tax (PLN 68,379 thousand) as this item is managed at 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 2021 and as at 31 December 2021.

**12-month period ended on 31 December 2021 and as at 31 December 2021**

	Uncoated	Coated	Pulp	Total	Eliminations	Total continuing operations
<b>Revenues</b>						
Sales to external customers	1 714 204	694 126	1 004 246	3 412 576	-	3 412 576
Sales between segments	-	21 461	32 135	53 596	(53 596)	-
Total segment revenues	1 714 204	715 586	1 036 381	3 466 171	(53 596)	3 412 576
<b>Result of the segment</b>						
EBITDA	153 301	12 818	167 375	333 494	(5 738)	327 756
Depreciation/amortisation	(66 972)	(5 687)	(41 624)	(114 283)	(389)	(114 672)
Impairment of non-financial fixed assets	-	31 486	-	31 486	-	31 486
Operating profit/(loss)	86 329	38 617	125 751	250 698	(6 127)	244 570
Interest income	473	59	-	533	182	715
Interest expense	(1 573)	(3 447)	(9 900)	(14 921)	(3 901)	(18 822)
FX gains and other financial income	2 013	587	8 550	11 150	(8 430)	2 720
FX losses and other financial expenses	(5 051)	(4 126)	-	(9 177)	3 109	(6 068)
Gross profit (loss)	82 191	31 690	124 401	238 282	(15 167)	223 115
Assets of the segment	1 133 871	360 173	1 037 384	2 531 428	(159 409)	2 372 019
Liabilities of the segment	620 273	361 341	291 590	1 273 204	(233 567)	1 039 637
Capital expenditures	(94 533)	(12 551)	(52 700)	(159 784)	(90)	(159 874)
Interests in joint ventures	2 943	-	-	2 943	-	2 943

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 3,435 thousand, of which PLN 715 thousand is interest income) and financial expenses (PLN 24,890 thousand of which PLN 18,822 thousand is interest expense), depreciation/amortisation (PLN 114,672 thousand), impairment of non-financial assets, reversal (PLN +31.486 thousand) and income tax liability (PLN 47,208 thousand).
- Segment assets do not include deferred tax (PLN 14,304 thousand) because this item is managed at Group level and interests in joint ventures (PLN 2,943 thousand). Segment liabilities do not include deferred tax (PLN 106,633 thousand) as this item is managed at 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 2021.

In connection with the term and revolving loan agreements signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving credit facility agreement) and there being no event of default (as that term is defined in the term and revolving loan agreement).

In 2021, the Company paid a total dividend of PLN 20,786,334.90, or PLN 0.30 gross per share.

On 17 February 2022, 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 2021, 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 2021, in the total amount of PLN 27,715,113.20, i.e. PLN 0.40 gross per share. This recommendation was positively reviewed by the Company's Supervisory Board on 20 April 2022.

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 2021 profit and the payment of the dividend will be taken by the Annual General Meeting.

## 10. 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 2022 (unaudited)	3-month period ended on 31 March 2021 (unaudited)	Year ended on 31 December 2021
Net profit/(loss) from continuing operations attributable to the shareholders of the Parent Entity	120 681	29 095	127 154
Net profit/(loss) attributable to the shareholders of the Parent Entity	120 681	29 095	127 154
Total number of shares	69 287 783	69 287 783	69 287 783
Weighted average number of shares	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
profit/(loss) per share (in PLN)			
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	1,74	0,42	1,84
Diluted profit/(loss) per share (in PLN)			
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	1,74	0,42	1,84

## 11. Interest-bearing bank loans and borrowings and lease contracts

In the period covered with these financial statements, the Group partly repaid its term loan under the loan agreement of 2 April 2021 with a bank consortium and its loan debt with Danske Bank in the total amount of PLN 7,660 thousand. The Group increased its debt under revolving overdraft facilities by PLN 5.110 thousand.

The other changes to loans, borrowings and bonds as at 31 March 2022, compared to 31 December 2021 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2021 and paid in Q1 2022.

## 12. Share capital

There were no changes in share capital as at 31 March 2022 compared to 31 December 2021.

## 13. Financial instruments

The Group uses the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables including lease agreements and interest SWAP contracts, forward contracts for the purchase of electricity and forward contracts for the sale of pulp.

As at 31 March 2022, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables including lease agreements and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

## 10.1. Hedge accounting

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. Rottneros Group companies, in order to mitigate the volatility of future inflows from pulp sales, enter into forward contracts for pulp sales. Arctic Paper S.A., in order to mitigate the volatility of future interest costs on loans, has concluded interest rate SWAP contracts.

As at 31 March 2022, 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	2019-2021
Maturity date:	depending on the contract; until 31.12.2022
Hedged quantity of pulp	7,500 tonnes
Term price	SEK 9,778 /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 21.06.2016
Maturity date:	depending on the contract; until 31.12.2026
Hedged quantity of electricity	1,530,069 MWh
Term price	from 25.30 to 51.50 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:

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Currency	Date	Loan amount PLN as at 31.03.2022
EUR	2021-04-02 – 2026-04-02	26 770 991
EUR	2021-04-02 – 2026-04-02	20 115 336
EUR	2021-04-02 – 2026-04-02	20 115 336
		<b>67 001 664</b>
PLN	2021-04-02 – 2026-04-02	26 735 374
PLN	2021-04-02 – 2026-04-02	20 087 486
PLN	2021-04-02 – 2026-04-02	20 087 486
		<b>66 910 346</b>
The total value of loans is secured with an interest rate swap		<b>133 912 010</b>

The table below presents the fair value of hedging instruments in cash flow hedge, fair value hedge and corridor options accounting as at 31 March 2022 and the comparative data:

	As at 31 March 2022 (unaudited)		As at 31 December 2021	
	Assets	Equity and liabilities	Assets	Equity and liabilities
Forward on pulp sales	-	8 107	-	3 140
SWAP	6 232	-	3 192	-
Forward for electricity	167 230	-	106 152	-
<b>Total hedging derivative instruments</b>	<b>173 462</b>	<b>8 107</b>	<b>109 343</b>	<b>3 140</b>

## 14. Contingent liabilities and contingent assets

As at 31 March 2022, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 674 thousand (PLN 304 thousand) at Arctic Paper Grycksbo AB and for SEK 764 thousand (PLN 344 thousand) at Arctic Paper Munkedals AB;
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand; (PLN 61 thousand).

## 15. Legal claims

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

## 16. Material events after the balance sheet date

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	09 May 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	09 May 2022	signed with a qualified electronic signature

Head Office Branch in Sweden

**Arctic Paper S.A.**

Ul. Fabryczna 1 Södra Gubberogatan 20

PL-66470 Kostrzyn nad Odrą, Poland  
Phone: +48 95 7210 500

SE-416 63 Göteborg, Sweden  
Phone: +46-10,451-8000

**Investor relations:**

[ir@arcticpaper.com](mailto:ir@arcticpaper.com)

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