

ARCTIC PAPER CAPITAL GROUP

Consolidated semi-annual report for the period of six months
ended 30 June 2022 along with an independent auditor's
review report

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 Semi-Annual Report for six months ended on 30 June 2022 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757) and a part of the interim abbreviated consolidated financial statements in accordance with International Accounting Standard No. 34.

The Interim 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. The data for the periods of 3 months ended on 30 June 2022 and on 30 June 2021, disclosed in the interim abbreviated consolidated and standalone financial statements was not reviewed or audited by statutory auditor.

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

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

Definitions and abbreviations

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

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

Arctic Paper, Company, Issuer, Parent Company, 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)
Kostrzyn Packaging Spółka z o.o.	Kostrzyn Packaging Spółka 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 Kuldīga, 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 Kuldīga, Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden
Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer's core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper S.A.; a member of the Issuer's Supervisory Board
Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
GM, General Meeting, Issuer's General Meeting, Company's General Meeting	General Meeting of Arctic Paper S.A.
EGM, Extraordinary General Meeting, Issuer's Extraordinary General Meeting, Company's Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of Association	Articles of Association of Arctic Paper S.A.
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
District Court	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 activity (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of profit (loss) on operations 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 liquidity ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals, prepayments and deferred costs to short-term liabilities
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 revenues from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period

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

Other definitions and abbreviations

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

Forward looking statements

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

Forward looking statements relating to risk factors

In this report we described the risk factors that the Management Board of our Group considers specific to the sector we operate in; however, the list may not be exhaustive. Other factors may arise that have not been identified by us and that could have material and adverse impact on the business, financial condition, results on operations or prospects of the Arctic Paper Group. In such circumstances, the price of the shares of the Company listed at the Warsaw Stock Exchange or at NASDAQ in Stockholm may decrease, investors may lose their invested funds in whole or in part and the potential dividend disbursement by the Company may be limited.

We ask you to perform a careful analysis of the information disclosed in 'Risk factors' of this report – the section contains a description of risk factors and uncertainties related to the business of the Arctic Paper Group.



**Selected consolidated and
standalone financial data**

Selected consolidated financial data

	Period from 01.01.2022 to 30.06.2022 PLN'000	Period from 01.01.2021 to 30.06.2021 PLN'000	Period from 01.01.2022 to 30.06.2022 EUR'000	Period from 01.01.2021 to 30.06.2021 EUR'000
Continuing operations				
Sales revenues	2 407 037	1 569 373	519 187	345 705
Profit/(loss) on operations	474 140	97 708	102 270	21 523
Gross profit/(loss)	473 735	85 098	102 183	18 746
Net profit/(loss) for the period	400 458	67 869	86 377	14 950
Net profit/(loss) attributable to the shareholders of the Parent Entity	336 549	47 466	72 592	10 456
Net cash flows from operating activities	236 248	54 688	50 958	12 047
Net cash flows from investing activities	(75 440)	(62 898)	(16 272)	(13 855)
Net cash flows from financing activities	(70 848)	3 045	(15 282)	671
Change in cash and cash equivalents	89 960	(5 165)	19 404	(1 138)
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)	4,86	0,69	1,05	0,15
Diluted EPS (in PLN/EUR)	4,86	0,69	1,05	0,15
Mean PLN/EUR exchange rate*			4,6362	4,5396

	As at 30 June 2022 PLN'000	As at 31 December 2021 PLN'000	As at 30 June 2022 EUR'000	As at 31 December 2021 EUR'000
Assets	3 113 244	2 389 266	665 138	519 473
Long-term liabilities	479 285	424 205	102 398	92 230
Short-term liabilities	792 825	722 065	169 385	156 991
Equity	1 841 133	1 242 996	393 354	270 252
Share capital	69 288	69 288	14 803	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)	26,57	17,94	5,68	3,90
Diluted book value per share (in PLN/EUR)	26,57	17,94	5,68	3,90
Declared or paid dividend (in PLN/EUR)	27 715 113	20 786 335	5 921 274	4 519 357,94
Declared or paid dividend per share (in PLN/EUR)	0,40	0,30	0,09	0,07
PLN/EUR exchange rate at the end of the period**	-	-	4,6806	4,5994

* – Profit and loss account and statement of cash flow 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 30.06.2022 PLN'000	Period from 01.01.2021 to 30.06.2021 PLN'000	Period from 01.01.2022 to 30.06.2022 EUR'000	Period from 01.01.2021 to 30.06.2021 EUR'000
Sales revenues	64 270	11 838	13 863	2 608
Operating profit (loss)	169 269	(475)	36 510	(105)
Gross profit (loss)	165 191	(7 111)	35 631	(1 566)
Net profit (loss) from continuing operations	165 191	(7 111)	35 631	(1 566)
Net profit (loss) for the financial year	166 482	(7 111)	35 909	(1 566)
Net cash flows from operating activities	88 243	(29 949)	19 033	(6 597)
Net cash flows from investing activities	(50)	-	(11)	-
Net cash flows from financing activities	(33 715)	12 293	(7 272)	2 708
Change in cash and cash equivalents	54 478	(17 655)	11 751	(3 889)
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)	2,40	(0,10)	0,52	(0,02)
Diluted EPS (in PLN/EUR)	2,40	(0,10)	0,52	(0,02)
Mean PLN/EUR exchange rate*			4,6362	4,5396
	As at 30 June 2022 PLN'000	As at 31 December 2021 PLN'000	As at 30 June 2022 EUR'000	As at 31 December 2021 EUR'000
Assets	991 658	857 299	211 866	186 394
Long-term liabilities	92 173	105 398	19 693	22 916
Short-term liabilities	178 769	174 841	38 194	38 014
Equity	720 718	577 059	153 980	125 464
Share capital	69 288	69 288	14 803	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)	10,40	8,33	2,22	1,81
Diluted book value per share (in PLN/EUR)	10,40	8,33	2,22	1,81
Declared or paid dividend (in PLN/EUR)	27 715 113	20 786 335	5 921 274	4 519 358
Declared or paid dividend per share (in PLN/EUR)	0,40	0,30	0,09	0,07
PLN/EUR exchange rate at the end of the period**	-	-	4,6806	4,5994

* – Profit and loss account and statement of cash flow 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.



**The Management Board's
Report from operations of
the Arctic Paper Capital
Group and of Arctic Paper
S.A.**

to the report for H1 2022

Description of the business of the Arctic Paper Group

General information

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade 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 on the day hereof, the Arctic Paper Group employs app. 1,500 people in its Paper Mills, Pulp Mills, companies dealing in paper distribution and sales, and a company dealing in timber procurement for pulp production. Our paper mills are located in Poland and Sweden and have total production capacity of more than 685,000 metric tonnes of paper per year. The Pulp Mills are located in Sweden and have total production capacity of over 400,000 tonnes of pulp per year. The Group also has a company for private forest owners in Sweden, enabling wider access to raw materials in the long term, and 13 Sales Offices for the sales and marketing of the Group's products and providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for H1 2022 totalled PLN 2,407 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 and pulp distribution.

Our production facilities

As on 30 June 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 tons per year 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 30 June 2022, as well as on the day hereof, the Group owned the following Pulp Mills:

- the Pulp Mill in Rottneros (Sweden) has the production capacity of about 160,000 tonnes 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 tonnes 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 the pulp which had been developed for years, made Vallvik a leader in supplies of such pulp. The pulp is used among others to produce transformers and in cable industry.

Our products

The product assortment of the Arctic Paper Group covers:

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

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

Changes in the capital structure of the Arctic Paper Group

In May 2022, Kostrzyn Packaging Sp. z o.o. was established, which will ultimately own the moulded cellulose fibre packaging plant. The Group reported on the letter of intent to set up the company and build the factory in current reports No. 29/2021 and 2/2022.

In H1 2022, no other 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 30 June 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 30 June 2022 was 68.13% and has not changed until the date hereof.

as of 10.08.2022

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

The data in the above tables are shown as at the date of publication of this report, which is unchanged from the date of the Q1 2022 report and 30 June 2022 report.

Summary of the consolidated financial results

Selected items of the consolidated statement of profit and loss

<i>PLN thousand</i>	Q2 2022	Q1 2022	Q2 2021	H1 2022	H1 2021	% Change Q2 2022/ Q1 2022	% Change Q2 2022/ Q2 2021	% Change H1 2022/ H1 2021
Continuing operations								
Sales revenues	1 296 279	1 110 758	786 561	2 407 037	1 569 373	16,7	64,8	53,4
<i>of which:</i>								
<i>Sales of paper</i>	948 565	819 558	526 781	1 768 123	1 074 120	15,7	80,1	64,6
<i>Sales of pulp</i>	347 714	291 199	259 780	638 913	495 253	19,4	33,8	29,0
Profit on sales	455 106	300 617	170 754	755 723	323 094	51,4	166,5	133,9
<i>% of sales revenues</i>	35,11	27,06	21,71	31,40	20,59	8,0 p.p.	13,4 p.p.	10,8 p.p.
Selling and distribution costs	(124 065)	(99 294)	(90 516)	(223 359)	(182 233)	24,9	37,1	22,6
Administrative expenses	(34 162)	(25 361)	(28 773)	(59 523)	(48 668)	34,7	18,7	22,3
Other operating income	22 057	21 302	13 041	43 359	25 566	3,5	69,1	69,6
Other operating expenses	(20 878)	(21 182)	(9 982)	(42 060)	(20 052)	(1,4)	109,2	109,8
EBIT	298 058	176 082	54 525	474 140	97 708	69,3	446,6	385,3
<i>% of sales revenues</i>	22,99	15,85	6,93	19,70	6,23	7,1 p.p.	16,1 p.p.	13,5 p.p.
EBITDA	330 061	205 725	84 175	535 786	156 407	60,4	292,1	242,6
<i>% of sales revenues</i>	25,46	18,52	10,70	22,26	9,97	6,9 p.p.	14,8 p.p.	12,3 p.p.
Financial income	5 521	180	(847)	5 701	1 737	2 964,1	(751,5)	228,2
Financial expenses	(1 863)	(4 242)	(7 476)	(6 105)	(14 347)	(56,1)	(75,1)	(57,4)
Gross profit/(loss)	301 715	172 020	46 201	473 735	85 098	75,4	553,0	456,7
Income tax	(47 622)	(25 656)	(10 601)	(73 278)	(17 229)	85,6	349,2	325,3
Net profit/(loss)	254 094	146 364	35 600	400 458	67 869	73,6	613,7	490,0
<i>% of sales revenues</i>	19,60	13,18	4,53	16,64	4,32	6,4 p.p.	15,1 p.p.	12,3 p.p.
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	215 868	120 681	18 372	336 549	47 466	78,9	1 075,0	609,0

Comments of the President of the Management Board Michał Jarczyński on the results of H1 2021

The second quarter of 2022 was the best in the group's history. Arctic Paper's revenues increased by 65 percent to PLN 1 296.3 million (786.6 million). Both paper and pulp contributed to the improvement, which resulted in an EBITDA of PLN 330.1 million (84.2 million). The EBITDA margin reached 25.5 percent as Arctic Paper – like the industry in general – thrived in a uniquely positive business environment.

Arctic Paper's financial position is solid and was further strengthened during the period thanks to a strong cash flow of PLN 218,3 (30,6) million, resulting in a record low net debt/EBITDA-ratio of -0.02 (0.57). The strong balance sheet is setting us up for the future as we continue with our investment plans in line with the strategy.

For the paper segment, revenue rose by 80 percent to PLN 948.6 million (526.8 million). EBITDA reached a record high of PLN 227.2 million (26.0 million) driven by higher prices and an effective production management. We have continued to work successfully with the production mix to optimize the output, while the effects of rising costs have been offset by price increases. Our energy sources are mainly local, including the gas supply in Kostrzyn, and we have an effective hedging in place to minimize energy costs. Thanks to the great efforts of our team, capacity utilization remained at 99 percent (92).

The pulp segment – Rottneros – increased its revenue by 32 percent to SEK 784 million (593) with a record EBITDA of SEK 253 million (127), driven by a production at all time high and a strong pulp market. The pulp segment has intensified its focus on profitability through efficiency and productivity improvements.

For packaging, volumes were stable in line with our ambition to maximize the output in terms of value per ton. Our plan to invest EUR 15 million in new production capacity in Kostrzyn is progressing according to plan, with start-up scheduled for the end of 2023. The project will be run as a joint venture with Rottneros.

Energy is a key issue for European industry. For Arctic Paper, it is an important part of our strategy to accelerate the path to self-sufficiency with the goal of becoming carbon neutral by 2030. The biomass boiler in Munkedal will be put into operation during the summer of 2022 and will provide the mill with another stable energy source at a competitive price.

In conclusion, we are working in line with the 4P strategy to invest in a more diversified business. The excellent results provide us with the financial strength to continue to do so. We have managed to protect our business from the effects of a volatile market, and we look to the near future with confidence.

Revenues

In Q2 2022, the consolidated sales revenues amounted to PLN 1,296,279 thousand (sales of paper: PLN 948,565 thousand, pulp sales: PLN 347,714 thousand) compared to PLN 786,561 thousand (paper sales: PLN 526,781 thousand, pulp sales: PLN 259,780 thousand) in the equivalent period of the previous year. This represents an increase of PLN 509,718 thousand (an increase for paper sales of PLN 421,784 thousand, an increase for pulp sales of PLN 87,934 thousand) and +64.8% (for paper sales of +80.1%, for pulp sales of +33.8%) respectively.

In the first 6 months of 2022, sales revenues amounted to PLN 2,407,037 thousand (paper sales: PLN 1,768,123 thousand, pulp sales: PLN 638,913 thousand) compared to PLN 1,569,373 thousand (paper sales: PLN 1,074,120 thousand, pulp sales: PLN 495,253 thousand) achieved in the equivalent period of the previous year. This represents an increase in revenue of PLN 837,664 thousand (an increase for paper sales of PLN 694,003 thousand, an increase for pulp sales of PLN 143,660 thousand) and +53.4% (for paper sales by +64.6%, for pulp sales by +29.0%) respectively.

Paper sales volumes in the second quarter of 2022 were 165,000 tonnes, compared to 149,000 tonnes in the equivalent period last year. The change represents an increase of 16 thousand tonnes and by +10.7% respectively. Pulp sales volume in Q2 2022 amounted to 106 thousand tonnes compared to 101 thousand tonnes in the equivalent period of the previous year. The change represents an increase of 5 thousand tonnes and by +5.0 % respectively.

Paper sales volumes in H1 2022 were 332,000 tonnes, compared to 310,000 tonnes in the equivalent period last year. The change represents an increase of 22 thousand tonnes and by +7.1% respectively. Pulp sales volumes in H1 2022 amounted to 206,000 tonnes, compared to 210,000 tonnes in the equivalent period of the previous year. The change represents a decrease of 4 thousand tonnes and by -1.9% respectively.

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

Profit on sales in H1 2022 amounted to PLN 755,723 thousand and was 133.9% higher than in the equivalent period of the previous year. Sales profit margin in the current year stood at 31.40% compared to 20.59% (-1.6 p.p.) in the equivalent period of the previous year. The increase in profit on sales was the result of both the increase in paper sales volumes and prices and the increase in pulp prices outstripping the increase in raw material prices.

In the reporting period, the costs of sales amounted to PLN 223,359 thousand, an increase of 22.6% compared to the costs incurred in H1 2021. The selling and distribution costs include primarily costs of transport of finished products to counterparties.

In H1 2022, administrative expenses reached PLN 59,523 thousand, an increase of 22.3% compared to the expenses incurred in H1 2021. Administrative expenses mainly consist of costs related to the provision of advisory and administrative services in the Group and their increase contributed to the increase in administrative expenses.

Other operating income and expenses

Other operating income totalled PLN 43,359 thousand in H1 2022 which was an increase as compared to the equivalent period of the previous year by PLN 17,793 thousand.

Other operating expenses totalled PLN 42,060 thousand in Q1 2022 which was an increase as compared to the equivalent period of the previous year by PLN 22,008 thousand.

A major part of the other operational revenue and expenses includes revenues and costs of sales of sold energy and other materials. In addition, costs related to research work partly compensated by the National Centre for Research and Development contributed to the increase in other operating income and expenses in H1 2022.

Financial income and financial expenses

Financial income and expenses amounted to PLN 5,701 thousand and PLN 6,105 thousand respectively in H1 2022, which means an increase in income by PLN 3,964 thousand and an increase in income by PLN 8,242 thousand compared with the same period of the previous year.

The changes to financial income and expenses were primarily due to the amount of net FX differences and interest expense. In H1 2022, the Group recorded an excess of FX gains over losses of PLN 5,041 thousand (financial income). In H1 2021, the Group recorded an excess of FX gains over losses of PLN 612 thousand (financial income). The lower finance costs are the result of lower interest costs due to the refinancing of the debt with the syndicate of banks in accordance with the agreement of 2 April 2021.

Income tax

Income tax for the six months of 2022 amounted to PLN -73,278 thousand, while in the equivalent period for 2021 it amounted to PLN -17,229 thousand.

The current portion of income tax amounted to – PLN 60,285 thousand in the half-year under review (H1 2021: PLN -13,809 thousand), while the deferred part PLN -12,993 thousand (H1 2021: PLN -3,420 thousand).

Profitability analysis

EBITDA from continuing operations for H1 2022 amounted to PLN 535,786 thousand, while in the equivalent period of 2021 it amounted to PLN 156,407 thousand. In the reporting period, the EBITDA margin was 22.26% compared to 9.97% for the first 6 months of 2021. The increase in EBITDA was primarily due to both the increase in paper sales volumes and prices and the increase in pulp sales prices outstripping the increase in raw material prices.

Operating profit from continuing operations in H1 2022 amounted to PLN +474,140 thousand compared with a profit of PLN +97,708 thousand in the equivalent period in the previous year. The changes resulted in an increase of operational profit margin from +6.23% in the first 6 months of 2021 to +19.70% in the equivalent period of 2022. The increase in the operating profit margin is due to higher EBITDA in H1 2022 compared to the same period last year.

The net result in H1 2022 was PLN +400,458 thousand compared to PLN +67,869 thousand in H1 2021. Net profit margin accrued after six months of 2022 amounted to +16.64% as compared to +4.32% in the equivalent period of 2021.

<i>PLN thousand</i>	Q2 2022	Q1 2022	Q2 2021	H1 2022	H1 2021	% Change Q2 2022/ Q1 2022	% Change Q2 2022/ Q2 2021	% Change H1 2022/ H1 2021
Profit/(loss) on sales	455 106	300 617	170 754	755 723	323 094	51,4	166,5	133,9
<i>% of sales revenues</i>	35,11	27,06	21,71	31,40	20,59	8,0 p.p.	13,4 p.p.	10,8 p.p.
EBITDA	330 061	205 725	84 175	535 786	156 407	60,4	292,1	242,6
<i>% of sales revenues</i>	25,46	18,52	10,70	22,26	9,97	6,9 p.p.	14,8 p.p.	12,3 p.p.
EBIT	298 058	176 082	54 525	474 140	97 708	69,3	446,6	385,3
<i>% of sales revenues</i>	22,99	15,85	6,93	19,70	6,23	7,1 p.p.	16,1 p.p.	13,5 p.p.
Net profit/(loss)	254 094	146 364	35 600	400 458	67 869	73,6	613,7	490,0
<i>% of sales revenues</i>	19,60	13,18	4,53	16,64	4,32	6,4 p.p.	15,1 p.p.	12,3 p.p.
Return on equity / ROE (%)	13,8	10,1	3,3	21,8	6,3	3,7 p.p.	10,5 p.p.	15,4 p.p.
Return on assets / ROA (%)	8,2	5,6	1,6	12,9	3,0	2,6 p.p.	6,6 p.p.	9,8 p.p.

In H1 2022, return on equity was +21.8% while in the equivalent period of 2021 it was +6.3%.

Return on assets grew +3,0% in H1 2021 to +12.9% in H1 2022.

Higher return on equity and return on assets ratios were due primarily to the higher net profit generated in H1 2022 versus the equivalent period last year.

Selected items of the consolidated statement of financial position

<i>PLN thousand</i>	30.06.2022	31.12.2021	30.06.2021	Change 30.06.2022 -31.12.2021	Change 30.06.2022 -30.06.2021
Fixed assets	1 518 773	1 301 750	1 188 452	217 022	330 321
Inventories	478 889	402 868	385 130	76 021	93 759
Receivables	659 596	410 939	392 856	248 657	266 740
<i>trade receivables</i>	<i>650 903</i>	<i>402 530</i>	<i>385 229</i>	<i>248 373</i>	<i>265 674</i>
Other current assets	201 412	105 781	32 938	95 631	168 475
Cash and cash equivalents	254 574	167 927	244 764	86 646	9 809
Total assets	3 113 244	2 389 266	2 244 140	723 977	869 103
Equity	1 841 133	1 242 996	1 069 654	598 137	771 479
Short-term liabilities	792 825	722 065	611 490	70 760	181 336
<i>of which:</i>					
<i>trade and other payables</i>	<i>591 082</i>	<i>506 812</i>	<i>461 456</i>	<i>84 269</i>	<i>129 625</i>
<i>interest-bearing debt</i>	<i>50 014</i>	<i>96 659</i>	<i>42 386</i>	<i>(46 645)</i>	<i>7 628</i>
<i>other non-financial liabilities</i>	<i>151 730</i>	<i>118 594</i>	<i>107 647</i>	<i>33 136</i>	<i>44 082</i>
Long-term liabilities	479 285	424 205	562 997	55 081	(83 712)
<i>of which:</i>					
<i>interest-bearing debt</i>	<i>191 964</i>	<i>190 363</i>	<i>355 021</i>	<i>1 601</i>	<i>(163 057)</i>
<i>other non-financial liabilities</i>	<i>287 321</i>	<i>233 841</i>	<i>207 976</i>	<i>53 480</i>	<i>79 346</i>
Total equity and liabilities	3 113 244	2 389 266	2 244 140	723 977	869 103

As at 30 June 2022, total assets amounted to PLN 3,113,244 thousand as compared to PLN 2,389,266 thousand at the end of 2021.

Fixed assets

At the end of June 2022 fixed assets accounted for 48.8% of total assets vs. 54.5% at the end of 2021. The value of non-current assets increased by PLN 217,022 thousand in the current half-year mainly due to an increase in other financial assets including the positive valuation of long-term energy forwards.

Current assets

Current assets understood as a sum of inventories, receivables, other current assets and cash and cash equivalents. Current assets reached PLN 1,594,471 thousand at the end of June 2022, compared to PLN 1,087,516 thousand at the end of December 2021. Within current assets, inventories increased by PLN 76,021 thousand, receivables increased by PLN 248,657 thousand, other current assets (comprising mainly other financial assets including the positive valuation of short-term energy forwards) increased by PLN 95,631 thousand, while cash and cash equivalents increased by PLN 86,646 thousand. Current assets represented 51.2% of total assets as at the end of June 2022 (45.5% as at the end of 2021) and included inventories – 15.4% (16.9% as at the end of 2021), receivables – 21.1% (17.2% as at the end of 2021), other current assets – 6.5% (4.4% as at the end of 2021) and cash and cash equivalents – 8.2% (7.0% as at the end of 2021).

Equity

Equity at the end of the current half-year amounted to PLN 1,841,133 thousand, compared to PLN 1,242,996 thousand at the end of 2021. As at the end of June 2022 equity accounted for 59.1% of total equity and liabilities vs. 52.0% of balance sheet total as at 31 December 2021. The increase in equity was a result of the net profit for H1 2022 and an increase in the positive valuation of financial instruments treated as hedges of future cash flows offset in part by the dividend to AP SA Shareholders and to non-controlling Shareholders paid by Rottneros AB

Short-term liabilities

As at the end of June 2022, current liabilities amounted to PLN 792,825 thousand (25.5% of the balance sheet total), compared to PLN 722,065 thousand (30.2% of the balance sheet total) at the end of 2021. Short-term liabilities increased by PLN 70,760 thousand in the period under review, mainly due to an increase in trade and other payables.

Long-term liabilities

As at the end of June 2022, non-current liabilities amounted to PLN 479,285 thousand (15.4% of the balance sheet total), compared to PLN 424,205 thousand (17.8% of the balance sheet total) at the end of 2021. In the period under review, non-current liabilities increased by PLN 55,081 thousand, mainly due to an increase in deferred tax liabilities resulting primarily from an increase in the positive valuation of energy forwards.

Debt analysis

	Q2 2022	Q1 2022	Q2 2021	% Change Q2 2022/ Q1 2022	% Change Q2 2022/ Q2 2021
Debt to equity ratio (%)	69.1	81.5	109.8	(12.4) p.p.	(40.7) p.p.
Equity to fixed assets ratio (%)	121.2	105.9	90.0	15.3 p.p.	31.2 p.p.
Interest-bearing debt-to-equity ratio (%)	13.1	20.0	37.2	(6.9) p.p.	(24.1) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0.0)x	0.3x	0.6x	(0.3)	(0.6)
EBITDA to interest expense ratio for the last 12 months (x)	52.0x	28.1x	14.9x	23.9	37.1

As at the end of June 2022, debt to equity ratio amounted to 69.1% and was lower by 12.4 p.p. compared to the end of March of 2022 and lower by 40.7 p.p. compared to the end of June 2021. The decrease in the ratio is mainly due to an increase in equity.

The equity to non-current assets ratio was 121.2% and was higher by 15.3 p.p. than at the end of March 2022 and higher by 31.2 p.p. than at the end of June 2021. The increase in the ratio is mainly due to an increase in equity.

Interest bearing debt to equity ratio amounted to 13.1% as at the end of the current half year and was lower by 6.9 p.p. compared to the end of March 2022 and lower by 24.1 p.p. compared to the level of the ratio calculated at the end of June 2021. The decrease in the ratio is mainly due to an increase in equity.

Net borrowings to EBITDA calculated for the last 12 months ended on 30 June 2022 amounted to 0.0x compared to 0.3x in the equivalent period ended on 31 March 2022 and 0.6x for the period ended on 30 June 2021.

The decrease in the ratio is mainly due to the increase in EBITDA.

The ratio of interest expense to EBITDA for the 12 months ended 30 June 2022 was 52.0x and 28.1x and 14.9x for the periods ended 31 March 2022 and 30 June 2021 respectively. The increase in the ratio is the result of both an increase in EBITDA and a decrease in interest expense.

Liquidity analysis

	Q2 2022	Q1 2022	Q2 2021	% Change Q2 2022/ Q1 2022	% Change Q2 2022/ Q2 2021
Current ratio	2.0x	1.8x	1.7x	0.2	0.3
Quick ratio	1.4x	1.1x	1.1x	0.3	0.3
Cash solvency ratio	0.3x	0.2x	0.4x	0.1	(0.1)
DSI (days)	51.2	48.2	56.3	3.0	(5.1)
DSO (days)	45.2	45.3	44.1	(0.2)	1.1
DPO (days)	63.2	57.5	67.4	5.7	(4.2)
Operational cycle (days)	96.4	93.6	100.4	2.8	(4.0)
Cash conversion cycle (days)	33.2	36.0	32.9	(2.8)	0.3

The current ratio was 2.0x at the end of June 2022, an increase of 0.2 from the level at 31 March 2022 and of 0.3 from the level at 30 June 2021.

The quick ratio reached 1.4x at the end of June 2022 and increased by 0.3 from the level at 31 March 2022 and 30 June 2021.

The cash solvency ratio was 0.3x at the end of June 2022, up 0.1 from the level at 31 March 2022 and down 0.1 from the level at 30 June 2021.

The cash conversion cycle in Q2 2022 was 33.2 days and was by 2.8 days shorter versus the end of Q1 2022 and by 0.3 days longer than reported at the end of Q2 2021.

Selected items of the consolidated statement of cash flow

<i>PLN thousand</i>	Q2 2022	Q1 2022	Q2 2021	H1 2022	H1 2021	% Change Q2 2022/ Q1 2022	% Change Q2 2022/ Q2 2021	% Change H1 2022/ H1 2021
Cash flows from operating activities	218 299	17 949	30 612	236 248	54 688	1 116,2	613,1	332,0
<i>of which:</i>								
<i>Gross profit/(loss)</i>	301 715	172 020	46 201	473 735	85 098	75,4	553,0	456,7
<i>Depreciation/amortisation and impairment allowances</i>	32 004	29 643	29 650	61 646	58 699	8,0	7,9	5,0
<i>Changes to working capital</i>	(104 627)	(173 890)	(46 236)	(278 517)	(81 748)	(39,8)	126,3	240,7
<i>Other adjustments</i>	(10 793)	(9 823)	997	(20 616)	(7 362)	9,9	(1 182,5)	180,0
Cash flows from investing activities	(34 938)	(40 502)	(27 383)	(75 440)	(62 898)	(13,7)	27,6	19,9
Cash flows from financing activities	(63 286)	(7 562)	27 392	(70 848)	3 045	736,9	(331,0)	(2 426,9)
Total cash flows	120 074	(30 115)	30 620	89 960	(5 165)	(498,7)	292,1	(1 841,7)

Cash flows from operating activities

In the six months of 2022, net cash flow from operating activities reached + PLN 236,248 thousand compared with + PLN 54,688 thousand in the equivalent period of 2021. The higher operating cash flow in H1 2022 was the result of an increase in gross profit and depreciation offset in part by an increase in working capital, mainly an increase in receivables and inventories.

Cash flows from investing activities

In H1 2022, flows from investing activities amounted to PLN -75,440 thousand, compared with PLN -62,898 thousand in the equivalent period of the previous year. The negative cash flows from investing activities resulted from expenditures on tangible fixed assets and intangible assets.

Cash flows from financing activities

Flows from financing activities in H1 2022 reached PLN -70,848 thousand compared with PLN +3,045 thousand in the same period of 2021. The negative cash flow from financing activities in 2022 is mainly the result of the repayment of term loans and overdrafts and the payment of dividends to non-controlling shareholders by Rottneros AB. Positive cash flows from financing activities in 2021 are mainly the result of refinancing loans and repaying bonds in PLN.

Summary of standalone financial results

Selected items of the standalone statement of profit and loss

<i>PLN thousand</i>	Q2 2022	Q1 2022	Q2 2021	H1 2022	H1 2021	Change % Q2 2022/ Q1 2022	Change % Q2 2022/ Q2 2021	Change % H1 2022/ H1 2021
Sales revenues	60 669	3 601	7 148	64 270	11 838	1 585	749	443
<i>of which:</i>								
Sales of services	3 052	3 019	5 712	6 071	9 575	1	(47)	(37)
Interest on loans	560	582	676	1 141	1 503	(4)	(17)	(24)
Dividend income	57 058	-	760	57 058	760	-	7 408	7 408
Profit on sales	58 593	1 493	6 415	60 086	10 338	3 825	813	481
% of sales revenues	96,58	41,46	89,75	93,49	87,33	55,1 p.p.	6,8 p.p.	6,2 p.p.
Administrative expenses	(5 221)	(2 617)	(5 664)	(7 838)	(10 131)	99	(8)	(23)
Other operating income	117 055	12	1	117 067	288	1 011 417	19 125 041	40 548
Other operating expenses	17	(63)	(610)	(46)	(970)	(127)	(103)	(95)
EBIT	170 445	(1 176)	142	169 269	(475)	(14 593)	120 149	(35 712)
% of sales revenues	280,94	(32,66)	1,98	263,37	(4,02)	313,6 p.p.	279,0 p.p.	267,4 p.p.
EBITDA	170 489	(1 110)	255	169 379	(235)	(15 459)	66 826	(72 078)
% of sales revenues	281,01	(30,83)	3,56	263,54	(1,99)	311,8 p.p.	277,5 p.p.	265,5 p.p.
Financial income	1 140	593	2 056	1 733	3 134	92	(45)	(45)
Financial expenses	(3 645)	(2 166)	(2 229)	(5 811)	(9 770)	68	64	(41)
Gross profit/(loss)	167 940	(2 749)	(31)	165 191	(7 111)	(6 209)	(533 952)	(2 423)
Income tax	738	553	-	1 291	-	34	-	-
Net profit/(loss)	168 678	(2 196)	(31)	166 482	(7 111)	(7 780)	(536 298)	(2 441)
% of sales revenues	5 527,46	(61,00)	(0,44)	2 742,25	(60,07)	5 588,5 p.p.	5 527,9 p.p.	2 802,3 p.p.

Revenues, profit on sales, costs of sales

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 Q2 2022, unconsolidated sales revenue reached PLN 60,669 thousand and comprised services provided to Group companies (PLN 3,052 thousand), interest on loans (PLN 560 thousand), as well as dividend income (PLN 57,058 thousand). In the equivalent period of the previous year, stand-alone sales revenue reached PLN 7,148 thousand and comprised services provided to Group companies (PLN 5,712 thousand), interest on loans (PLN 676 thousand), as well as dividend income (PLN 760 thousand).

In H1 2022, standalone sales revenue reached PLN 64,270 thousand and comprised services provided to Group companies (PLN 6,071 thousand), interest on loans (PLN 1,141 thousand), as well as dividend income (PLN 57,058 thousand). In the equivalent period of the previous year, stand-alone sales revenue reached PLN 11,838 thousand and comprised services provided to Group companies (PLN 9,575 thousand), interest on loans (PLN 1,503 thousand), as well as dividend income (PLN 760 thousand). This represents an increase in sales revenue in H1 2022 by PLN 52,432 thousand compared to the same period in 2021.

Profit on sales amounted to PLN 60,086 thousand in H1 2022 and increased by PLN 49,748 thousand compared with the same period of the previous year.

Selling and distribution costs

The Company did not recognise any cost of sales in H1 2022 or in 2021.

Administrative expenses

in H1 2022, administrative expenses reached PLN 7,838 thousand and were lower than in the same period of the previous year by PLN 2,293 thousand. The drop of costs was primarily due to the implemented organisational changes and the savings program in the company.

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 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 117,067 thousand in Q1 2022 which was an increase as compared to the equivalent period of the previous year by PLN 116.779 thousand. The amount of PLN 117,014 thousand of other operating income in H1 2022 results from the reversal of an impairment loss on the shares in Arctic Paper Investment AB (the company that owns Arctic Paper Grycksbo AB).

At the same time, there was a decrease in other operating expenses, which reached PLN 46 thousand in 2022 (PLN 970 thousand in 2021). The lower level of other operating expenses is due to the creation of an asset impairment allowance in 2021 for Arctic Paper Mochenwangen GmbH in the amount of PLN 904 thousand.

Financial income and financial expenses

In the first six months of 2022, financial revenues reached PLN 1,733 thousand and were lower by PLN 1,401 thousand compared to the revenues generated in the first six months of 2021. Financial expenses after six months of 2022 amounted to PLN 5,811 thousand and mostly related to interest expenses on bank loans and borrowings received (PLN 1,821 thousand) and financial transaction costs. In the equivalent period of 2021, finance costs amounted to PLN 9,770 thousand.

Selected items of the standalone statement of financial position

<i>PLN thousand</i>	30.06.2022	31.12.2021	30.06.2021	Change 30.06.2022 -31.12.2021	Change 30.06.2022 -30.06.2021
Fixed assets	808 876	686 451	683 050	122 425	125 826
Receivables	40 942	31 903	27 707	9 039	13 235
Other current assets	72 395	123 978	114 018	(51 583)	(41 623)
Cash and cash equivalents	69 445	14 966	22 493	54 479	46 952
Total assets	991 658	857 299	847 268	134 359	144 390
Equity	720 718	577 059	545 629	143 659	175 089
Short-term liabilities	178 769	174 841	185 625	3 928	(6 856)
<i>interest-bearing debt</i>	108 597	145 648	139 650	(37 051)	(31 053)
Long-term liabilities	92 173	105 398	116 014	(13 225)	(23 841)
<i>interest-bearing debt</i>	87 422	101 546	113 084	(14 124)	(25 662)
Total equity and liabilities	991 658	857 299	847 268	134 360	144 390

As at 30 June 2022, total assets amounted to PLN 991,658 thousand as compared to PLN 857,299 thousand at the end of 2021.

The increase in assets was mainly due to reversal of an impairment loss on the shares in Arctic Paper Investment AB (the company that owns Arctic Paper Grycksbo AB) and also higher cash during the period under review.

Fixed assets

At the end of June 2022 fixed assets accounted for 81.6% of total assets vs. 80.1% at the end of 2021. The value of non-current assets increased by PLN 122,425 thousand in the current half-year. The main item of non-current assets includes interests in subsidiaries. Their value at the end of the first six months of 2022 amounted to PLN 795,701 thousand and increased by PLN 117,064 thousand compared to 31 December 2021. The increase in the value of the shares is mainly related to the reversal of a write-down of the value of the shares in Arctic Paper Investment AB (the company that owns Arctic Paper Grycksbo AB) of PLN 117,015 thousand and also the establishment of the new company Kostrzyn Packaging Sp. z o.o. (PLN 50 thousand).

Current assets

Current assets reached PLN 182,782 thousand at the end of June 2022, compared to PLN 170,848 thousand at the end of December 2021.

Within current assets, receivables increased by PLN 9,039 thousand, other current assets decreased by PLN 51,583 thousand, while cash and cash equivalents increased by PLN 54,479 thousand. As at the end of June 2022, current assets accounted for 18.4% of total assets (19.9% as at the end of 2021).

Equity

Shareholders' equity amounted to PLN 720,718 thousand at the end of H1 2022, compared to PLN 577,059 thousand at the end of 2021. This represents an increase in equity of PLN 143,659 thousand as a result of the General Meeting's decision to pay a dividend (PLN 27,715 thousand) and the net profit recorded in H1 2022. As at the end of June 2022 equity accounted for 72.7% of balance sheet total vs. 67.3% of balance sheet total as at the end of 2021.

Short-term liabilities

As at the end of June 2022, current liabilities amounted to PLN 178,769 thousand (18.0% of total assets), compared with PLN 174,841 thousand (20.4% of total assets) at the end of 2021.

Long-term liabilities

As at the end of June 2022, non-current liabilities amounted to PLN 92,173 thousand (9.3% of the balance sheet total), compared to PLN 105,398 thousand (12.3% of the balance sheet total) at the end of 2021. The decrease in long-term liabilities is due to the loan repayment schedule.

Selected items of the standalone statement of cash flow

<i>PLN thousand</i>	2Q 2022	1Q 2022	1H 2022	1H2021	Change % 2Q2022/ 1Q2022	Change % 2Q2021/ 1Q2021
Cash flows from operating activities	95 001	(6 758)	88 243	(29 949)	(1 505,8)	(77,4)
<i>of which:</i>						
<i>Gross profit/(loss)</i>	167 940	(2 749)	165 191	(7 111)	(6 208,6)	(61,3)
<i>Depreciation/amortisation and impairment allowances</i>	(116 784)	66	(116 718)	240	(177 045,6)	(72,5)
<i>Changes to working capital</i>	2 698	917	3 615	(1 594)	194,3	(157,5)
<i>Net interest and dividends</i>	(696)	1 294	597	4 286	(153,8)	(69,8)
<i>Increase/decrease of loans granted to subsidiaries</i>	1 618	1 308	2 926	40 043	23,7	(96,7)
<i>Change to liabilities due to cash-pooling</i>	44 326	(11 604)	32 721	(71 748)	(482,0)	(83,8)
<i>Other adjustments</i>	(4 100)	4 011	(89)	5 936	(202,2)	(32,4)
Cash flows from investing activities	(50)	-	(50)	-	-	-
Cash flows from financing activities	(33 228)	(487)	(33 715)	12 293	6 723,2	(104,0)
Total cash flows	61 723	(7 245)	54 478	(17 656)	(100,0)	(59,0)

The statement of cash flow shows an increase in cash in H1 2022 of PLN 54,478 thousand, consisting of:

- positive cash flows from operating activities of PLN 88,243 thousand,
- negative cash flow from investing activities of PLN -50 thousand,
- negative cash flows from financing activities of PLN -33,715 thousand.

Cash flows from operating activities

In H1 2022, net cash flows from operating activities amounted to PLN 88,243 thousand as compared to PLN -29,949 thousand in the equivalent period of 2021. The cash flows from operating activities in H1 this year include loans granted to subsidiaries and a change of liabilities under cash-pooling.

Cash flows from investing activities

in H1 2022, flows from investing activities amounted to PLN -50 thousand and resulted from the establishment of the new company Kostrzyn Packaging Sp. z o.o.

Cash flows from financing activities

Flows from financing activities in H1 2022 reached PLN -33,715 thousand compared with PLN 12,293 thousand in the same period of 2021. In 2022, the negative flows were related to the repayment of loan commitments.

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

Key factors affecting the performance results

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

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

Macroeconomic and other economic factors

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

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

Demand growth for products based on natural fibres

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

Reduced demand for certain paper types

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

Paper prices

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

Costs of raw materials, energy and transportation

The main elements of the Group's operating expenses include raw materials, energy and transportation. The costs of raw materials include mainly the costs of pulp for Paper Mills, timber for Pulp Mills and chemical agents used for paper and pulp

production. Our energy costs historically include mostly the costs of electricity, gas and rights to CO2 emissions. The costs of transportation include the costs of transportation services provided to the Group mainly by external entities.

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

Most of pulp supplies to our Paper Mills is made from suppliers outside the Capital Group. Major 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 H1 2022, there were no unusual events or factors.

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

In H1 2022, there were no changes in the Arctic Paper Group's structure that would have material influence on the financial result generated.

Other material information

Joint investment by Arctic Paper and Rottneros

On 21 October 2021, ArcticPaper 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 whether the Company should take steps to conclude 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).

In May 2022, Kostrzyn Packaging Sp. z o.o. was founded for the above purpose.

Adoption by the Management Board of Arctic Paper S.A. of a dividend policy

On 11 July 2022, the dividend policy of Arctic Paper S.A. ("the Policy") was adopted by a resolution of the Management Board. The dividend policy will apply from the financial year ending 31 December 2022.

In accordance with the adopted Policy, the Management Board intends to submit to the Company's General Meeting a proposal for the payment of dividends of between 20% and 40% of the consolidated net profit of the Company's Group generated for the financial year, subject to the current provisions of the loan agreements regarding financial covenants and the related restrictions on profit distribution.

The dividend will be paid annually, after the General Meeting has approved the Company's financial statements. In recommending to the General Meeting the distribution of profit and setting the value of the dividend, the Company's Management Board will take into account the financial and liquidity situation, existing and future liabilities (including potential restrictions related to loan agreements) and an assessment of the prospects of the Company's Group in certain market and macroeconomic conditions.

The intention of the Company's Management Board is to create and maintain a predictable dividend policy and for Arctic Paper S.A. to be perceived by the market as a dividend company.

Factors influencing the development of the Arctic Paper Group

Information on market trends

In Q2 2022 the Arctic Paper Group recorded a decreased level of orders versus Q1 2022 by 0.6% and a growth of orders versus the equivalent period of 2021 by 11%.

Source of data: Arctic Paper analysis

Paper prices

At the end of H1 2022, the prices of uncoated wood-free paper (UWF) in Europe grew by 43% versus the prices at the end of 2021 while for coated wood-free paper (CWF) there was a growth by 61.2%.

At the end of June 2022, the average prices declared by producers for selected types of paper and markets: Germany, France, Spain, Italy, United Kingdom – for both uncoated wood-free paper (UWF) and coated wood-free paper (CWF) were higher than at the end of Q1 2021 by 10.3% and 13.9% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased from the end of March 2022 until the end of June 2022 by 15.9% on the average while in the segment of coated wood-free paper (CWF) the prices increased by 18.4%. At the end of H1 2022, the prices of uncoated wood-free paper (UWF) invoiced by Arctic Paper increased by 56% versus the prices at the end of June 2021 while for coated wood-free paper (CWF) there was an increase by 69%.

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 quoted without considering specific rebates for individual customers and they include neither any 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 Q2 2022, the pulp prices reached the level of: NBSK – USD 1,430.5/ton and BHKP – USD 1,308.4/ton.

The average NBSK price in Q2 2022 was higher by 15.3% compared to the equivalent period of the previous year while for BHKP the average price was higher by 23.4%. Compared to Q1 2022, the average pulp price in Q2 2020 was higher by 6.7% for NBSK and by 8.2% for BHKP.

Pulp costs are characterised by high volatility. The prices of the raw materials had major impact on the Group's profitability in the period.

The average pulp cost used for production of paper calculated for the Arctic Paper Group in PLN increased in Q2 2022 compared to Q1 2022 by 9.3% while in relation to Q2 2021 it increased by 42.9%.

The share of pulp costs in overall selling costs after 6 months of the current year was 60% versus about 51% in the equivalent quarter in 2021.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 70%, NBSK 23% and other 7%.

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

Currency exchange rates

At the end of Q2 2022, the EUR/PLN rate amounted to 4.6806 and was by 3.5% higher than at the end of Q2 2021. The mean EUR/PLN exchange rate in H1 2022 amounted to 4.6362 and was by 2.1% higher than in the equivalent period of 2021.

The EUR/SEK exchange rate amounted to 10.7034 at the end of Q2 2022 (growth by 5.7% versus the end of Q2 2021). For that currency pair, the mean exchange rate in H1 2022 was by 3.4% higher than in the equivalent period of 2021. The weakening SEK versus EUR has been positively impacting the revenues invoiced in EUR in the factories in Sweden (AP Munkedals and AP Grycksbo).

The USD/PLN exchange rate as at the end of Q2 2022 amounted to 4.4825. In H1 2022 the mean USD/PLN exchange rate was 4.2419 versus 3.7682 in the equivalent period of the previous year which was a growth by 12.6%. In Q2 2022 the mean USD/PLN exchange rate was 4.3597 and was by 15.9% higher than in Q2 2021. The change has adversely affected the costs incurred in USD by AP Kostrzyn, in particular the costs of pulp.

The USD/SEK exchange rate as at the end of Q2 2022 amounted to 10.2504. In H1 2022, the mean exchange rate amounted to 9.5864 compared to 8.4094 in the equivalent period of the previous year which was an appreciation of the exchange rate by 14%. In Q2 2022 the mean USD/SEK exchange rate increased by 5.1% versus Q1 2022. The change in comparison to the equivalent quarter of 2021 unfavourably affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

At the end of June 2021, the EUR/USD exchange rate amounted to 1.0442 compared to 1.1886 (-12.1%) at the end of June 2021. The EUR weakened significantly against the USD in Q2 2022 compared to Q1 2022 (-5%). In H1 2022 the mean exchange rate was 1.0942 while in the equivalent period of the previous year it was 1.2050 which was a depreciation of EUR versus USD by 9.2%.

The depreciation of PLN versus EUR has favourably affected the Group's financial profit, mainly due to increased sales revenues generated in EUR and translated into PLN. PLN depreciating versus USD had adverse effect on the Group's financial result as it increased the costs of the core raw materials for the Paper Mill in Kostrzyn. The weakening SEK against the euro had a favourable impact on revenues generated in euro at APM and APG factories.

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 months 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 is creating 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 thus negatively affect the Group's financial performance.

- 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 thus negatively 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, the current price level of Arctic Paper's products in local currencies, in view of intensely rising raw material costs, and in view of weakening supply/demand levels in Europe, as well as in the context of exchange rate movements.
- 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 prices may positively influence financial the 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 H1 2022 there were no material changes to the risk factors described in the report for 2021.

Risk factors related to the environment in which the Group operates

The sequence in which the risk factors are presented below does not reflect the likelihood of occurrence, extent or materiality of the risks.

The risk related to intensifying competition in the paper market in Europe

Our Group operates in a very competitive market. The achievement of the strategic objectives assumed by the Group may be made difficult by operations of competitors, particularly integrated paper producers operating on a larger scale than our Group. Any more intensified competition resulting from a potential growth of production capacity of our competitors and thus an increased supply of paper to the market, may adversely affect the achievement of the planned revenues and thus the ability to achieve the underlying financial and operational assumptions.

Risk of changing legal regulations

Our Group operates in a legal environment characterised with a high level of uncertainty. The regulations affecting our business have been frequently amended and often there are no consistent interpretations which generates a risk of violating the existing regulations and the resultant consequences even if such breach was unintentional. Additionally, amendments to regulations relating to environmental protection and other regulations may generate the need to incur material expenditures to ensure compliance, inter alia, more restrictive regulations or stricter implementation of the existing regulations concerning the protection of surface waters, soil waters, soil and atmospheric air.

FX risk

Revenues, expenses and results of the Group are exposed to FX risk, in particular relating to exchange rates of PLN and SEK to EUR, GBP and other currencies. Our Group exports a majority of its produced paper to European markets, generating a material part of its sales revenues in EUR, GBP, PLN and SEK. Sales revenues of pulp in the Pulp Mills are subject to USD FX risk. The purchase costs of materials for paper production, in particular pulp for paper mills are paid primarily in USD and EUR. Additionally, we hold loan liabilities mainly in PLN, EUR and SEK. PLN is the currency used in our financial statements and therefore our revenues, expenses and results generated by the subsidiary companies domiciled abroad are subject to FX exchange rate fluctuations. Thus FX rate fluctuations may have a strong adverse effect on the results, financial conditions and prospects of the Group.

Interest rate risk

The Group is exposed to interest rate risk in view of the existing interest-bearing debt. The risk results from fluctuations of such interest rates as WIBOR for debt in PLN, EURIBOR for debt in EUR and STIBOR for debt in SEK. Unfavourable changes of interest rates may adversely affect the results, financial condition and prospects of the Group.

Risk related to increasing importance of alternative media

Trends in advertising, electronic data transmission and storage and in the Internet have adverse impact on traditional printed media and thus on the products of the Group and its customers. Continuation of such changes may adversely affect the results, financial condition and prospects of the Group.

Risk factors relating to the business of the Group

The sequence in which the risk factors are presented below does not reflect the likelihood of occurrence, extent or materiality of the risks.

Risk related to relatively low operational margins

Historically, the operational results of the Group are characterised by relatively high volatility and low profit margins on operations. Reduced revenues resulting e.g. from changes to production capacity, output, pricing policies or increased operating expenses that primarily comprise costs of raw materials (mainly pulp for Paper Mills) and energy, may mean the Group's losses in earning capacity. Material adverse changes to profitability may result in reduced prices of our stock and reduced capacity to generate working capital thus adversely affecting our business and deteriorating our prospects.

Risk of price changes to raw materials, energy and products

We are exposed to the risk of price changes of raw materials and energy, primarily related to price fluctuations of pulp, fuel oil, diesel oil, coal and electricity. Paper Mills buy pulp under frame agreements or in one-off transactions and do not hedge against fluctuations of pulp prices. A part of pulp is supplied to our Paper Mills from the Pulp Mills of the Rottneros Group. The risk of changing prices of raw materials is related primarily to changing prices of paper and pulp in the markets to which we sell our products. A material growth of prices of one or more raw materials and energy may adversely affect the operating results and financial condition of the Group.

Risk of disruption to production processes

Our Group holds three Paper Mills operating jointly seven production lines with total annual production capacity of approx. 685,000 tonnes of paper and two Pulp Mills with a total production capacity of 400,000 tonnes of pulp. Long-lasting disruption to the production process may result from a number of factors, including a breakdown, human error, unavailability of raw materials, natural catastrophes and other that are beyond our control. Each such disruption, even relatively short, may have material impact on our production and profitability and result in material costs for repairs, liabilities to buyers whose orders we are not able to satisfy and other expenses.

Risk related to our investments

Investments by the Group aimed at expanding the production capacity of the Group require material capital outlays and a relatively long time to complete. As a result, the market conditions under which we operate may be materially changed in the period between our decision to incur investment outlays to expand production capacity and the completion time. Changes of market conditions may result in a volatile demand for our products which may be too low in the context of additional production capacities. Differences between demand and investments in new production capacities may result in failure to utilise the expanded production capacity to the full extent. This may have adverse effect on the operating results and financial condition of the Group.

Risk factors relating to the debt of the Group

Our Group mainly has debt under a loan agreement with a consortium of banks (Pekao SA, Santander Bank S.A. and BNP Paribas SA) of 2 April 2021, loan debt with Danske Bank, Nordea Bank and under leasing agreements.

Failure by the Group to comply with its obligations, including the agreed levels of financial ratios (covenants) resulting from the agreements, will result in default under those agreements. Events of default may in particular result in demand for repayment of our debt, banks taking control over important assets like Paper Mills or Pulp Mills and loss of other assets which serve as collateral, deterioration of creditworthiness and lost access to external funding which will be converted into lost liquidity and which in turn may materially adversely affect our business and development prospects and our stock prices.

Risk related to insurance limits

In the context of deteriorating situation in paper industry and the results of the Arctic Paper Group, our suppliers, in particular suppliers of such raw materials as pulp, may have problems with acquiring insurance limits (sale on credit) and thus they may lose the possibility of offering deferred payment terms to the Arctic Paper Group. Such situation may result in deteriorated

financial situation and loss of financial liquidity of operating units and as a result this may adversely affect the situation in the entire Group.

Risk of restricted supplies of natural gas

Polskie Górnictwo Naftowe i Gazownictwo S.A (PGNiG) is the sole supplier of natural gas used by AP Kostrzyn to generate heat and electrical energy for paper production. (PGNiG). In this context, the business and costs of paper production at AP Kostrzyn is materially affected by availability and price of natural gas. Potential disruptions of supplies of natural gas to the Paper Mill in Kostrzyn nad Odrą may have adverse effect on production, results on operations and financial condition of the Group.

Risk of loss of tax relieves related to the operation of AP Kostrzyn

AP Kostrzyn has been using a major tax relief resulting from its operations in the Kostrzyńsko-Słubicka Specjalna Strefa Ekonomiczna. The relief was granted until 2026 and is subject to compliance by AP Kostrzyn of the applicable laws, regulations and other conditions relating to the relief, including compliance with certain criteria concerning employment and investment outlays. Tax regulations and interpretations thereof are subject to very frequent changes in Poland. Changes to the regulations applicable to the tax relief or breach by AP Kostrzyn of the applicable conditions may result in loss of the relief and have material adverse impact on the results of operations and financial condition of the Group.

Risk related to consolidation and liquidity of key customers

Consolidation trends among our existing and potential customers may result in a more concentrated customer base covering a few large buyers. Such buyers may rely on their improved bargaining position in negotiating terms of paper purchases or decide to change the supplier and acquire products from our competitors. Additionally, in the context of the deteriorating condition in printing industry, such customers as paper distributors, printing houses or publishers may not be able to obtain insurance limits (sale on credit) or have problems with financial liquidity which may result in their bankruptcy and adversely affect our financial results. The above factors may have adverse impact on the operational results and financial condition of the Group.

Risk related to compliance with regulations on environmental protection and adverse impact of the production process on the environment

The Group meets the requirements related to environmental protection; however, no certainty exists that it will always be able to comply with its obligations and that in the future it will avoid material expenses or that it will not incur material obligations related to the requirements or that it will be able to obtain all permits, approvals and other consents to carry on its business as planned. Similarly, considering that paper and pulp production is related to potential hazards relating to waste generated in Paper Mills and Pulp Mills and contamination with chemicals, no certainty exists that in the future the Group is not charged with liability for environmental pollution or that no event that may underlie the liability of the Group has not already occurred. Thus the Group may be required to incur major expenses in connection with the need to remove contamination and land reclamation.

Risk related to CO2 emissions

Our Paper Mills and Pulp Mills are provided with free carbon dioxide emission rights for each period. The emission rights are awarded within the EU Emission Trading Scheme. Should such free carbon dioxide emission rights be cancelled and replaced with a system of paid emission rights, our costs of energy generation will grow accordingly. Additionally, we may be forced to incur other unpredictable expenses in connection with the emission rights or changing legal regulations and the resultant requirements. Due to the above we may be forced to reduce the quantity of generated energy or to increase the production costs which may adversely affect our business, financial condition, operational results or development prospects.

Risk related to dividend distribution

The Issuer is a holding company and therefore its capacity to pay dividend is subject to the level of potential disbursements from its subsidiary companies involved in operational activity, and the level of cash balances. Certain subsidiaries of the Group involved in operational activity may be subject to certain restrictions concerning disbursements to the Issuer. No certainty exists that such restrictions will have no material impact on the business, results on operations and capacity of the Group to distribute dividend.

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).

Supplementary information

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 to the supervisory and management bodies of Arctic Paper S.A.

As at 30 June 2022, the Company's Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on 14 September 2016;
- Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 16 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;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021;

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

The Management Board of the Parent Entity as at the publication hereof was composed as follows:

- Michał Jarczyński – President of the Management Board
- Göran Eklund – Member of the Management Board

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

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 10.08.2022	Number of shares or rights to shares as at 30.06.2022	Number of shares or rights to shares as at 09.05.2022	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	-
Göran Eklund	-	-	-	-
Supervisory Board				
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	-	-	-	-

*Figures in the table do not include shares held indirectly

Information on sureties and guarantees

As at 30 June 2022, the Capital Group reported:

- a pledge on properties of Arctic Paper Grycksbo AB resulting from an agreement with FPG in favour of mutual life insurance company PRI in the amount of SEK 50,000 thousand;
- a contingent liability related to a guarantee for FPG in favour of mutual life insurance company PRI in the amount of SEK 535 thousand in Arctic Paper Grycksbo AB and of SEK 764 thousand in Arctic Paper Munkedals AB;
- a pledge on properties of Arctic Paper Munkedals AB resulting from an agreement with FPG in favour of mutual life insurance company PRI in the amount of SEK 50,000 thousand;
- a bank guarantee in favour of Skatteverket Ludvika in the amount of 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 subsidiary companies 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 that are registered in Poland and belong 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 interim abbreviated consolidated financial statements.

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

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

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

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

Information on remuneration of the entity authorised to audit the financial statements

On 06 June 2022 Arctic Paper S.A. entered into an annex to the agreement with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for a review of the Company's interim standalone financial statements and interim consolidated financial statements of the Group for the period from 1 January 2022 until 30 June 2022. The addendum was concluded for the period of performance of the aforementioned services.

Statements of the Management Board

Accuracy and reliability of the presented reports

Members of the Management Board of Arctic Paper S.A. represent that to the best of their knowledge:

- The interim abbreviated consolidated financial statements for the period of 6 months ended on 30 June 2022 of the Arctic Paper S.A. Capital Group and the comparable data and the interim abbreviated standalone financial statements for the period of 6 months ended on 30 June 2022 of the Arctic Paper S.A. Capital Group and the comparable data have been prepared in compliance with the applicable accounting standards and that they reflect in a true, reliable and clear manner the economic and financial condition of the Capital Group and its financial results for the period of the first six months of 2022.
- The Management Board's Report from operations of the Arctic Paper S.A. Capital Group to the report for H1 2022 contains a true image of the development, achievements and condition of the Arctic Paper S.A. Capital Group, including a description of core hazards and risks.

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	10 August 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	10 August 2022	signed with a qualified electronic signature



Interim condensed consolidated financial statements

for the period of six months ended 30 June 2022 together
with the independent auditor's review report

Interim abbreviated consolidated financial statements

Interim abbreviated consolidated statement of profit and loss

	Note	3-month-period ended on 30 June 2022 (unaudited)	6-month-period ended on 30 June 2022 (unaudited)	3-month-period ended on 30 June 2021 (unaudited)	6-month-period ended on 30 June 2021 (unaudited)
Continuing operations					
Revenues from sales of products	9.1	1 296 279	2 407 037	786 561	1 569 373
Sales revenues		1 296 279	2 407 037	786 561	1 569 373
Costs of sales	9.2	(841 174)	(1 651 314)	(615 807)	(1 246 279)
Profit/(loss) on sales		455 106	755 723	170 754	323 094
Selling and distribution costs	9.2	(124 065)	(223 359)	(90 516)	(182 233)
Administrative expenses	9.2	(34 162)	(59 523)	(28 773)	(48 668)
Other operating income	9.2	22 057	43 359	13 041	25 566
Other operating expenses	9.2	(20 878)	(42 060)	(9 982)	(20 052)
Profit/(loss) on operations		298 058	474 140	54 525	97 708
Financial income	9.2	5 521	5 701	(847)	1 737
Financial expenses	9.2	(1 863)	(6 105)	(7 476)	(14 347)
Gross profit/(loss)		301 715	473 735	46 201	85 098
Income tax	9.2	(47 622)	(73 278)	(10 601)	(17 229)
Net profit/(loss)		254 094	400 458	35 600	67 869
Attributable to:					
The shareholders of the Parent Entity		215 868	336 549	18 372	47 466
Non-controlling shareholders		38 226	63 909	17 228	20 403
		254 094	400 458	35 600	67 869
Earnings per share:					
– basic earnings from the profit (loss) attributable to the shareholders of the Parent Entity	12	3,12	4,86	0,27	0,69
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	12	3,12	4,86	0,27	0,69

Interim abbreviated consolidated statement of comprehensive income

	3-month-period ended on 30 June 2022 (unaudited)	6-month-period ended on 30 June 2022 (unaudited)	3-month-period ended on 30 June 2021 (unaudited)	6-month-period ended on 30 June 2021 (unaudited)
Profit for the reporting period	254 094	400 458	35 600	67 869
Other comprehensive income				
<i>Items to be reclassified to profit (loss) in future reporting periods:</i>				
FX differences on translation of foreign operations	(29 248)	(23 219)	(13 824)	(19 136)
Measurement of financial instruments	278 770	342 899	25 198	9 790
Deferred income tax on the measurement of financial instruments	(56 640)	(69 205)	(4 612)	(1 063)
<i>Items that were reclassified to profit/(loss) during the reporting period:</i>				
Measurement of financial instruments	(10 556)	(15 947)	(202)	(2 736)
Deferred income tax on the measurement of financial instruments	2 162	3 218	(287)	297
<i>Items not to be reclassified to profit/loss in future reporting periods:</i>				
Actuarial profit (loss) for defined benefit plans	9 662	9 662	3 004	3 004
Deferred tax on actuarial gains/(losses)	(1 927)	(1 927)	(619)	(619)
Other net comprehensive income	192 223	245 482	8 659	(10 463)
Total comprehensive income for the period	446 317	645 940	44 259	57 406
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	349 328	506 272	53 457	46 526
Non-controlling shareholders	96 989	139 668	(9 198)	10 881

Interim condensed consolidated statement of financial position – assets

	Note	As at 30 June 2022 (unaudited)	As at 31 December 2021
ASSETS			
Fixed assets			
Tangible fixed assets	13	1 146 693	1 155 280
Investment properties		2 978	2 978
Intangible assets	13	57 305	56 667
Goodwill	13	9 183	9 421
Interests in joint ventures		2 894	2 943
Other financial assets	14	292 391	59 858
Other non-financial assets		310	300
Deferred income tax asset		7 018	14 304
		1 518 773	1 301 750
Current assets			
Inventories	15	478 889	402 868
Trade and other receivables	16	650 903	402 530
Corporate income tax receivables		8 693	8 409
Other non-financial assets		15 998	8 424
Other financial assets	14	185 414	97 358
Cash and cash equivalents	10	254 574	167 927
		1 594 471	1 087 516
TOTAL ASSETS		3 113 244	2 389 266

Interim condensed consolidated statement of financial position – liabilities

		As at 30 June 2022 (unaudited)	As at 31 December 2021
	Note		
EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	19	69 288	69 288
Reserve capital		407 976	407 976
Other reserves		372 355	201 226
FX differences on translation		(7 535)	7 534
Retained earnings/Accumulated losses		548 610	226 113
		1 390 694	912 137
Non-controlling interests		450 439	330 859
Total equity		1 841 133	1 242 996
Long-term liabilities			
Interest-bearing loans	17	165 699	161 210
Provisions		1 312	1 346
Employee liabilities		94 161	111 993
Other financial liabilities		26 265	29 153
Deferred income tax liability		179 652	106 633
Grants and deferred income		12 197	13 870
		479 285	424 205
Short-term liabilities			
Interest-bearing loans	17	36 861	84 489
Provisions		266	494
Other financial liabilities		13 152	12 170
Trade and other payables	18	591 082	506 812
Employee liabilities		100 215	107 028
Income tax liability		36 923	3 914
Grants and deferred income		14 325	7 158
		792 825	722 065
TOTAL LIABILITIES		1 272 111	1 146 270
TOTAL EQUITY AND LIABILITIES		3 113 244	2 389 266

Interim abbreviated consolidated statement of cash flow

Note	6-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2021 (unaudited)
Cash flows from operating activities		
Gross profit/(loss)	473 735	85 098
Adjustments for:		
Depreciation/amortisation	61 646	58 699
FX gains / (loss)	4 113	3 995
Interest, net	3 655	9 284
Profit / loss on investing activities (Increase) / decrease in receivables and other non-financial assets	(3) (258 454)	380 (109 950)
(Increase) / decrease in inventories	(84 433)	(27 957)
Increase (decrease) in liabilities except loans, borrowings, bonds and other financial liabilities	74 527	67 590
Change in provisions	(1 035)	(32)
Change in non-financial assets	(9 669)	-
Income tax paid	(26 305)	(21 025)
Change in pension provisions and employee liabilities	(10 158)	(11 431)
Change in grants and deferred income	5 650	(60)
Co-generation certificates and CO2 emission rights	(2 777)	808
Change in settlement of realised forward contracts	6 250	-
Other	(496)	(712)
Net cash flows from operating activities	236 248	54 688
Cash flows from investing activities		
Disposal of tangible fixed assets and intangible assets	-	11
Purchase of tangible fixed assets and intangible assets	(75 440)	(63 805)
Other capital outflows / inflows	-	896
Net cash flows from investing activities	(75 440)	(62 898)
Cash flows from financing activities		
Change to overdraft facilities	(18 322)	-
Repayment of leasing liabilities	(5 277)	(6 928)
Inflows/repayment of other financial liabilities	-	448
Proceeds from borrowing	-	145 621
Repayment of loans, borrowings and debt securities	(23 553)	(127 361)
Dividend disbursed to non-controlling shareholders	(20 088)	-
Interest paid	(3 608)	(8 735)
Net cash flows from financing activities	(70 848)	3 045
Increase (decrease) in cash and cash equivalents	89 960	(5 165)
Net FX differences	(3 313)	(5 635)
Cash at the beginning of the period	167 927	255 563
Cash at the end of the period	254 574	244 764

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Interim 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	-	-	-	-	336 549	336 549	63 909	400 458
Other net comprehensive income for the period	-	-	(15 069)	177 057	7 735	169 723	75 759	245 482
Total comprehensive income for the period	-	-	(15 069)	177 057	344 284	506 272	139 668	645 940
Profit distribution /Dividend to AP SA Shareholders	-	-	-	(5 928)	(21 787)	(27 715)	-	(27 715)
Dividend distribution to non-controlling entities	-	-	-	-	-	-	(20 088)	(20 088)
As at 30 June 2022 (unaudited)	69 288	407 976	(7 535)	372 355	548 610	1 390 694	450 439	1 841 133

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	-	-	-	-	47 466	47 466	20 403	67 869
Other net comprehensive income for the period	-	-	(10 919)	7 593	2 386	(940)	(9 522)	(10 463)
Total comprehensive income for the period	-	-	(10 919)	7 593	49 852	46 526	10 881	57 407
Profit distribution /Dividend to AP SA Shareholders	-	-	-	(17 399)	(3 387)	(20 786)	-	(20 786)
As at 30 June 2021 (unaudited)	69 288	407 976	4 908	150 570	142 975	775 717	293 937	1 069 654

Additional explanatory notes

1. General information

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade 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. The Arctic Paper Group employs more than 1,500 people in its paper mills, paper sales and pulp companies, purchasing office and food packaging company. Our Paper Mills are located in Poland and in Sweden. Pulp Mills are located in Sweden. The Group had 13 Sales Offices providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 6 months of 2022 amounted to PLN 2.407 million.

Arctic Paper S.A. 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 Trebruk AB (formerly Arctic Paper AB), the parent company of Arctic Paper S.A. In addition, under the expansion, the Group acquired the Paper Mill Arctic Paper Mochenwangen (Germany) in November 2008 and the Paper Mill Grycksbo (Sweden) in March 2010. In 2012, the Group acquired shares in Rottneros AB, a NASDAQ-listed company in Stockholm with interests in two pulp mills (Sweden). In 2020, the Group took control of Nykvist Skogs AB, a company of private forest owners in Sweden.

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

The interim abbreviated consolidated financial statements of the Group with respect to the interim abbreviated consolidated profit and loss account, statement of comprehensive income, statement of cash flow and statement of changes to equity and notes to the interim abbreviated consolidated statement of comprehensive income and the interim abbreviated consolidated profit and loss account, cover the period of 6 months ended on 30 June 2022 and contain comparable data for the period of 6 months ended on 30 June 2021; and in the consolidated statement of financial condition, it presents data as at 30 June 2022 and as at 31 December 2021.

The interim abbreviated consolidated statement of comprehensive income, the interim abbreviated profit and loss account contain data for the period of 3 months ended on 30 June 2022 and comparable data for the period of 3 months ended on 30 June 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 and pulp 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 30 June 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 30 June 2022 and 31 December 2021 was 68.13% and has not changed until the date hereof.

The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., controlled by Mr. Thomas Onstad. The ultimate 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			
			10 August 2022	30 June 2022	09 May 2021	31 December 2021
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, formerly paper production	99.74%	99.74%	99.74%	99.74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%	100%

Unit	Registered office	Business activity	Group's interest in the equity of the subsidiary entities as at			
			10 August 2022	30 June 2022	09 May 2021	31 December 2021
Arctic Power Sp.z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of energy	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	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%	94.90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	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%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	100%	100%	n.a.	n.a.
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51.27%	51.27%	51.27%	51.27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51.27%	51.27%	51.27%	51.27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-operating company	51.27%	51.27%	51.27%	51.27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51.27%	51.27%	51.27%	51.27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51.27%	51.27%	51.27%	51.27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51.27%	51.27%	51.27%	51.27%
SIA Rottneros Baltic	Latvia, Kuldīga	Procurement bureau	51.27%	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 Grycksbo Paper Holding AB (closed in 2015) and indirectly Arctic Paper Grycksbo AB

In May 2022, Kostrzyn Packaging Sp. z o.o. was established, which will ultimately own the moulded cellulose fibre packaging plant.

As at 30 June 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 30 June 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 30 June 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;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021;

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

4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 10 August 2022.

5. Basis of preparation of the interim abbreviated consolidated financial statements

These interim abbreviated consolidated financial statements have been prepared in compliance with International Accounting Standard No. 34.

These interim abbreviated consolidated financial statements have been presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except as stated otherwise.

These interim abbreviated consolidated financial statements have been prepared based on the assumption that the Group will continue as a going concern in the foreseeable future.

The interim 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 30 June 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 Pekao SA).

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 Company:

— 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 changes 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;

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:

— *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-Practical Position 2: Accounting policy disclosures (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 disclosure of significant accounting policies in an entity's financial statements. Under the amendments, an entity should only disclose significant accounting policies in the financial statements instead of significant accounting policies.

- Amendments to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of estimated values (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 accounting policies.

Standards and Interpretations awaiting EU approval as at 10 August 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 an asset and a liability 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 temporary differences and deductible temporary differences. Consequently, the entity should recognise both a deferred tax asset and deferred tax 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 or 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 comparative figures between insurance contract liabilities and related financial assets at the time of first-time application of IFRS 17. The amendment allows comparative figures for financial assets to be presented more consistently 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 functional 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 under IAS 21 as investments in subsidiaries are recognised in other comprehensive income.

The following exchange rates were used for book valuation purposes:

	30.06.2022	31.12.2021
USD	4.4825	4.0600
EUR	4.6806	4.5994
SEK	0.4373	0.4486
DKK	0.6292	0.6184
NOK	0.4523	0.4608
GBP	5.4429	5.4846
CHF	4.6904	4.4484

Mean FX rates for the reporting periods are as follows:

	01.01 – 30.06.2022	01.01 – 30.06.2021
USD	4.2419	3.7682
EUR	4.6362	4.5396
SEK	0.4425	0.4481
DKK	0.6231	0.6104
NOK	0.4650	0.4463
GBP	5.5052	5.2328
CHF	4.4931	4.1473

7. Seasonality

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

8. Information on business segments

Operational segments cover continuing activities. The Group's principal activity is the production of paper and pulp. The paper production business is presented as the 'Uncoated' and 'Coated' segments and includes the financial results of the three paper mills:

- Arctic Paper Kostrzyn S.A. (Poland) – producer of high quality uncoated graphic paper under the Amber brand; production output of 315,000 tonnes of paper annually;
- Arctic Paper Munkedals AB (Sweden) – a producer of high quality uncoated graphic paper under the Munken brand; production output of 160,000 tonnes of paper annually;
- Arctic Paper Grycksbo (Sweden) – production of coated wood-free paper under the brands of G-Print and Arctic; production output of 210,000 tonnes annually.

The pulp business is presented as the “Pulp” segment and includes, among other things, 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. This type of paper is used for printing magazines with the use of rotogravure or offset printing techniques. The segment also included data for the AP Mochenwangen Group.
- **Coated paper** – coated 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 printing quality of photographs 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.

Exclusions include the exclusion of inter-segment turnover and settlements and the results of operations of Arctic Paper S.A. and Arctic Paper Finance AB.

The split of operating segments into the uncoated and coated paper segments 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 key operational factors for each segment, such as e.g. the production capacity level in the specific paper 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 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 core raw materials, in particular of pulp, and to a lesser extent are subject to the specific conditions of 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 profit (loss) on operations, in each case in compliance with EU IFRS. In accordance with EU IFRS, EBITDA is not a metric of profit (loss) on operations, 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 6 months ended on 30 June 2022 and as at 30 June 2022.

6-month period ended on 30 June 2022 and on 30 June 2022

	Uncoated	Coated	Pulp	Total	Eliminations	Continuing operations
Revenues						
Sales to external customers	1 203 094	565 029	638 913	2 407 037	-	2 407 037
Sales between segments	-	1 433	-	1 433	(1 433)	-
Total segment revenues	1 203 094	566 462	638 913	2 408 470	(1 433)	2 407 037
Result of the segment						
EBITDA	235 889	126 377	178 312	540 577	(4 791)	535 786
Depreciation/amortisation	(34 104)	(5 200)	(22 233)	(61 536)	(110)	(61 536)
Operating profit/(loss)	201 784	121 177	156 079	479 041	(4 901)	479 041
Interest income	342	110	-	452	207	660
Interest expense	(1 153)	(1 394)	(885)	(3 431)	(912)	(4 343)
FX gains and other financial income	1 036	284	10 619	11 939	(6 898)	5 041
FX losses and other financial expenses	(1 496)	(3 829)	-	(5 326)	3 563	(1 762)
Gross profit	200 514	116 349	165 813	482 676	(8 941)	473 735
Assets of the segment	1 322 090	498 448	1 357 924	3 178 462	(75 131)	3 103 331
Liabilities of the segment	614 141	333 325	323 602	1 271 068	(178 609)	1 092 459
Capital expenditures	(44 242)	(9 142)	(21 957)	(75 341)	(99)	(75 440)
Interests in joint ventures	2 894	-	-	2 894	-	2 894

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 5,701 thousand of which PLN 660 thousand is interest income) and financial expenses (PLN 6,105 thousand of which PLN 4,343 thousand is interest expense), depreciation/amortisation (PLN 61,646 thousand) as well as income tax cost (PLN -73,278 thousand).
- Segment assets do not include deferred tax (PLN 7,018 thousand), as this item is managed at Group level and interests in joint ventures (PLN 2,894 thousand). Segment liabilities do not include deferred tax (PLN 179,652 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 30 June 2022 and as at 30 June 2022.

3-month period ended on 30 June 2022 and on 30 June 2022

	Uncoated	Coated	Pulp	Total	Eliminations	Continuing operations
Revenues						
Sales to external customers	631 845	316 720	347 714	1 296 279	-	1 296 279
Sales between segments	-	469	-	469	(469)	-
Total segment revenues	631 845	317 189	347 714	1 296 748	(469)	1 296 279
Result of the segment						
EBITDA	149 444	81 471	102 865	333 779	(3 718)	330 061
Depreciation/amortisation	(17 095)	(2 614)	(12 251)	(31 960)	(44)	(32 004)
Operating profit/(loss)	132 349	78 857	90 614	301 819	(3 762)	298 057
Interest income	212	82,376,439,21	0	294	186	480
Interest expense	(615)	(682)	(444)	(1 740)	(495)	(2 235)
FX gains and other financial income	517	142	9 295	9 955	(4 914)	5 042
FX losses and other financial expenses	(107)	(2 050)	-	(2 157)	2 528	372
Gross profit	132 356	76 350	99 466	308 171	(6 456)	301 715
Assets of the segment	1 322 090	498 448	1 357 924	3 178 462	(75 131)	3 103 331
Liabilities of the segment	614 141	333 325	323 602	1 271 068	(178 609)	1 092 459
Capital expenditures	(19 621)	(6 627)	(8 592)	(34 839)	(99)	(34 938)
Interests in joint ventures	2 894	-	-	2 894	-	2 894

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 5,521 thousand of which PLN 480 thousand is interest income) and financial expenses (PLN 1,863 thousand of which PLN 2,235 thousand is interest expense), depreciation/amortisation (PLN 32,004 thousand) as well as income tax cost (PLN -47,622 thousand).
- Segment assets do not include deferred tax (PLN 7,018 thousand), as this item is managed at Group level and interests in joint ventures (PLN 2,894 thousand). Segment liabilities do not include deferred tax (PLN 179,652 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 6 months ended on 30 June 2021 and as at 31 December 2021.

Period of 6 months ended 30 June 2021 and as at 31 December 2021

	Uncoated	Coated	Pulp	Total	Eliminations	Continuing operations
Revenues						
Sales to external customers	778 990	295 130	495 253	1 569 373	-	1 569 373
Sales between segments	-	11 394	13 308	24 702	(24 702)	-
Total segment revenues	778 990	306 524	508 561	1 594 075	(24 702)	1 569 373
Result of the segment						
EBITDA	84 758	205	73 463	158 426	(2 019)	156 407
Depreciation/amortisation	(34 857)	(2 877)	(20 722)	(58 456)	(243)	(58 699)
Operating profit/(loss)	49 901	(2 672)	52 741	99 970	(2 262)	97 708
Interest income	(5)	39	-	34	193	227
Interest expense	(179)	(1 838)	(4 481)	(6 498)	(3 056)	(9 554)
FX gains and other financial income	974	296	4 481	5 751	(4 241)	1 510
FX losses and other financial expenses	(4 426)	(2 071)	-	(6 496)	1 703	(4 793)
Gross profit (loss)	46 266	(6 246)	52 741	92 761	(7 664)	85 098
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	(43 579)	(4 132)	(16 085)	(63 796)	(9)	(63 805)
Interests in joint ventures	2 943	-	-	2 943	-	2 943

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 1,737 thousand of which PLN 227 thousand is interest income) and financial expenses (PLN 14,347 thousand of which PLN 9,554 thousand is interest expense), depreciation/amortisation (PLN 58,699 thousand) as well as income tax cost (PLN -17,229 thousand).
- Segment assets do not include deferred tax (PLN 14,304 thousand), as 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.

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 30 June 2021 and as at 31 December 2021.

Period of 3 months ended 30 June 2021 and as at 31 December 2021

	Uncoated	Coated	Pulp	Total	Eliminations	Continuing operations
Revenues						
Sales to external customers	377 226	149 555	259 780	786 561	-	786 561
Sales between segments	-	3 628	5 281	8 909	(8 909)	-
Total segment revenues	377 226	153 183	265 061	795 470	(8 909)	786 561
Result of the segment						
EBITDA	30 264	(3 602)	58 215	84 877	(702)	84 175
Depreciation/amortisation	(17 569)	(1 406)	(10 558)	(29 533)	(117)	(29 650)
Operating profit/(loss)	12 695	(5 008)	47 657	55 344	(819)	54 525
Interest income	25	24	-	49	60	109
Interest expense income	57	(1 437)	(2 684)	(4 063)	(966)	(5 029)
FX gains and other financial income	(1 868)	139	(461)	(2 190)	1 234	(956)
FX losses and other financial expenses	(3 324)	737	-	(2 586)	139	(2 447)
Gross profit (loss)	7 586	(5 544)	44 512	46 553	(352)	46 201
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	(16 600)	(2 249)	(9 421)	(28 271)	(9)	(28 280)
Interests in joint ventures	2 943	-	-	2 943	-	2 943

- Revenues from inter-segment transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN -847 thousand of which PLN 109 thousand is interest income) and financial expenses (PLN 7,476 thousand of which PLN 5,029 thousand is interest expense), depreciation/amortisation (PLN 29,650 thousand) as well as income tax cost (PLN -10,601 thousand).
- Segment assets do not include deferred tax (PLN 14,304 thousand), as 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.

9. Income and costs

9.1. Revenues from contracts with customers

The table below shows the Group's revenue from paper and pulp sales from external customers by country and region for the six months ended 30 June 2022 and 30 June 2021:

	6-month-period ended on 30 June 2022 (unaudited)	6-month-period ended on 30 June 2021 (unaudited)
Revenues from sales of paper and pulp from external customers:		
Germany	451 960	291 009
France	181 604	105 870
United Kingdom	193 257	131 520
Scandinavia	326 476	244 943
Western Europe (other countries)	393 738	244 528
Poland	294 719	168 973
Central and Eastern Europe (other than Poland)	350 841	161 167
Outside Europe	214 443	221 363
Total revenues	2 407 037	1 569 373

More information on revenues from paper and pulp sales is described in this semi-annual report, under Management Report, Summary of Consolidated Financial Results.

9.2. Costs, other income, income tax

Expense items, other income items and income tax are described in this Semi-annual report in the Management Report section: Summary of the consolidated financial results

10. Cash and cash equivalents

For the purposes of the interim abbreviated consolidated statement of cash flow, cash and cash equivalents include the following items:

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Cash in bank and on hand	254 574	167 824
Short-term deposits	-	-
Cash in transit	-	103
Cash and cash equivalents in the consolidated balance sheet	254 574	167 927
Cash and cash equivalents in the consolidated statement of cash flow	254 574	167 927

11. Dividend paid and proposed

11.1. Dividend disbursed and proposed to be disbursed by Arctic Paper S.A.

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. Risks relating to the Company's ability to pay dividends are described in the Risk Factors section of the Directors' Report.

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, i.e. PLN 0.30 gross per share.

On 18 February 2022, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Group for 2021, decided to recommend to the Annual General Meeting of the Company the payment of 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 was submitted to the General Meeting for resolution. The final decision on the distribution of the Company's profit for 2021 and the payment of the dividend was taken by the Annual General Meeting held on 22 June 2022. The dividend was paid as recommended on 8 July 2022.

11.2. Adoption by the Management Board of Arctic Paper S.A. of a dividend policy

On 11 July 2022, the dividend policy of Arctic Paper S.A. ("the Policy") was adopted by a resolution of the Management Board. The dividend policy will apply from the financial year ending 31 December 2022.

In accordance with the adopted Policy, the Management Board intends to submit to the Company's General Meeting a proposal for the payment of dividends of between 20% and 40% of the consolidated net profit of the Company's Group generated for the financial year, subject to the current provisions of the loan agreements regarding financial covenants and the related restrictions on profit distribution.

The dividend will be paid annually, after the General Meeting has approved the Company's financial statements. In recommending to the General Meeting the distribution of profit and setting the value of the dividend, the Company's Management Board will take into account the financial and liquidity situation, existing and future liabilities (including potential restrictions related to loan agreements) and an assessment of the prospects of the Company's Group in certain market and macroeconomic conditions.

The intention of the Company's Management Board is to create and maintain a predictable dividend policy and for Arctic Paper S.A. to be perceived by the market as a dividend company.

12. Earnings/(loss) per share

Earnings/(loss) per share are established by dividing the net profit/(loss) 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/(loss) and the number of shares which constituted the basis to calculate earnings/(loss) per share and diluted earnings/(loss) per share on continuing operations and overall operations is presented below:

	3-month-period ended on 30 June 2020 (unaudited)	6-month-period ended on 30 June 2020 (unaudited)	3-month-period ended on 30 June 2019 (unaudited)	6-month-period ended on 30 June 2019 (unaudited)
Net profit / (loss) from continuing operations attributable to the shareholders of the Parent Entity	215 868	336 549	18 372	47 466
Net profit / (loss) attributable to the shareholders of the Parent Entity	215 868	336 549	18 372	47 466
Number of ordinary shares – A series	50 000	50 000	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average number of 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
Profit (loss) per share (in PLN)				
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	3,12	4,86	0,27	0,69
Diluted profit (loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	3,12	4,86	0,27	0,69

13. Property, plant and equipment, intangible assets, goodwill and impairment

13.1. Property, plant and equipment, intangible assets and goodwill

The net value of property, plant and equipment as at 30 June 2022 amounted to PLN 1,146,693 thousand, including right-of-use assets of PLN 36,696 thousand. The net value of property, plant and equipment as at 31 December 2021 was PLN 1,155,280 thousand, including right-of-use assets of PLN 39,854 thousand.

A comparison of movements in property, plant and equipment (excluding assets to be used) for the first six months of 2022 with the corresponding period of 2021 is as follows: the value of property, plant and equipment acquired in the period under review amounted to PLN 68,637 thousand (for the six months ended 30 June 2021 it amounted to PLN 78,073 thousand). The net value of property, plant and equipment sold or disposed of for the six months ended 30 June 2022 amounted to PLN 115 thousand (for the six months ended 30 June 2021 it amounted to PLN 391 thousand). Depreciation and amortisation in the 6-month period ended 30 June 2022 amounted to PLN 55,450 thousand (for the 6-month period ended 30 June 2021 it amounted to PLN 51,694 thousand). The Group did not recognise or release any impairment loss on property, plant and equipment in the six months of 2022 or in the same period of the previous year. FX differences amounted to PLN -18,521 thousand for the six months ended 30 June 2022 (for the six months ended 30 June 2021 they amounted to PLN -19,778 thousand).

A comparison of movements on assets in use for the first six months of 2022 with the corresponding period of 2021 is as follows: increases for the 6 months ended 30 June 2022 amounted to PLN 2,433 thousand (for the 6 months ended 30 June 2021 amounted to PLN 854 thousand), depreciation charge for the 6 months ended 30 June 2022 amounted to PLN 5,125 thousand (for the 6 months ended 30 June 2021 amounted to PLN 5,333 thousand), decreases for the 6 months ended 30 June 2022 amounted to PLN 30 thousand (for the 6 months ended 30 June 2021 amounted to PLN 0 thousand), exchange differences for the 6 months ended 30 June 2022 amounted to PLN -436 thousand (for the 6 months ended 30 June 2021 amounted to PLN +545 thousand).

The net value of intangible assets at 30 June 2022 amounted to PLN 57,305 thousand (31 December 2021: PLN 56,667 thousand) The value of acquired intangible assets in the period under review amounted to PLN 12,816 thousand (for the 6-month period ended 30 June 2021 it amounted to PLN 2,241 thousand). The net value of intangible assets sold or disposed of for the six months ended 30 June 2022 amounted to PLN 10,038 thousand (for the six months ended 30 June 2021 it amounted to PLN 3,042 thousand). The depreciation charge in the 6-month period ended 30 June 2022 amounted to PLN 1,071 thousand (for the 6-month period ended 30 June 2021 it amounted to PLN 1,672 thousand). The impairment loss on intangible assets in the 6-month period ended 30 June 2022 amounted to PLN 0 thousand (for the 6-month period ended 30 June 2021 it amounted to PLN 0 thousand). Exchange differences for the six months ended 30 June 2022 amounted to PLN -1,069 thousand (for the six months ended 30 June 2021 they amounted to PLN -1,080 thousand).

The increased acquisitions and decreases for intangible assets in H1 2022 are the result of the purchase and sale of CO2 emission rights by Arctic Paper Kostrzyn.

Goodwill as at 30 June 2022 amounted to PLN 9,183 thousand (31 December 2021: PLN 9,421 thousand). The change in its value in H1 2022 was affected only by exchange rate differences of PLN -238 thousand (H1 2021: PLN 277 thousand).

Revenues from the sale of property, plant and equipment and intangible assets in H1 2022 amounted to PLN 0 thousand (H1 2021: PLN 11 thousand).

13.2. Impairment of non-financial assets

As at 30 June 2022, 31 December 2021 and in previous periods, Arctic Paper Grycksbo carried out impairment tests for property, plant and equipment and intangible assets (including fully written-off customer relationships with a gross value of PLN 35,115,000) .

The performance of the impairment test as at 30 June 2022 at Arctic Paper Grycksbo was related to the achievement of higher results than expected by the Group's management, realised as a result of market conditions, such as macroeconomic factors, the impact of the COVID-19 pandemic and the upswing in demand in the paper segment produced by Grycksboo. The recoverable amount of the cash-generating unit as at 31 December 2021 was determined as its value in use and amounted to PLN 188.086 thousand. The test did not result in the reversal of the impairment loss as at 30 June 2022.

The total accumulated impairment loss for Arctic Paper Grycksbo as at 30 June 2022 amounted to PLN 277.311 thousand. PLN (31 December 2020: PLN 324,619 thousand). The difference in the value of the write-down results from the valuation of the write-off from previous years denominated in SEK against the presentation currency, ie PLN.

The weighted average costs of capital (WACC) as at 30 June 2002 applied to the test was 8,9% (8,0 as at 31 December 2021).

The tables below present the assumptions and sensitivity analysis for the impairment test conducted as at 30 June 2022:

Main assumptions	2022
Approved projections based on	2022-2026
Income tax rate	20.6%
Discount rate before tax effect	9.5%
Weighted average cost of capital (WACC)	8.9%
Growth rate in the residual period	0.0%

Parameter	Change of the parameter by	Impact on the value of assets in use
<i>30 June 2022</i>		
Weighted average cost of capital (WACC)	+0.1 p.p.	(1 490)
Growth rate in the residual period	+0.1 p.p.	1 042
Sales volume only in the first year of the projection	+ 0.1%	(176)
Sales prices only in the first year of the projection	+ 0.1%	697
Pulp purchase prices only in the first year of the projection	+1.0%	(3 152)
Energy purchase prices only in the first year of the projection	+1.0%	(404)
Weighted average cost of capital (WACC)	-0.1 p.p.	1 490
Growth rate in the residual period	-0.1 p.p.	(1 042)
Sales volume in the first year of the projection	- 0.1%	176
Sales prices only in the first year of the projection	- 0.1%	(697)
Pulp purchase prices in the first year of the projection	-1.0%	3 152
Energy purchase prices in the first year of the projection	-1.0%	404

14. Other financial assets

	Year ended on 31 December 2022 (unaudited)	Year ended on 31 December 2021
Hedging instruments	436 443	109 344
Investments in equity instruments	3 581	3 589
Settlement of realised forward contracts	12 160	18 811
Receivables from pension fund	25 622	25 472
Total	477 805	157 216
- short-term	185 414	97 358
- long-term	292 391	59 858

The increase in other financial assets was due to an increase in the positive valuation of derivatives, mainly power purchase forwards.

15. Inventories

	As at 30 June 2021 (unaudited)	As at 31 December 2021
Materials (at purchase prices)	212 169	184 410
Production in progress (at manufacturing costs)	10 381	10 470
Finished products, of which:		
At purchase price / manufacturing costs	251 139	201 266
At net realisable price	-	6 706
Advance payments for deliveries	5 201	16
Total inventories, at the lower of: purchase price / manufacturing costs or net realisable price	478 889	402 868
Impairment allowance to inventories	12 404	10 451
Total inventories before impairment allowance	491 293	413 320

The increase in inventories at 30 June 2022 compared to the previous year-end was primarily due to an increase in raw material costs compared to 2021.

The increase in inventory write-downs during the first half of 2022 was mainly due to additional write-downs on materials.

16. Trade and other receivables

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Trade receivables	604 640	359 163
VAT receivables	34 038	33 010
Other third party receivables	9 405	7 118
Other receivables from related entities	2 820	3 239
Total (net) receivables	650 903	402 530
Impairment allowances to receivables	5 422	15 954
Gross receivables	656 325	418 485

The increase in trade receivables was the result of higher sales in Q2 2022 compared to Q4 2021 (including the Christmas period).

All the trade receivables specified above are receivables under contracts with customers and they do not contain any material financing element.

Trade receivables do not earn interest and have customary payment terms of 30 to 90 days.

The Group has an appropriate policy of selling solely to verified customers. Therefore, in the opinion of the management, there is no additional credit risk in excess of the level identified with the impairment allowance to uncollectible receivables characteristic for the Group's trade receivables.

The impairment allowance fully refers to receivables under contracts with customers. The decrease in the allowance for receivables was mainly due to its utilisation and release in H1 2022.

Below is an analysis of trade receivables that as at 30 June 2022 and 31 December 2021 were overdue but not treated as uncollectible:

	Total	Not overdue	Overdue but collectible				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
As at 30 June 2022	604 640	567 631	30 045	3 044	63	18	3 839
As at 31 December 2021	359 163	332 489	21 349	3 764	155	45	1 361

Receivables over 120 days in the prospective assessment of the Company's management qualify as collectible and therefore no impairment was recognised.

The maturities of other receivables from third parties do not exceed 360 days. Receivables from related entities cover primarily receivables from the core shareholder of AP S.A. and will be settled at dividend distribution.

17. Interest-bearing loans

In the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 2 April 2021 with a syndicate of banks in the amount of PLN 15,146 thousand, a full repayment of the revolving loan drawn under the aforementioned agreement in the amount of PLN 18,322 thousand and made a partial repayment of the loan with Nordea Bank in the amount of PLN 1,327 thousand and with Danske Bank in the amount of PLN 7,079 thousand.

The other changes to loans, borrowings and bonds as at 30 June 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 H1 2022.

18. Trade and other payables

The value of trade and other payables as at 30 June 2022 amounted to PLN 591,082 thousand (as at 31 December 2021: PLN 506.812 thousand). The following factors contributed to the increase in this item compared to the previous year-end: an increase in paper raw material prices and higher purchases of raw materials at the Paper and Pulp Mills. In addition, trade and other payables as at 30 June 2022 include a dividend to APSA Shareholders paid in July 2022 of PLN 27,715 thousand.

19. Share capital

As at 30 June 2022, there were no changes in share capital compared to 31 December 2021.

20. Financial instruments

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

At 30 June 2022, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables, including leases, and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

20.1. Fair value of each class of financial instruments

The table below presents the selected financial instruments held by the Group by carrying amount and split into individual assets and liabilities.

	Category in compliance with IFRS 9	Carrying amount	
		As at 30 June 2022	As at 31 December 2020
Financial assets			
Hedging instruments*	IRZ	436 443	109 343
Financial liabilities			
Loans	WwZK	202 560	245 699
Hedging instruments*	IRZ	4 810	3 140

* derivative hedging instruments meeting the requirements of hedge accounting

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

IRZ – hedge accounting instruments

The fair value of the loans amounted to PLN 203,810 thousand (carrying value PLN 202,560 thousand) as at 30 June 2022. The fair value of the loans amounted to PLN 249,738 thousand (c PLN 245,699 thousand) as at 31 December 2021.

Hedging instruments are presented in the statement of financial position under Other financial assets and Other financial liabilities, respectively.

As at 30 June 2022 and 31 December 2021, for the following financial assets and financial liabilities, the fair value does not differ significantly from their carrying amount:

- Trade and other receivables
- cash and cash equivalents
- financial liabilities under leases,
- trade payables, for the purchase of tangible and intangible assets.

More information on the fair value of financial instruments is provided in the Annual Consolidated Report for 2021, note 36.

As at 30 June 2022 and 31 December 2021, financial instruments according to the valuation hierarchy qualify as Level 3 except for derivatives (Level 2).

21. Contingent liabilities and contingent assets

As at 30 June 2022, the Capital Group reported:

- contingent liability under a guarantee for FPG in favour of the mutual life insurance company PRI for SEK 535 thousand (PLN 234 thousand) at Arctic Paper Grycksbo AB and for SEK 764 thousand (PLN 334 thousand) at Arctic Paper Munkedals AB;
- 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 (PLN 253 thousand);
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 59 thousand);

22. Legal claims

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

23. Tax settlements

Regulations related to VAT, corporate income tax and charges related to social insurance are subject to frequent modifications. Those frequent modifications result in unavailability of appropriate points of reference, inconsistent interpretations and few precedents that could apply. Additionally, the applicable regulations contain also certain ambiguities that result in differences of opinion as to legal interpretations of tax regulations – among public authorities and between public authorities and enterprises.

Tax settlements and other areas of operations (for instance customs or FX issues) may be inspected by the authorities that are entitled to impose high penalties and fines as well additional tax liabilities resulting from inspections that have to be paid along with high interest.

As a result, tax risk in Poland is higher than in countries with more mature tax systems.

Tax settlements may be subject to inspections for five years from the end of the year in which the tax was paid. As a result of inspections, the tax liability of the Group may be increased by additional tax liability. In the opinion of the Group, there is no need to establish additional provisions for any identified and quantifiable tax risk as at 30 June 2022.

On 15 July 2016, the Tax Code was amended to incorporate the provisions of the General Anti-Avoidance Rule (GAAR). GAAR is to prevent the development and use of artificial legal structures to avoid tax payments in Poland. GAAR defines tax avoidance as an activity pursued primarily to accomplish tax benefits that under the circumstances would be contradictory to the subject and purpose of the tax regulations. In accordance with GAAR, such activity would not generate tax benefits if the mode of operation was artificial. Any occurrence of (i) unjustified split to operations, (ii) involvement of intermediaries despite no economic justification, (iii) mutually exclusive of compensating elements, and (iv) other similar activities, may be treated as a premise to the existence of artificial activities subject to GAAR. The new regulations require more accurate judgements in the assessment of tax effects of each transaction.

24. Future contractual investment obligations

Future contractual commitments to purchase property, plant and equipment concluded until 30 June 2022 and not required to be recognised in the consolidated statement of financial position at that date amounted to PLN 21,607 thousand.

25. Transactions with related entities

The related entities to the Arctic Paper S.A. Group are as follows:

- Thomas Onstad – the corer shareholder of Arctic Paper S.A. holding directly or indirectly over 50% of shares in the Company's share capital.
- Nemus Holding AB – parent entity to the Arctic Paper S.A. Group since 3 September 2014.
- Munkedal Skog – a subsidiary of Nemus Holding AB,
- Key management personnel.

Transactions with related entities are carried out at arm's length.

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2022 and as at 30 June 2022:

Data for the period from 01 January 2022 to 30 June 2022 and as at 30 June 2022

Related Entity	Sales to related entities	Purchases from related parties/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	222	31	-	-	2 820	-	16 159
Thomas Onstad	-	-	-	-	-	-	2 489
Munkedals Skog	-	47	-	-	-	-	-
Key management personnel	-	1 329	-	-	-	-	120
Total	222	1 407	-	-	2 820	-	14 108

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2021 and as at 31 December 2021:

Data for the period from 1 January 2021 to 30 June 2021 and as at 30 June 2021

Related Entity	Sales to related entities	Purchases from related parties/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	219	31	-	-	3 239	-	354
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	3	-	-	-	-	-
Key management personnel	-	1 551	-	-	-	-	42
Total	219	1 586	-	-	3 239	-	396

26. Material events after the reporting period

After 30 June 2022, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

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	10 August 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	10 August 2022	signed with a qualified electronic signature

A close-up photograph of a tree trunk, showing the intricate wood grain and a large, irregular area of translucent, amber-colored resin. The resin is thick and appears to be oozing from a wound in the bark. The wood grain is a mix of light and dark brown tones, with distinct growth rings. The resin is a warm, golden-brown color, contrasting with the darker wood. The overall texture is rough and natural.

Interim abbreviated standalone financial statements

**for the period of six months
ended on 30 June 2022**

Interim abbreviated standalone financial statements

Interim abbreviated standalone statement of profit and loss

	Note	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)	3-month period ended on 30 June 2021 (unaudited)	6-month period ended on 30 June 2021 (unaudited)
Continuing operations					
Sales of services		3 052	6 071	5 712	9 575
Interest on loans	11.1	560	1 141	676	1 503
Dividend income	15	57 058	57 058	760	760
Sales revenues		60 669	64 270	7 148	11 838
Interest expense to related entities and costs of sales of logistics services		(2 076)	(4 184)	(733)	(1 500)
Profit/(loss) on sales		58 593	60 086	6 415	10 338
Other operating income		41	53	1	288
Administrative expenses	11.2	(5 221)	(7 838)	(5 664)	(10 131)
Impairment allowances to assets	11.4	117 014	117 014	(544)	(904)
Other operating expenses	11.3	17	(46)	(65)	(66)
Profit/(loss) on operations		170 445	169 269	142	(475)
Financial income		1 140	1 733	2 056	3 134
Financial expenses		(3 645)	(5 811)	(2 229)	(9 770)
Gross profit/(loss)		167 940	165 191	(31)	(7 111)
Income tax		738	1 291	-	-
Net profit/(loss) for the financial year		168 678	166 482	(31)	(7 111)
Earnings per share:					
– basic earnings from the profit (loss) for the period		2,43	2,40	(0,00)	(0,10)

Interim abbreviated standalone statement of comprehensive income

Nota	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)	3-month period ended on 30 June 2021 (unaudited)	6-month period ended on 30 June 2021 (unaudited)
Net profit/(loss) for the reporting period	168 678	166 482	(31)	(7 111)
<i>Items that were reclassified to profit or loss in the current reporting period:</i>				
Measurement of financial instruments	-	-	766	2 574
<i>Items to be reclassified to profit/(loss) in future reporting periods:</i>				
Measurement of financial instruments	3 244	6 284	-	-
Deferred income tax on the measurement of financial instruments	(1 685)	(1 685)	-	-
FX differences on translation of foreign operations	338	292	232	358
Other comprehensive income (net)	1 897	4 891	999	2 932
Total comprehensive income	170 575	171 373	967	(4 180)

Interim abbreviated standalone statement of financial condition

Note	Na dzień 30 June 2022 (niebadane)	Na dzień 31 December 2021
ASSETS		
Fixed assets		
Tangible fixed assets	541	797
Intangible assets	1 319	1 319
Shares in subsidiaries	795 701	678 635
Other financial assets	11 315	5 701
	808 876	686 451
Current assets		
Inventories		
Trade and other receivables	40 925	31 868
Income tax receivables	17	35
Other financial assets	67 802	121 104
Other non-financial assets	4 593	2 874
Cash and cash equivalents	69 445	14 966
	182 782	170 848
TOTAL ASSETS	991 658	857 299
EQUITY AND LIABILITIES		
Equity		
Share capital	69 288	69 288
Reserve capital	427 502	427 502
Other reserves	123 171	124 500
FX differences on translation	1 048	756
Retained earnings/Accumulated losses	99 709	(44 986)
Total equity	720 718	577 059
Long-term liabilities		
Interest-bearing loans, loans and bonds	87 422	101 546
Provisions	3 039	3 117
Deferred income tax liability	1 685	606
Other long-term liabilities	27	128
	92 173	105 397
Short-term provisions		
Interest-bearing loans, loans and bonds	108 597	145 648
Trade payables	30 258	27 307
Other financial liabilities	79	111
Other short-term liabilities	30 519	1 776
Income tax liability	9 316	-
	178 769	174 841
TOTAL LIABILITIES	270 941	280 239
TOTAL EQUITY AND LIABILITIES	991 658	857 299

Interim abbreviated standalone statement of cash flow

	Note	6-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2021 (unaudited)
Cash flows from operating activities			
Gross profit/(loss)		165 191	(7 111)
Adjustments for:			
Depreciation/amortisation		296	240
FX gains / (loss)		(696)	2 357
Impairment of assets		(117 014)	-
Net interest		597	4 286
Profit / loss from investing activities		(40)	261
Increase/decrease in receivables and other non-financial assets		(10 758)	1 578
Increase / decrease in liabilities except for loans and borrowings		5 057	(3 172)
Change in accruals and prepayments		9 316	-
Change in provisions		(14)	(82)
Change to liabilities due to cash-pooling		32 721	(71 748)
Increase/decrease of loans granted to subsidiaries		2 926	40 043
Other		662	3 400
Net cash flows from operating activities		88 243	(29 949)
Cash flows from investing activities			
Increased interest in subsidiary entity		(50)	-
Net cash flows from investing activities		(50)	-
Cash flows from financing activities			
Repayment of leasing liabilities		(133)	(119)
Loans received		-	145 604
Repayment of loan liabilities		(33 329)	(130 718)
Interest paid		(253)	(2 473)
Net cash flows from financing activities		(33 715)	12 293
Change in cash and cash equivalents		54 478	(17 655)
Cash and cash equivalents at the beginning of the period		14 966	40 148
Cash and cash equivalents at the end of the period	13	69 445	22 493

Interim abbreviated standalone 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
As at 01 January 2022	69 288	427 502	756	124 500	(44 986)	577 059
Net profit for the period	-	-	-	-	166 482	166 482
Other comprehensive income (net) for the period	-	-	292	4 599	-	4 891
Total comprehensive income for the period	-	-	292	4 599	166 482	171 373
Dividend distribution	-	-	-	(5 928)	(21 787)	(27 715)
As at 30 June 2022	69 288	427 502	1 048	123 171	99 709	720 718

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
As at 01 January 2021	69 288	427 502	450	136 741	(63 386)	570 594
Net profit for the period	-	-	-	-	(7 111)	(7 111)
Other comprehensive income (net) for the period	-	-	358	2 574	-	2 932
Total comprehensive income for the period	-	-	358	2 574	(7 111)	(4 180)
Financial profit distribution	-	-	-	-	-	-
Dividend distribution	-	-	-	(17 399)	(3 387)	(20 786)
At 30 June 2021 (unaudited)	69 288	427 502	808	121 916	(73 885)	545 628

Additional explanatory notes

1. General information

Arctic Paper S.A. ("Company", "Entity") is a joint stock company established with Notary deed on 30 April 2008 with its stock publicly listed.

The Company's registered office is located in Kostrzyn, at ul. Fabryczna 1. The Company also has a foreign branch in Göteborg, Sweden.

The Company is entered in 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 Company holds statistical number REGON 080262255.

The duration of the Company is indefinite.

Nemus Holding AB is the direct Parent Entity to the Company. The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., which is controlled by Mr Thomas Onstad.

Holding operations is the core business of the Company.

The interim abbreviated standalone financial statements of the Company with respect to the interim abbreviated standalone profit and loss account, statement of comprehensive income, statement of cash flow and statement of changes to equity, cover the period of 6 months ended on 30 June 2022 and contain comparable data for the period of 6 months ended on 30 June 2021; and in the interim abbreviated standalone statement of financial condition, it presents data as at 30 June 2022 and as at 31 December 2021.

The interim condensed unconsolidated statement of comprehensive income, the interim condensed unconsolidated statement of profit and loss include data for the three months ended 30 June 2022 and comparative data for the three months ended 30 June 2021.

2. Basis of preparation of the interim abbreviated financial statements

These interim abbreviated standalone financial statements have been prepared in compliance with International Accounting Standard No. 34.

These interim abbreviated standalone financial statements have been presented in Polish zloty ("PLN") and all values are rounded to the nearest thousand (PLN '000) except as stated otherwise.

These interim abbreviated standalone financial statements have been prepared based on the assumption that the Company will continue as a going concern in the foreseeable future.

The interim abbreviated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended on 31 December 2021.

3. Identification of the consolidated financial statements

The Company made its interim abbreviated consolidated financial statements for the 6-month period ended on 30 June 2022 which were approved for publication by the Management Board on 10 August 2022.

4. Composition of the Company's Management Board

As at 30 June 2022, the Company'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 publication hereof, there were no changes to the composition of the Management Board of the Company.

5. Composition of the Company's Supervisory Board

As at 30 June 2022, the Company'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;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021;

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

6. Approval of the interim abbreviated standalone financial statements

On 10 August 2022, these interim abbreviated standalone financial statements of the Company for the 6-month period ended on 30 June 2022 were approved for publication by the Management Board.

7. Investments by the Company

The Company holds interests in the following subsidiary companies:

Unit	Registered office	Business activity	Company's interest in the equity of the subsidiary entities		
			10 August 2022	30 June 2022	31.12.2021
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 Investment AB	Sweden, Box 383, 401 26 Göteborg	Holding activities	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Vardemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, 20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, 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 Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading company	100%	100%	100%
Arctic Paper Investment GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Holding activities	99.8%	99.8%	99.8%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100.0%	100.0%	100.0%
Kostrzyn Packaging Spółka z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	100.0%	100.0%	0.0%
Rottneros AB	Sweden, 826 79 Vallvik	Activities of holding companies	51.27%	51.27%	51.27%

In May 2022, Kostrzyn Packaging Sp. z o.o. was established, which will ultimately own the moulded cellulose fibre packaging plant.

As at 30 June 2022 and as at 31 December 2021, the share in the overall number of votes held by the Company in its subsidiary entities was equal to the share of the Company in the share capital of those entities.

8. Significant accounting principles (policies)

The accounting policies applied in the preparation of the interim condensed financial statements are consistent with those applied in the preparation of the Company's annual financial statements for the year ended 31 December 2021, except as set out below.

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 Company:

- 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 changes 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;

The Company has not earlier adopted any other standard, interpretation or amendment that was issued but is not yet effective.

8.1. 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:

- *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-Practical Position 2: Accounting policy disclosures (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 disclosure of significant accounting policies in an entity's financial statements. Under the amendments, an entity should only disclose significant accounting policies in the financial statements instead of significant accounting policies.

- Amendments to *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of estimated values (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 accounting policies.

Standards and Interpretations awaiting EU approval as at 10 August 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 an asset and a liability 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 temporary differences and deductible temporary differences. Consequently, the entity should recognise both a deferred tax asset and deferred tax 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 or 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 comparative figures between insurance contract liabilities and related financial assets at the time of first-time application of IFRS 17. The amendment allows comparative figures for financial assets to be presented more consistently with IFRS 9 Financial Instruments.

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

9. Seasonality

The Company's activities, in particular in respect of dividends from related entities, are of seasonal in nature - most dividends are paid in the second and third quarter of the calendar year. For this reason, therefore, the presented results of the Company show significant fluctuations in these periods of the year.

10. Information on business segments

Arctic Paper S.A. is a holding company, providing services mostly to the Group companies. The Company operates in one segment, the results are assessed by the Management Board on the basis of financial statements.

The table below presents revenues from the sale of services, interest income on loans and dividend income for the 6-month period ended on 30 June 2022 and as at 30 June 2021 in geographical presentation.

The geographical split of revenues relies on the location of registered offices of the subsidiary companies of Arctic Paper S.A.

	Continuing operations	
	6-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2021 (unaudited)
Geographical information		
Poland	36 940	4 207
Foreign countries, of which:		
– Sweden	26 871	6 865
– Other	459	766
Total	64 270	11 838

11. Income and costs

11.1. Interest income and expense

Interest income covers interest income on loans granted to other companies in the Group. Interest expense covers interest income on loans received from other companies in the Group and from banks. Interest expense covers interest income on loans received from Group companies and is disclosed as costs of sales.

11.2. Administrative expenses

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. In H1 2022, these costs amounted to PLN 7,838 thousand (in H1 2021: PLN 10,131 thousand). The decrease of the administrative expenses is due to lower costs of services provided to the Company by external entities.

11.3. Other operating revenues and costs

Other operating income amounted to PLN 53 thousand in the two quarters of 2022 (in the equivalent period of 2021: PLN 288 thousand). Other operating expenses, on the other hand, decreased in the analysed period from PLN 66 thousand in H1 2021 to PLN 46 thousand in H1 2022.

11.4. Change in impairment losses on assets

The reversal of the impairment loss on assets in the two quarters of 2022 amounted to PLN 117,014 thousand and in the equivalent period of 2021 the impairment loss amounted to PLN -904 thousand. In H1 2022, the company reversed the impairment loss on its shareholding in Arctic Paper Investment AB (owner of Arctic Paper Grycksbo AB), as further described in note 12.1 below. In H1 2021, the Company recognised an allowance for loans receivable to Arctic Paper Mochenwangen GmbH of PLN 904 thousand.

12. Investments in subsidiaries

The value of investments in subsidiary companies as at 30 June 2022 and as at 31 December 2021 was as follows:

	As at 30 June 2022 (unaudited)	As at 31 December 2021
Arctic Paper Kostrzyn S.A.	442 535	442 535
Arctic Paper Munkedals AB	88 175	88 175
Rottneros AB	101 616	101 616
Arctic Paper Investment AB, of which:	143 793	26 779
<i>Arctic Paper Investment AB (shares)</i>	307 858	307 858
<i>Arctic Paper Investment AB (loans)</i>	82 709	82 709
<i>Arctic Paper Investment AB (impairment charge)</i>	(246 774)	(363 788)
Arctic Paper Investment GmbH	-	-
<i>Arctic Paper Investment GmbH (shares)</i>	120 030	120 031
<i>Arctic Paper Investment GmbH (impairment charge)</i>	(120 030)	(120 031)
Arctic Paper Sverige AB	2 936	2 936
<i>Arctic Paper Sverige AB (shares)</i>	11 721	11 721
<i>Arctic Paper Sverige AB (impairment charge)</i>	(8 785)	(8 785)
Arctic Paper Danmark A/S	5 539	5 539
Arctic Paper Deutschland GmbH	4 977	4 977
Arctic Paper Norge AS	516	516
<i>Arctic Paper Norge AS (shares)</i>	3 194	3 194
<i>Arctic Paper Norge AS (impairment charge)</i>	(2 678)	(2 678)
Arctic Paper Italy srl	738	738
Arctic Paper UK Ltd.	522	522
Arctic Paper Polska Sp. z o.o.	406	406
Arctic Paper Benelux S.A.	387	387
Arctic Paper France SAS	326	326
Arctic Paper Espana SL	196	196
Arctic Paper Papierhandels GmbH	194	194
Arctic Paper Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	2 602	2 602
Arctic Paper Baltic States SIA	64	64
Arctic Paper Schweiz AG	61	61
Arctic Paper Finance AB	68	68
Kostrzyn Packaging Sp. z o.o.	50	-
Total	795 701	678 635

The value of investments in subsidiary companies was disclosed on the basis of historic costs.

12.1. Impairment of assets in subsidiaries

As at 30 June 2022 (previously as at 31 December 2020, 31 December 2019 and earlier periods), analyses were carried out with regard to indicators of impairment of investments in individual subsidiaries.

As a result of the analysis, it was decided to perform a full impairment test of the investment in the subsidiary Arctic Paper Grycksbo AB (directly and exclusively controlled by Arctic Paper Investment AB, in which the Parent Company holds 100% shares). The need to test the investment in Arctic Paper Grycksbo was determined by the achievement of higher results than expected by the Group's management, realised as a result of market conditions, such as macroeconomic factors, the impact of the COVID-19 pandemic and the upswing in demand in the paper segment produced by Grycksbo.

As at 30 June 2022, the Company performed an impairment test on its investment in Arctic Paper Grycksbo AB. The estimated value of the investment (recoverable amount) as at 30 June 2022 was determined using the discounted cash flow method as the value in use and amounted to PLN 188,086 thousand. The value adjusted for financial liabilities (including the financial liabilities of Arctic Paper Grycksbo AB to the Parent Company), considered to be the value in use of the investment in shares resulting from the impairment test, is PLN 143,793 thousand as at the balance sheet date, while the carrying amount of the investment in Arctic Paper Investment AB (direct shareholder of Arctic Paper Grycksbo AB, whose one material net asset is the shares in Arctic Paper Grycksbo AB) was PLN 26,779 thousand as at 31 December 2020.

As a result of the impairment test performed, it was decided at 30 June 2022 to partially reverse the write-downs recognised in previous years for an amount of PLN 117,014 thousand. The total impairment allowance on investments as at 30 June 2022 amounted to PLN 246,774 thousand (31 December 2021: PLN 363,788 thousand).

The key assumptions of the impairment test performed at 30 June 2022 are described below.

Key assumptions underlying the calculation of value in use

Calculations of the value in use of the paper sale centre at the Grycksbo Paper Mill is most sensitive to the following variables:

- Level of sales;
- Selling prices;
- Discount rate;
- Changes in commodity prices;
- Energy price developments;
- Exchange rates;
- Changes in transport costs.

Level of sales – estimates of the level of sales are made based on budget data on the basis of the expected demand for a given type of paper manufactured at AP Grycksbo and taking into account the paper mill's production capacity.

Selling prices – estimates of selling prices are made based on budget data on the basis of the expected demand for a given type of paper manufactured at AP Grycksbo and in correlation with the prices of raw materials, mainly pulp.

Discount rate – reflects the assessment of risks inherent to the centre estimated by the management. This is the rate applied by the management to estimate the operational effectiveness (results) and future investment proposals. In the budgeted period the applied discount rate is 8.9% (applied for 31 December 2021: 8.0%). The discount rate was determined on the basis of the following: Weighted average cost of capital (WACC).

Changing raw material prices (mainly pulp) – estimates concerning changes to raw materials are made on the basis of the external data related to pulp prices. The main source of data underpinning the assumptions made are forecasts from a reputable external pulp market research company. It should be noted that the costs of pulp is characterised by high volatility.

Changing energy prices – a growth of energy prices, mainly electricity, listed at Nordpool, the commodity exchange in Sweden, and of the energy generated from biomass as the core source of energy, results from the assumptions applied to the projections approved by the local management of the Grycksbo Paper Mill. The assumed power purchase prices also take into account price levels that have been hedged by the company by forward contracts.

Exchange rates – have been determined on the basis of data published by the Central Bank in Sweden at the date of the test.

Price changes for transport costs – were estimated based on budgeted transport costs per tonne of product sold.

The table below shows the main assumptions used to calculate the value in use at 30 June 2022. The individual values represent the Board's assessment of the future trends of each assumption and are based on historical data from both internal and external sources of the Paper Mill.

<u>Main assumptions</u>	<u>2022</u>
Approved projections based on	2022-2026
Income tax rate	20.6%
Discount rate before tax effect	9.5%
Weighted average cost of capital (WACC)	8.9%
<u>Growth rate in the residual period</u>	<u>0.0%</u>

The test conducted assumes that the Paper Mill will continue to operate during the residual period.

The table below presents an analysis of an impairment test held on 30 June 2021:

Parameter	Change of the parameter by	Impact on the value of assets in use
<i>30 June 2022</i>		
Weighted average cost of capital (WACC)	+0.1 p.p.	(1 490)
Growth rate in the residual period	+0.1 p.p.	1 042
Sales volume only in the first year of the projection	+ 0.1%	(176)
Sales prices only in the first year of the projection	+ 0.1%	697
Pulp purchase prices only in the first year of the projection	+1.0%	(3 152)
Energy purchase prices only in the first year of the projection	+1.0%	(404)
Weighted average cost of capital (WACC)	-0.1 p.p.	1 490
Growth rate in the residual period	-0.1 p.p.	(1 042)
Sales volume in the first year of the projection	- 0.1%	176
Sales prices only in the first year of the projection	- 0.1%	(697)
Pulp purchase prices in the first year of the projection	-1.0%	3 152
Energy purchase prices in the first year of the projection	-1.0%	404

13. Cash and cash equivalents

For the purposes of the interim abbreviated standalone statement of cash flow, cash and cash equivalents include the following items:

	As at 30 June 2022 (unaudited)	As at 30 June 2021 (unaudited)
Cash in bank and on hand	69 445	22 493
Total	69 445	22 493

14. 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 the provisions of the Code of Commercial Companies, the Company 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 Company 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 Company and cannot be distributed to other purposes.

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

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

In connection with the term and revolving loan agreements signed on 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, i.e. PLN 0.30 gross per share.

On 18 February 2022, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Group for 2021, decided to recommend to the Annual General Meeting of the Company the payment of 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 was submitted to the General Meeting for resolution. The final decision on the distribution of the Company's profit for 2021 and the payment of the dividend was taken by the Annual General Meeting held on 22 June 2022. The dividend was paid as recommended on 8 July 2022.

14.1. Adoption by the Management Board of Arctic Paper S.A. of a dividend policy

On 11 July 2022, the dividend policy of Arctic Paper S.A. ("the Policy") was adopted by a resolution of the Management Board. The dividend policy will apply from the financial year ending 31 December 2022.

In accordance with the adopted Policy, the Management Board intends to submit to the Company's General Meeting a proposal for the payment of dividends of between 20% and 40% of the consolidated net profit of the Company's Group generated for the financial year, subject to the current provisions of the loan agreements regarding financial covenants and the related restrictions on profit distribution.

The dividend will be paid annually, after the General Meeting has approved the Company's financial statements. In recommending to the General Meeting the distribution of profit and setting the value of the dividend, the Company's Management Board will take into account the financial and liquidity situation, existing and future liabilities (including potential restrictions related to loan agreements) and an assessment of the prospects of the Company's Group in certain market and macroeconomic conditions.

The intention of the Company's Management Board is to create and maintain a predictable dividend policy and for Arctic Paper S.A. to be perceived by the market as a dividend company.

15. Dividend received

The dividend income disclosed in the comprehensive financial statement contains the dividend income received from:

- Arctic Paper Kostrzyn S.A. in the amount of PLN 35,439 thousand,
- Arctic Paper France SAS in the amount of PLN 459 thousand,
- Rottneros AB in the amount of PLN 21,160 thousand.

16. Trade and other receivables

Trade and other receivables reported as at 30 June 2022 compared with 31 December 2021 increased by PLN 9,039 thousand.

17. Tangible fixed assets and intangible assets

17.1. Purchases and disposal

In the 6-month period ended 30 June 2022, the company acquired fixed assets (fixed assets under construction) in the amount of PLN 99 thousand. The Company did not acquire any property, plant and equipment or intangible assets (other than finance leases) during the period ended 30 June 2021. In the period under review, the depreciation charge amounted to PLN 110k (for 6 months of 2021: PLN 240 thousand).

17.2. Impairment allowances

In the current period and in the equivalent period of the previous year the Company did not recognise or reverse any impairment allowances to fixed assets.

18. Other financial assets

Other financial assets comprise loans granted to subsidiaries, together with accrued interest, as well as non-current assets relating to employee benefits receivable from the Company's foreign branch.

According to the agreement, Arctic Paper Grycksbo AB repaid the loans in the amount of PLN 2,608 thousand (EUR 556 thousand). On the other hand, the reduction in financial receivables was also significantly influenced by the decrease in the cash-pool receivable balance of Arctic Paper Grycksbo by approximately MPLN 51.5.

19. Interest-bearing loans, borrowings and bonds

In accordance with the loan agreement, in H1 2022 the Company repaid principal instalments and paid interest of PLN 16,1 million. Other changes in the value of loans and borrowings are due, among other things, to an decrease in cash-pool liabilities (-PLN 18.7 million) and a change in working capital loans (-PLN 18.3 million).

20. Tax liabilities

From 1 January 2022, Arctic Paper SA and Arctic Paper Kostrzyn SA created a Tax Group and jointly settle corporate income tax. Pursuant to the decision of the Management Board, the Issuer is a unit that settles the tax directly with the tax office, hence the income tax liability item in the amount of PLN 9,316 thousand appeared in the balance sheet.

21. Share capital and reserve capital/other reserves

21.1. Share capital

As at 30 June 2022, there were no changes in the Company's share capital compared to 31 December 2021.

21.2. Major shareholders

	As at 30 June 2022		As at 31 December 2021	
	Share in the share capital	Share in the total number of votes	Share in the share capital	Share in the total number of votes
Thomas Onstad	68.13%	68.13%	68.13%	68.13%
indirectly via	59.15%	59.15%	59.15%	59.15%
Nemus Holding AB	58.28%	58.28%	58.28%	58.28%
other entity	0.87%	0.87%	0.87%	0.87%
directly	8.98%	8.98%	8.98%	8.98%
Others	31.87%	31.87%	31.87%	31.87%

21.3. FX differences on translation of investments in foreign entities

Swedish krona is the functional currency of the Company's foreign branch.

As at the balance sheet date, the assets and liabilities of the branch are translated into the Company's presentation currency at the exchange rate prevailing on its interim abbreviated profit and loss account, comprehensive income statement and statement of changes in equity are translated using the average weighted exchange rate for the relevant reporting period. The FX differences on translation are recognised in other total comprehensive income and cumulated in a separate equity item.

21.4. Reserve capital

The capital reserve amounted to EUR 427,502 thousand as at 30 June 2022. The amount of the capital reserve is unchanged compared to the end of 2021.

21.5. Other reserves

Other reserves amounted to PLN 123,171 thousand as at 30 June 2022 and decreased by PLN 1,329 thousand compared to 31 December 2021.

The increase in the capital reserve is mainly due to the General Meeting of Shareholders adopting the Company's dividend payment adjusted by the positive valuation of financial instruments.

21.6. Undistributed profit and restrictions in dividend distribution

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

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

On 22 June 2022, taking into account the Supervisory Board's assessment of the Management Board's proposal, the General Meeting of Arctic Paper S.A. passed Resolution No. 9/2022, in which it resolves to allocate the Company's net profit for the financial year 2021 and a part of the net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 27,715 thousand for the payment of dividends to the Company's shareholders (PLN 0.40 gross per share). In accordance with the AGM resolution, the dividend was paid on 8 July 2022.

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).

22. Financial instruments

The Company holds the following financial instruments: cash in bank accounts, loans, borrowings, receivables, liabilities under financial leases and SWAP interest rate contracts.

22.1. Fair value of each class of financial instruments

Due to the fact that the book values of the financial instruments held by the Company do not materially differ from their fair value, the table below presents all financial instruments by their carrying amount, split into classes and categories of assets and liabilities.

	Category in compliance with IFRS 9	Carrying amount	
		As at 30 June 2022	As at 31 December 2021
Financial assets			
Other (long-term) financial assets	WwWGpWF	2 445	5 701
Trade and other receivables	WwZK	40 925	31 868
Cash and cash equivalents	WwZK	69 445	14 966
Derivatives	IRZ	8 870	3 192
Other (short-term) financial assets	WwWGpWF	67 802	121 104
Total		189 487	176 832
Financial liabilities			
Interest-bearing loans, loans and bonds	WwZK	196 019	247 194
Trade payables	WwZK	30 258	27 307
Derivative instruments	IRZ	-	-
Total		226 383	274 740

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

WwWGpWF – financial assets/liabilities measured at fair value through profit or loss

IRZ – hedge accounting instruments

The fair value of the loans amounted to PLN 120,286 thousand (carrying amount PLN 119,035 thousand) as at 30 June 2022 and PLN 247,194 thousand (carrying amount PLN 250,350 thousand) as at 31 December 2021.

More information on the fair value of financial instruments is provided in the Annual Report for 2021, note 28.1.

23. Contingent liabilities and contingent assets

As at 30 June 2022, the Company had no contingent liabilities.

24. Transactions with related entities

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2022 and as at 30 June 2021 and as at 30 June 2022 and as at 31 December 2021:

<i>Related Entity</i>		<i>Sales to related entities</i>	<i>Purchases from related entities</i>	<i>Interest – operational income</i>	<i>Dividend received</i>	<i>Interest – financial expense</i>	<i>Guarantees obtained – other financial expenses</i>	<i>Receivables from related entities</i>	<i>including overdue</i>	<i>Loan receivables</i>	<i>Liabilities to related entities</i>	<i>including overdue, after the payment date</i>	<i>Loan liabilities</i>
Parent entity:													
Nemus Holding AB	2022	1	-	-	-	-	-	2 776	-	-	16 152	-	-
	2021	1	-	-	-	-	-	3 194	-	-	347	-	-
Thomas Onstad	2022	-	-	-	-	-	-	-	-	-	2 489	-	-
	2021	-	-	-	-	-	-	-	-	-	-	-	-
Subsidiaries													
	2022	6 071	1 478	1 141	57 058	-	1 322	38 282	-	67 499	4 882	-	76 984
	2021	8 706	6 146	1 503	760	-	1 263	51 005	22 531	261 181	3 904	-	95 715
Total	2022	6 072	1 478	1 141	57 058	-	1 322	41 058	-	67 499	23 523	-	76 984
	impairment allowances	-	-	-	-	-	-	-	-	-	-	-	-
	presentation as interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-
	2022 following impairment allowances and changes to presentation	6 072	1 478	1 141	57 058	-	1 322	41 058	-	67 499	23 523	-	76 984
2021													
	8 707	6 146	1 503	760	-	1 263	54 200	22 531	261 181	4 251	-	-	95 715
	impairment allowances	-	-	-	-	-	-	(22 531)	-	(57 368)	-	-	-
	presentation as interests in subsidiaries	-	-	-	-	-	-	-	-	(82 709)	-	-	-
	2021 following impairment allowances and changes to presentation	8 707	6 146	1 503	760	-	1 263	31 669	22 531	121 104	4 251	-	95 715

25. Events after the end of the reporting period

After 30 June 2022, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

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	10 August 2022	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	10 August 2022	signed with a qualified electronic signature

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Independent Auditor's Report on Review of Condensed Interim Consolidated Financial Statements

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

Introduction

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

- the condensed consolidated statement of financial position as at 30 June 2022, and, for the three-month and six-month periods ended 30 June 2022:

- the condensed consolidated statement of profit or loss;
- the condensed consolidated statement of comprehensive income;

and, for the six-month period ended 30 June 2022:

- the condensed consolidated statement of changes in equity;

- the condensed consolidated cash flow statement;

and

- notes comprising a summary of significant accounting policies and other explanatory information

(the "condensed interim consolidated financial statements").

The Management Board of the Parent Entity is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim consolidated financial statements based on our review.

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.

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Company registered at the District Court for the capital city of Warsaw in Warsaw, 12th Commercial Division of the National Business Register.

KRS 0000339379
NIP: 527-261-53-62
REGON: 142078130



Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution of the National Council of Statutory Auditors as the National Standard on Review 2410. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements are not prepared, in all

material respects, in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union.

On behalf of audit firm

KPMG Audył Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Wojciech Drzymała

Key Statutory Auditor

Registration No. 90095

Proxy

Poznań, 10 August 2022



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Independent Auditor's Report on Review of Condensed Interim Separate Financial Statements

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

Introduction

We have reviewed the accompanying condensed interim separate financial statements of Arctic Paper S.A. (the "Entity"), which comprise:

- the condensed separate statement of financial position as at 30 June 2022, and, for the three-month and six-month periods ended 30 June 2022:
 - the condensed separate statement of profit or loss;
 - the condensed separate statement of comprehensive income;
- and, for the six-month period ended 30 June 2022:
- the condensed separate statement of changes in equity;

- the condensed separate cash flow statement;

and

- notes comprising a summary of significant accounting policies and other explanatory information

(the "condensed interim separate financial statements").

The Management Board of the Entity is responsible for the preparation and presentation of these condensed interim separate financial statements in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union. Our responsibility is to express a conclusion on these condensed interim separate financial statements based on our review.



Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* as adopted by the resolution of the National Council of Statutory Auditors as the National Standard on Review 2410. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical

and other review procedures. A review is substantially less in scope than an audit conducted in accordance with National Standards on Auditing or International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim separate financial statements are not prepared, in all

material respects, in accordance with IAS 34 *Interim Financial Reporting*, as adopted by the European Union.

On behalf of audit firm

KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k.

Registration No. 3546

Signed on the Polish original

Wojciech Drzymała

Key Statutory Auditor

Registration No. 90095

Proxy

Poznań, 10 August 2022