ARCTIC PAPER CAPITAL GROUP

Consolidated quarterly report
for Q1 2023

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Introduction

Information on the report

This Consolidated Quarterly Report for Q1 2023 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on the current and periodic information provided by securities issuers and on the conditions for recognizing information required by the law of a non-member state as equivalent information (Journal of Laws of 2018, item 757) and a part of the abbreviated consolidated financial statements, particularly in accordance with International Financial Reporting Standards no. 34.

The Abbreviated Consolidated Financial Statements do not comprise all information and disclosures required in the Annual Consolidated Financial Statements which are subject to mandatory audit and therefore they should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 December 2022.

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

This Consolidated Quarterly Report presents data in PLN, and all figures, unless otherwise specified, are disclosed in PLN '000.

Definitions and abbreviations

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

Arctic Paper, Company, Issuer, Parent Entity, AP	Arctic Paper 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
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
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)
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjo Bruk AB with its registered office in Söderhamn, Sweden, Vallviks Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne, Sweden; SIA Rottneros Baltic with its registered office in Kuldiga, Latvia; Nykvist Skogs AB with its registered office in Gräsmark, Sweden
Pulp Mills	Rottneros Bruk AB with its registered office in Rottneros, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden
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
NBSK	Northern Bleached Softwood Kraft
BHKP	Bleached Hardwood Kraft Pulp

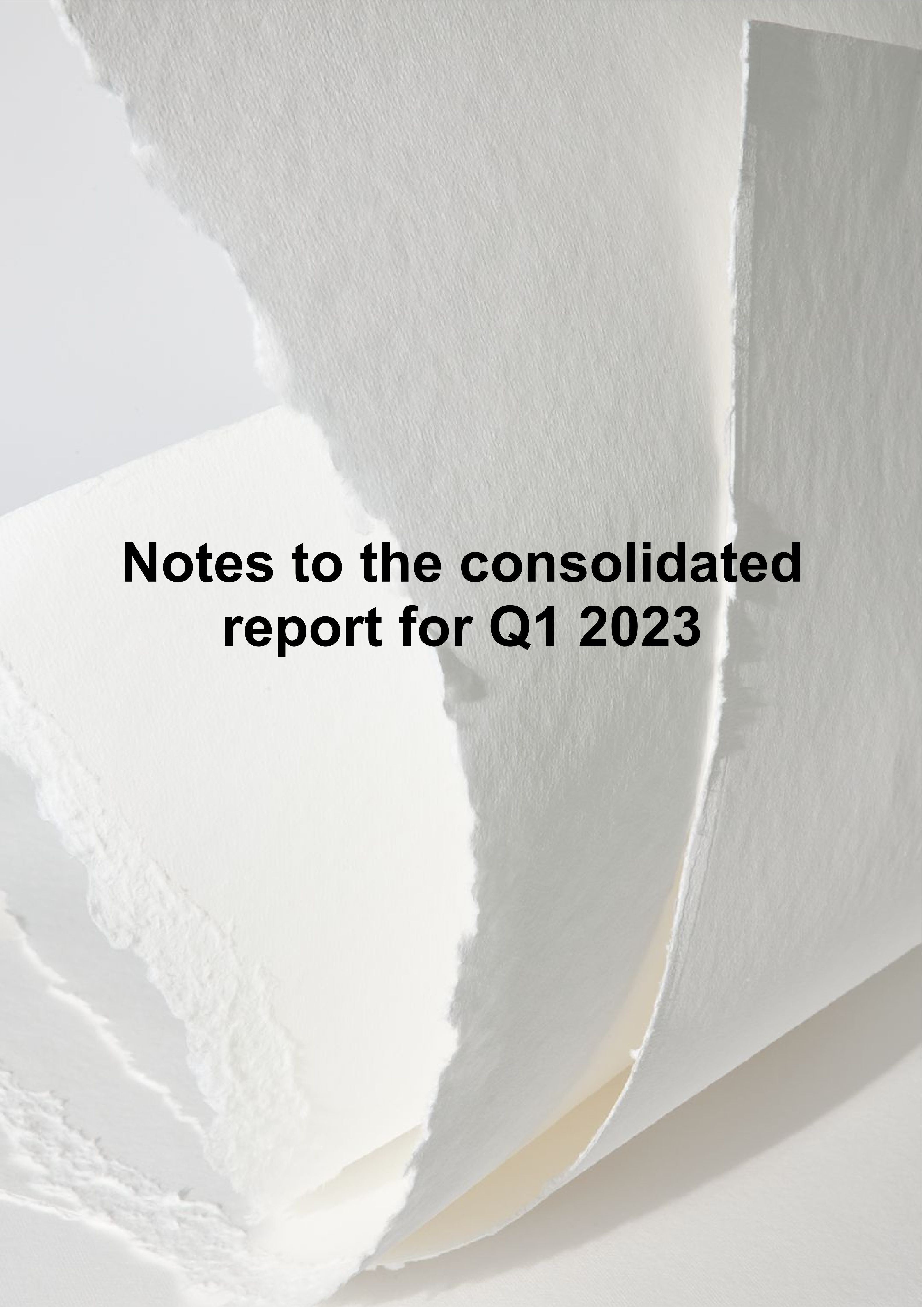
Definitions of selected financial concepts and indicators

Sales profit margin	Ratio of gross profit/(loss) on sales to sales revenues from continuing operations
EBIT	Profit on continuing operating activity (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit/(loss) to sales revenues 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 revenues 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 fixed assets ratio	Ratio of equity to fixed assets
Interest-bearing debt-to-equity ratio	Ratio of interest-bearing debt and other financial liabilities to equity
Net debt-to-EBITDA ratio	Ratio of interest-bearing debt minus cash to EBITDA from continuing operations
EBITDA-to-interest coverage ratio	Ratio of EBITDA to interest expense from continuing operations
Current ratio	Ratio of current assets to short-term liabilities
Quick ratio	Ratio of current assets minus inventory and short-term accruals and deferred income to short-term liabilities
Cash solvency ratio	Ratio of total cash and similar assets to current liabilities
DSI	Days Sales of Inventory, ratio of inventory to cost of sales multiplied by the number of days in the period
DSO	Days Sales Outstanding, ratio of trade receivables to sales income from continuing operations multiplied by the number of days in the period
DPO	Days Payable Outstanding, Ratio of trade payables to cost of sales from continuing operations multiplied by the number of days in the period
Operating cycle	DSI + DSO
Cash conversion cycle	Operating cycle – DPO

Forward looking statements

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



Notes to the consolidated report for Q1 2023

Description of the business of the Arctic Paper Group

General information

The Arctic Paper Group is a paper and pulp producer. We offer bulky book paper and a wide range of products in this segment, as well as high-quality graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As at 31 March 2023, the Arctic Paper Group employs over 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our three Paper Mills are located in Poland and Sweden, and have total production capacity of over 685,000 tonnes of paper per year. Our two Pulp Mills located in Sweden have aggregated production capacities of over 400,000 tonnes of pulp annually. As at 31 March 2023, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for Q1 2023 amounted to PLN 1,032 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.

The principal business of the Arctic Paper Group is production and sales of paper and pulp. Additional activities of the Group, partly subordinated to paper and pulp production, include power generation, heat generation and logistics services.

Arctic Paper Group's product range includes uncoated and coated woodfree paper, uncoated woodfree paper, sulphate pulp and mechanical fibre pulp

For a detailed description of the Group's business, production facilities, focus and products, please refer to the consolidated annual report for 2022.

Capital Group structure

The Arctic Paper Capital Group comprises Arctic Paper S.A., as the Parent Entity, and its subsidiaries, as well as joint ventures. Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of the Warsaw Stock Exchange and since 20 December 2012 in the NASDAQ stock exchange in Stockholm. The Group operates through its Paper Mills and Pulp Mills and its subsidiary producing packaging as well as its sales Offices and Procurement Offices.
Details on the organisation of the Capital Group of Arctic Paper S.A. along with identification of the consolidated entities are specified in note 2 in the Abbreviated Consolidated Financial Statements, further below in this quarterly report.

Changes in the capital structure of the Arctic Paper Group

There were no significant changes in the capital structure of the Arctic Paper Group in Q1 2023, with the exception of the establishment of the joint venture described later in this report.

Shareholding structure - shareholders holding at least 5% of the total number of votes in the Company

The table below shows the shareholders holding directly or indirectly at least 5% of the total number of votes at the Company's General Meeting. This position has not changed since the publication date of the annual report, 28 March 2023.

as at 09.05.2023

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%
Nemus Holding AB	40 381 449	*58,28%*	*40 381 449*	*58.28%*
other entity	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%**

Shares in Arctic Paper S.A. or entitlements to them held by the Company's managing and supervising persons

Managing and supervising persons	Number of shares or rights to shares as at 09.05.2023
Management Board	
Michał Jarczyński	5 572
Göran Eklund	-
Supervisory Board	
Per Lundeen	34 760
Thomas Onstad*	6 223 658
Roger Mattsson	-
Zofia Dzik	-
Anna Jakubowski	-

*the statement includes only shares held directly

The shareholding of the Company's managing and supervising persons has not changed since the date of publication of the annual report, i.e. 28 March 2023.

Summary of consolidated financial results

Comments of the President of the Management Board Michał Jarczyński on the results of Q1 2023

In the first quarter of 2023, we encountered a more hesitant market, with customer demand on a lower level than in 2022. Quarterly numbers were subsequently lower but still stronger than in Q4, 2022. Group revenue amounted to PLN 1,032.2 million (1 110.8) and EBITDA to PLN 185.5 million (205.7). The operating margin was 15.1 percent (15.9). Our financial position is record strong with a net debt / EBITDA ratio of -0.27 (0.33). The combination of pulp and paper, which has historically balanced each other through economic cycles, continued to reinforce each other as both segments performed well.

The demand for paper shows the same pattern as in the fourth quarter of 2022, with lower volumes sold for all qualities and subsegments. We continue to successfully focus on profitability instead of aiming for full capacity usage and we have therefore adjusted our capacity accordingly with some production stops during the period. The paper sales revenue per ton is 30 percent up compared to Q1, 2022, while capacity utilization fell to 71 percent (99). Revenues decreased to PLN 722.3 million (819.6) with an EBITDA of 113.8 million (130.0) and an EBITDA margin of 15.8 percent (15.9).

For the pulp segment, Rottneros, net sales increased by 13 percent to 744 (660) MSEK. EBITDA remained stable at 178 MSEK (174) while deliveries was 87 200 tons (100 000). Due to the increasing costs, falling pulp prices and a weaker USD, Rottneros gave 24 employees at Vallviks Mill notice of redundancy in April. The company has decided to invest 180 MSEK in an expansion of the capacity to produce CTMP pulp in Rottneros Mill from 125 000 to 165 000 tons.

For the packaging segment, volumes were slightly lower during the first quarter than in the comparable quarter. We are still deliberately holding back the development as we manage production in terms of value per ton and graphical paper has shown better margins for several quarters. The joint venture investment with Rottneros in new production facility for moulded fiber trays in Kostrzyn is progressing according to plan. Production capacity is expected to reach approximately 80 million units per year, and the company expects to achieve a turnover of around PLN 60 million at full capacity.

We continue the expansion of our energy segment. New projects in Sweden include a solar park and a battery storage and it is part of a long-term strategy to reduce the group's exposure to the electricity market. The start-up is planned for 2024. We are also advancing our plan to build a solar park in Kostrzyn. Several other new energy and energy efficiency projects are in planning phases of various states.

The market outlook is more uncertain than in the end of 2022 and we expect a more challenging year. We continue to diversify our business in line with the 4P-strategy with new investments in packaging and power, while maintaining and strengthening our business position in paper and pulp. Our solid finances give us the possibility to continue with our future-oriented plans.

Selected items of the consolidated statement of profit and loss

PLN '000	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2022	Change % Q1 2023/ Q1 2022
Continuing operations					
Sales revenues	**1 032 216**	**1 085 098**	**1 110 758**	**(4,9)**	**(7,1)**
of which:					
Sales of paper	*722 284*	*769 551*	*819 558*	*(6,1)*	*(11,9)*
Sales of pulp	*309 932*	*315 547*	*291 199*	*(1,8)*	*6,4*
Profit on sales	269 352	240 343	300 617	12,1	(10,4)
EBIT	**155 636**	**109 287**	**176 082**	**42,4**	**(11,6)**
EBITDA	**185 535**	**139 979**	**205 725**	**32,5**	**(9,8)**
Net profit/(loss)	**131 665**	**74 822**	**146 364**	**76,0**	**(10,0)**
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	107 868	72 599	120 681	48,6	(10,6)
Sales volume (in thousand tonnes)					
paper	113	117	166	(3,4)	(31,9)
pulp	87	79	100	9,7	(13,3)

During Q1 2023, there was a decrease in sales due to lower demand for paper and pulp.

Despite the decrease in sales, the Group recorded an increase in both profit on sales and EBIT, EBITDA and net profit compared to the previous quarter, mainly due to a higher rate of decrease in direct costs, primarily pulp and other raw materials used in paper and pulp production, and lower administrative costs.

Profitability analysis

PLN '000	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2022	Change % Q1 2023/ Q1 2022
Profit/(loss) on sales	269 352	240 343	300 617	12,1	(10,4)
% of sales revenues	*26,09*	*22,15*	*27,06*	*3,9 p.p.*	*(1,0) p.p.*
EBITDA	**185 535**	**139 979**	**205 725**	**32,5**	**(9,8)**
% of sales revenues	*17,97*	*12,90*	*18,52*	*5,1 p.p.*	*(0,5) p.p.*
EBIT	**155 636**	**109 287**	**176 082**	**42,4**	**(11,6)**
% of sales revenues	*15,08*	*10,07*	*15,85*	*5,0 p.p.*	*(0,8) p.p.*
Net profit/(loss)	**131 665**	**74 822**	**146 364**	**76,0**	**(10,0)**
% of sales revenues	*12,76*	*6,90*	*13,18*	*5,9 p.p.*	*(0,4) p.p.*
Return on equity / ROE (%)	*6,5*	*3,6*	*10,1*	2,8 p.p.	(3,7) p.p.
Return on assets / ROA (%)	*4,2*	*2,3*	*5,6*	1,9 p.p.	(1,4) p.p.

Despite the lower sales, the Group managed to maintain margins and profitability ratios higher than in the fourth quarter of 2022 and similar to Q1 2022.

Selected items of the consolidated statement of financial position

PLN '000	31.03.2023	31.12.2022	31.03.2022	Change 31.03.2023 -31.12.2022	Change 31.03.2023 -31.03.2022
Fixed assets	1 309 014	1 371 867	1 362 625	(62 853)	(53 611)
Current assets	1 826 150	1 882 618	1 255 914	(56 468)	570 236
Total assets	**3 135 164**	**3 254 485**	**2 618 539**	**(119 320)**	**516 625**
Equity	2 032 357	2 052 182	1 442 620	(19 825)	589 737
Short-term liabilities	745 027	806 906	716 220	(61 879)	28 808
Long-term liabilities	357 780	395 397	459 699	(37 617)	(101 919)
Total equity and liabilities	**3 135 164**	**3 254 485**	**2 618 539**	**(119 320)**	**516 625**

The decrease in total assets compared to 31 December 2022 is mainly due to a lower positive valuation of forward power purchase contracts.

The decrease in short-term liabilities is the result of a decrease primarily in trade payables due to the lower purchases of paper and pulp raw materials. The lower level of non-current liabilities is the result of a decrease in deferred tax liabilities due to a lower positive valuation of forward power purchase contracts.

Debt analysis

	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2022	Change % Q1 2023/ Q1 2022
Debt to equity ratio (%)	54,3	58,6	81,5	(4,3) p.p.	(27,3) p.p.
Equity to fixed assets ratio (%)	155,3	149,6	105,9	5,7 p.p.	49,4 p.p.
Interest-bearing debt-to-equity ratio (%)	9,9	10,0	20,0	(0,2) p.p.	(10,2) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0,3)x	(0,3)x	0,3x	0,0	(0,6)
EBITDA to interest expense ratio for the last 12 months (x)	132,8x	146,6x	28,1x	(13,8)	104,6

The decrease in the debt-to-equity ratio is the result of a decrease in the level of the Group's liabilities.

The increase in the equity to non-current assets ratio is the result of a decrease in the value of non-current assets, primarily a lower positive valuation of financial instruments (forward contracts).

The decrease in the debt to equity ratio with interest-bearing debt compared to Q1 2022 is the result of both lower interest-bearing debt and higher equity.

The increase in the ratio of interest expense to EBITDA for the last 12 months compared to Q1 2022 is the result of both lower interest expense and higher EBITDA for the 12 months.

Liquidity analysis

	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2022	Change % Q1 2023/ Q1 2022
Current ratio	**2,5x**	**2,3x**	**1,8x**	**0,1**	**0,7**
Quick ratio	**1,6x**	**1,6x**	**1,1x**	**(0,0)**	**0,4**
Cash solvency ratio	**0,6x**	**0,6x**	**0,2x**	**0,0**	**0,4**
DSI (days)	74,9	64,1	48,2	10,8	26,6
DSO (days)	46,0	41,8	45,3	4,2	0,6
DPO (days)	59,9	58,7	57,5	1,2	2,4
Operating cycle (days)	120,8	105,8	93,6	15,0	27,3
Cash conversion cycle (days)	**60,9**	**47,1**	**36,0**	**13,9**	**24,9**

The increase in the cash conversion cycle in days in Q1 2023 is due to an increase in the inventory and receivables turnover cycle.

Selected items of the consolidated cash flow statement

PLN '000	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2022	Change % Q1 2023/ Q1 2022
Cash flows from operating activities	62 476	125 997	17 949	(50,4)	248,1
Cash flows from investing activities	(73 859)	(53 139)	(40 502)	39,0	82,4
Cash flows from financing activities	(7 577)	(18 740)	(7 562)	(59,6)	0,2
Total cash flows	**(18 960)**	**54 117**	**(30 115)**	**(135,0)**	**(37,0)**

The lower operating cash flow in Q1 2023 is mainly due to changes in working capital.

The increase in negative cash flow from investing activities is the result of expenditure on the acquisition of property, plant and equipment and the establishment of a six-month term deposit.

Unusual events and factors

In Q1 2023, there were no unusual events or factors.

Summary of standalone financial results

Selected items of the standalone statement of profit and loss

PLN '000	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2022	Change % Q1 2023/ Q1 2022
Sales revenues	5 733	4 119	3 601	39	59
Profit on sales	2 943	2 922	1 493	1	97
EBIT	1 124	56 371	(1 176)	(98)	(196)
EBITDA	1 172	56 245	(1 110)	(98)	(206)
Gross profit/(loss)	807	54 255	(2 749)	(99)	(129)
Net profit/(loss)	958	56 526	(2 196)	(98)	(144)

Revenue and profit on sales

The main reason for the increase in revenue and profit in 2023 was the dividends received in the amount of PLN 1,573 thousand.

EBIT and EBITDA

The increase in EBIT and EBITDA in Q1 2023 compared to the same period in 2022 is due to the achievement of higher operating income and lower administrative expenses. The higher EBIT in Q4 2022 was due to the reversal of impairment allowances at Arctic Paper Investment AB.

Pre-tax profit/(loss) and net profit/(loss)

The higher financial result in Q1 2023 compared to the same period in 2022 is due to the Company achieving higher financial income in 2023 resulting from the valuation of financial instruments.

Selected items of the standalone statement of financial position

PLN '000	31.03.2023	31.12.2022	31.03.2022	Change 31.03.2023 -31.12.2022	Change 31.03.2023 -31.03.2022
Fixed assets	888 710	894 074	689 366	(5 364)	199 344
Current assets	219 866	250 814	147 761	(30 948)	72 105
Total assets	**1 108 575**	**1 144 888**	**837 126**	**(36 312)**	**271 449**
Equity	776 754	776 970	577 857	(216)	198 897
Short-term liabilities	256 939	292 884	153 609	(35 944)	132 043
Long-term liabilities	74 882	75 036	105 661	(154)	(26 923)
Total equity and liabilities	**1 108 575**	**1 144 888**	**837 126**	**(36 314)**	**271 449**

Fixed assets

The increase in the value of non-current assets in Q1 2023 compared to Q1 2022 is primarily due to the reversal of the impairment allowance at Arctic Paper Investment AB at the end of 2022.

Current assets

The increase in current assets was due to higher cash balances in 2023.

Equity

The reason for the increase in equity was the profit generated in 2022.

Short-term liabilities

The increase in short-term liabilities in Q1 2023 and at the end of 2022 is due to an increase in the company's cash-pooling liabilities.

Long-term liabilities

The decrease in long-term liabilities compared to Q1 2022 is due to the repayment of bank loan instalments in Q2 and Q4 2022.

Selected items of the standalone cash flow statement

PLN '000	Q1 2023	Q4 2022	Q1 2022	Change % Q1 2023/ Q4 2024	Change % Q1 2023/ Q1 2022
Cash flows from operating activities	(43 305)	26 091	(6 758)	(1 094)	(815)
Cash flows from investing activities	-	-	-	-	-
Cash flows from financing activities	565	37 995	(487)	(99)	(216)
Total cash flows	**(42 751)**	**64 087**	**(7 245)**	**(167)**	**(1 031)**

The negative cash flows from operating activities this year was affected largely by the changes to the working capital. The positive flows in the last quarter of 2022 were due to the change in cash-pool settlements and the gross profit generated.

The biggest impact on the change in flows from financing activities was the dividend received from subsidiaries in Q1 2023.

Significant information and factors affecting the Arctic Paper Group's performance and assessment of its financial position

Information on market trends

Supplies of fine paper

In Q1 2023, the Arctic Paper Group recorded a decreased level of orders versus Q4 2022 by 3.6% and a decrease of orders versus the equivalent period of 2022 by 32.1%.

Source of data: Analysis by Arctic Paper

Paper prices

In Q1 2023, the average prices of high quality UWF paper increased by 14.9% while the prices of CWF paper increased by 18% versus equivalent prices of Q1 2022.

In the period from the end of December 2022 to March 2023, the prices of uncoated wood-free paper (UWF) and coated wood-free paper (CWF) for selected markets: Germany, France, Spain, Italy and the UK, expressed in EUR and GBP, experienced a decrease by 1.5% and 2,1% respectively:

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) increased at the end of Q1 2023 by 24.6% versus the equivalent period of 2022 while in the segment of coated wood-free paper (CWF) the prices increased by 22.1%.

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

Pulp prices

At the end of Q1 2023, the pulp prices were as follows: NBSK 1,370 USD/tonne and BHKP 1,280 USD/tonne. The average price of NBSK in Q1 2023 was higher by 8.1% compared to the equivalent period of the previous year while the price of BHKP was by 16.1% higher. The average pulp price in Q1 2023 was lower by 4.4% for NBSK and lower by 3.1% for BHKP as compared to Q4 2022.

The average cost of pulp per ton of produced paper as calculated for the AP Group, expressed in PLN, in Q1 2023 increased by 9.2% versus Q4 2022 and decreased by 29.3% versus Q1 2022. The share of pulp costs in cost of paper sales in Q1 of the current year amounted to 56% and decreased compared to the level recorded in Q1 2022 (58%).

In Q1 2023, the AP Group used pulp in the production process in the following structure: BHKP 73%, NBSK 23% and other 4%.

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

Currency exchange rates

The EUR/PLN exchange rate at the end of Q1 2023 amounted to 4.6755 and was lower by 0.3% than at the end of Q4 2022 and higher by 0.5% than at the end of Q1 2022. The average exchange rate in Q1 2023 was lower by 0.4% than in Q4 2022 and amounted to 4.71 versus 4.7299. The average exchange rate in Q1 2023 was by 1.8% higher than in Q1 2022.

The EUR/SEK exchange rate at the end of March 2023 stood at 11.2608 against 11.1320 at the end of 2022 and 10.3297 at the end of Q1 2022, implying an appreciation of the EUR against the SEK by 1.2% and 9% respectively:

For this pair, the mean exchange rate in Q1 2023 was by 2.4% higher compared to Q4 2022. The mean exchange rate in Q1 2023 was by 6.8% higher than in the corresponding period of 2022.

The changes mean an appreciation of EUR vis-a-vis SEK in Q1 2023 which had a favourable impact on the Group's financial results, primarily with reference to the sales revenues generated by the Swedish factories that rely on prices in EUR.

At the end of Q1 2023, the USD/PLN rate recorded a decrease by 2.5% versus the end of Q4 2022 and amounted to 4.2934. In Q1 2023, the mean exchange rate amounted to 4.3880 compared to 4.6397 in Q4 2022. This represents a 5.4% appreciation of the PLN against the USD compared to the previous quarter and a 6.4% depreciation of the local currency against the USD compared to the same quarter of the previous year.

The USD/SEK exchange rate at the end of Q1 2023 was 10.3406, 1% lower than at the end of 2022. The average rate in Q1 2023 was 10.4343, 2.7% lower than the average rate in Q4 2022.

The changes of the USD/SEK exchange rates in Q1 2023 favourably affected the costs incurred in USD by the Swedish Pulp Mills, in particular the costs of pulp. With regard to the Kostrzyn paper mill, the average monthly USD/PLN exchange rate weakened in relation to the corresponding rate in Q4 2022, which also translated favourably into the pulp purchase costs realised in USD by the Polish mill.

At the end of March of the current year, the EUR/USD rate amounted to 1.089 compared to 1.0655 at the end of Q4 2022 and to 1.1130 at the end of March 2022. In terms of percentage, that means appreciation of EUR to USD by 2.2% versus Q4 2022 and a depreciation of the currency by 2.2% versus Q1 2022. In Q1 2023, the mean exchange rate of the pair amounted to 1.0735 compared to 1.0208 in Q4 2022 (+5.2%).

The weakening of the SEK against the EUR had a favourable effect on the Group's financial results, mainly due to an increase in sales revenues generated in EUR and expressed in SEK. The strengthening of the PLN against the USD in Q1 2023 had a positive impact on the purchase prices of raw material at the Kostrzyn mill. The SEK strengthening against the USD, in turn, had a positive impact on the aforementioned costs at Swedish paper mills

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

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

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

- Shaping demand for high-grade paper in Europe at a time of a tense geopolitical situation, high energy prices and elevated inflation, as well as an expected economic slowdown. 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. The intensification of remote working may have the additional effect of reducing demand for high-quality graphic papers and therefore negatively affect the Group's financial performance.
- Price changes of fine paper. In particular, the possibility to maintain the prices of Arctic Paper products in local currencies in view of the declining supply/demand in Europe and in the context exchange rates fluctuations, will have a material influence on the financial results. Paper prices are going to be of particular importance for the Paper Mill of Grycksbo which – in connection with the market changes – experiences the greatest adverse impact of drop of sales volumes, prices as well as of exchange rate fluctuations.
- Price fluctuations of raw materials, including pulp for Paper Mills and electricity for all operational entities. In particular, financial results of Paper Mills may be negatively influenced by increasing pulp prices, particularly BHKP. On the other hand, dropping NBSK pulp prices may negatively affect the financial results of Pulp Mills. Fluctuations of electricity prices in Sweden may also have a material impact on the results generated by the Group. In the 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, the Group's Pulp Mills may benefit from the appreciation of USD in relation to SEK.

Risk factors

In Q1 2023, there were no material changes to the risk factors. Those were presented in detail in the annual report for 2022.

Key factors affecting the performance results

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

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

Macroeconomic and other economic factors

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

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

Demand growth for products based on natural fibres

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

Reduced demand for certain paper types

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

Paper prices

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

Costs of raw materials, energy and transportation

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

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

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

Currency rate fluctuations

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

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

Other material information including those occurring after the end of Q1 2023

Joint investment by Arctic Paper and Rottneros – conclusion of joint venture agreement

On 17 February 2023, Arctic Paper S.A. and Rottneros AB ("Rottneros") entered into a joint venture agreement (the "Joint-Venture Agreement") and a joint venture agreement under the name Kostrzyn Packaging Sp. z o.o. ("Joint-Venture").

The initial share capital of the Joint-Venture amounts to PLN 460,000.00 and is divided into 46 equal and indivisible shares with a nominal value of PLN 10,000.00 each. The company and Rottneros will each hold 50% of its share capital.

The object of the Joint-Venture will be: (i) manufacturing moulded cellulose fibre packaging, (ii) sale of finished packaging, (iii) development research and technical analysis of manufactured products.

The source of funding for the Joint-Venture's operations will be shareholders' own contributions and bank loans.

Joint-Venture, under the decision of the Minister of Transport and Development, will benefit from support in the form of income tax exemption up to the amount of PLN 97.2 million of eligible costs under the Polish Investment Zone programme.

The conditions for the income tax exemption to be granted are the minimum value of the investment (PLN 97.2 million), the creation and maintenance of an adequate number of jobs in the production facility and the timing of the investment – no later than 31 December 2025.

The Joint-Venture is also obliged to incur eligible costs of a certain minimum value during the implementation of the investment and to meet qualitative criteria (among others, the criterion of economic and social sustainability) within a period of 5 years from the date of completion of the investment.

The aim of the Joint-Venture is to build a moulded cellulose fibre packaging plant in Kostrzyn nad Odrą, Poland, which is planned to be operational by the end of 2023. The estimated value of the investment will be PLN 100 million, of which the

Issuer's share will be 50%. According to the Issuer's estimates, the investment will generate annual revenue of approximately PLN 60 million.

The joint venture between the Company and Rottneros AB will allow the synergy of Rottneros Packaging AB's know-how in the commercialisation of biodegradable packaging technology, existing operational experience and the favourable location of the Joint-Venture in Kostrzyn nad Odrą. The expansion of the Arctic Paper Group's product portfolio will help strengthen its position in the fast-growing green packaging market and is an important part of the implementation of the Arctic Paper 4P strategy.

Recommendations concerning dividend distribution

On 15 February 2023, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Group for 2022, 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 2022, in the total amount of PLN 187,077,014.10, i.e. PLN 2.70 gross per share. The Management Board's recommendation will be reviewed by the Supervisory Board and will be submitted to the General Meeting for resolution. The final decision on the distribution of the Company's 2022 profit and the payment of the dividend will be taken by the Annual General Meeting.

Supplementary information

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

The Management Board of Arctic Paper S.A. has not published the projected financial results for 2023.

Information on sureties and guarantees granted in Q1 2023

During the period covered by this report, the Company and the Group did not issue any new guarantees or warranties.

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

In the period covered by this report, Arctic Paper S.A. and its subsidiaries were not a party to any material proceedings pending before a court, a competent authority for arbitration proceedings or a public administration authority.

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

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

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	09 May 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	09 May 2023	signed with a qualified electronic signature

Quarterly abbreviated consolidated financial statements

for the period of three months
ended on 31 March 2023

Consolidated financial statements

Abbreviated consolidated statement of profit and loss

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Continuing operations			
Revenues from sales of products	1 032 216	1 110 758	4 894 276
Sales revenues	1 032 216	1 110 758	4 894 276
Costs of sales	(762 864)	(810 140)	(3 483 519)
Profit/(loss) on sales	269 352	300 617	1 410 757
Selling and distribution costs	(95 890)	(99 294)	(445 197)
Administrative expenses	(26 981)	(25 361)	(138 766)
Other operating income	25 858	21 302	85 778
Other operating expenses	(16 702)	(21 182)	(69 593)
Operating profit/(loss)	155 636	176 082	842 979
Financial income	2 888	180	92 767
Financial expenses	(4 034)	(4 242)	(8 169)
Gross profit/(loss)	154 490	172 020	927 577
Income tax	(22 826)	(25 656)	(170 755)
Net profit/(loss) from continuing operations	131 665	146 364	756 822
Net profit/(loss)	131 665	146 364	756 822
Attributable to:			
The shareholders of the Parent Entity	107 868	120 681	631 001
Non-controlling shareholders	23 797	25 683	125 821
	131 665	146 364	756 822
Earnings per share:			
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	1,56	1,74	9,11
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	1,56	1,74	9,11

Abbreviated consolidated statement of total comprehensive income

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Net profit/(loss) for the reporting period	131 665	146 364	756 822
Items of other comprehensive income to be reclassified to profit or loss, before taxation	**(184 734)**	**64 767**	**141 734**
FX differences on translation of foreign operations	(21 632)	6 029	(71 265)
Measurement of financial instruments	(163 103)	58 738	212 999
Measurement of financial instruments (items to be reclassified in future periods)	*(153 794)*	*64 129*	*466 958*
Measurement of financial instruments (items reclassified in the period)	*(9 309)*	*(5 391)*	*(25 ,959)*
Items of other comprehensive income not to be reclassified to profit or loss, before taxation	**-**	**-**	**1 935**
Actuarial profit/(loss) for defined benefit plans	-	-	1 935
Other comprehensive income before tax	**(184 734)**	**64 767**	**143 669**
Income tax relating to items of other comprehensive income that will be reclassified to profit or loss	**33 244**	**(11 509)**	**(43 940)**
Deferred income tax on the measurement of financial instruments	33 244	(11 509)	(43 940)
Deferred income tax on the measurement of financial instruments	*31 347*	*(12 565)*	*(96 332)*
Deferred income tax on the measurement of financial instruments (reclassified in the period)	*1 897*	*1 056*	*52 392*
Income tax relating to items of other comprehensive income not to be reclassified to profit or loss	**-**	**-**	**438**
Deferred income tax on actuarial profit/(loss) relating to defined benefit plans	-	-	438
Other net comprehensive income	(151 490)	53 258	100 167
Total comprehensive income for the period	(19 826)	199 622	856 989
Total comprehensive income attributable to:			
The shareholders of the Parent Entity	917	156 944	703 197
Non-controlling shareholders	(20,743)	42 679	153 792

Abbreviated consolidated statement of financial position

	As at 31 March 2023 (unaudited)	As at 31 December 2022	As at 31 March 2022 (unaudited)
ASSETS			
Fixed assets			
Tangible fixed assets	1 119 800	1 125 004	1 162 078
Investment properties	1 763	1 763	2 978
Intangible assets	65 024	63 899	62 065
Goodwill	8 719	8 847	9 458
Joint ventures	4 231	4 264	2 951
Other financial assets	102 710	162 617	113 188
Other non-financial assets	286	277	308
Deferred income tax assets	6 481	5 196	9 599
	1 309 014	1 371 867	1 362 625
Current assets			
Inventories	634 567	601 205	434 112
Trade and other receivables	527 360	503 391	559 686
Corporate income tax receivables	15 333	633	6 385
Other non-financial assets	16 544	12 048	13 245
Other financial assets	173 690	283 411	104 526
Cash and cash equivalents	458 656	481 930	137 960
	1 826 150	1 882 618	1 255 914
TOTAL ASSETS	3 135 164	3 254 485	2 618 539
EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	69 288	69 288	69 288
Reserve capital	407 976	407 976	407 976
Other reserves	220 198	312 447	233 320
FX differences on translation	(54 495)	(39 794)	11 705
Retained earnings/Accumulated losses	945 570	837 702	346 794
Cumulated other total comprehensive income related to discontinued operations			
	1 588 537	1 587 619	1 069 083
Non-controlling interests	443 820	464 563	373 537
Total equity	2 032 357	2 052 182	1 442 620
Long-term liabilities			
Interest-bearing loans and bonds	133 909	139 166	190 984
Provisions	1 246	1 264	1 351
Employee liabilities	44 020	43 547	109 112
Other financial liabilities	23 587	23 158	27 995
Deferred income tax liability	145 316	177 750	117 220
Grants and deferred income	9 702	10 512	13 037
	357 780	395 397	459 699
Short-term liabilities			
Interest-bearing loans and bonds	34 891	35 387	53 213
Provisions	2 956	9 202	324
Other financial liabilities	7 873	8 055	16 567
Trade and other payables	507 836	551,211	518 015
Employee liabilities	119 449	133 165	104 037
Income tax liability	65 040	55 043	14 970
Grants and deferred income	6 981	14 843	9 095
	745 027	806 906	716 220
TOTAL LIABILITIES	1 102 808	1 202 303	1 175 919
TOTAL EQUITY AND LIABILITIES	3 135 164	3 254 485	2 618 539

Abbreviated consolidated cash flow statement

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Cash flows from operating activities			
Gross profit/(loss)	154 490	172 020	927 577
Adjustments for:			
Depreciation/amortisation	29 898	29 643	130 994
FX gains/(loss)	224	378	7 371
Interest, net	1 031	1 922	3 315
Profit/(loss) from investing activities	3 571	2	1 714
(Increase)/decrease in receivables and other receivables	(29 766)	(153 879)	(124 010)
(Increase)/decrease in inventories	(39 414)	(29 088)	(223 436)
Increase/(decrease) of liabilities except loans, borrowings, bonds and other financial liabilities	(42 720)	18 835	89 375
Change in provisions	(6 252)	(1 161)	(8 888)
Change in non-financial assets	(5 239)	(4 367)	(4 569)
Income tax paid	(24 934)	(9 304)	(64 930)
Change in pension provisions and employee liabilities	(11 480)	(5 392)	(26 663)
Change in grants and deferred income	(8 611)	1 045	4 868
Co-generation certificates and CO2 emission rights	(1 735)	(5 769)	(11 746)
Change in settlement of realised forward contracts that meet hedge accounting rules	43 842	3 734	(20 913)
Change in accounting for unrealized forward contracts not meeting hedge accounting rules	-	-	(72 340)
Other	(431)	(669)	(336)
Net cash flows from operating activities	62 476	17 949	607 383
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets	173	-	-
Purchase of tangible fixed assets and intangible assets	(32 512)	(40 502)	(154 879)
Other capital outflows / inflows	(41 520)	-	(1 000)
Net cash flows from investing activities	(73 859)	(40 502)	(155 879)
Cash flows from financing activities			
Change to overdraft facilities	-	5 110	(18 313)
Repayment of leasing liabilities	(2 372)	(3 119)	(6 790)
Changes resulting from other financial liabilities	(1)	-	1
Repayment of loans, borrowings and debt securities	(4 206)	(7 660)	(48 049)
Dividend paid to shareholders of AP SA	-	-	(27 715)
Dividend paid to non-controlling shareholders	-	-	(20 088)
Interest paid	(998)	(1 894)	(3 634)
Other	-		-
Net cash flows from financing activities	(7 577)	(7 562)	(124 588)
Increase/(decrease) in cash and cash equivalents	(18 960)	(30 115)	326 916
Net FX differences	(4 313)	147	(12 913)
Cash and cash equivalents at the beginning of the period	481 930	167 927	167 927
Cash and cash equivalents at the end of the period	458 656	137 960	481 930

Additional notes to the quarterly abbreviated financial statements

provided on pages 35 to 50 constitute an integral part hereof

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 2023	69 288	407 976	(39 794)	312 447	837 702	1 587 619	464 563	2 052 182
Net profit/(loss) for the period	-	-	-	-	107 868	107 868	23 797	131 665
Other net comprehensive income for the period	-	-	(14 701)	(92 249)	-	(106 950)	(44 540)	(151 490)
Total comprehensive income for the period	-	-	(14 701)	(92 249)	107 868	917	(20 743)	(19 826)
Increase/decrease in equity	-	-	*(14 701)*	*(92 249)*	*107 868*	*917*	*(20 743)*	*(19 826)*
As at 31 March 2023 (unaudited)	69 288	407 976	(54 495)	220 198	945 570	1 588 537	443 820	2 032 357

	Attributable to the shareholders of the Parent Entity							
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings (Accumulated losses)	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2022	69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996
Net profit/(loss) for the period	-	-	-	-	120 681	120 681	25 683	146 364
Other net comprehensive income for the period	-	-	4 170	32 094	-	36 263	16 996	53 258
Total comprehensive income for the period	-	-	4 170	32 094	120 681	156 944	42 679	199 622
Increase/decrease in equity	-	-	*4 170*	*32 094*	*120 681*	*156 944*	*42 679*	*199 622*
As at 31 March 2022 (unaudited)	69 288	407 976	11 705	233 320	346 794	1 069 083	373 537	1 442 620

	Attributable to the shareholders of the Parent Entity							
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2022	69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996
Net profit/(loss) for the financial year	-	-	-	-	631 001	631 001	125 821	756 822
Other net comprehensive income for the year	-	-	(47 328)	117 149	2 375	72 196	27 971	100 167
Total comprehensive income for the year	-	-	(47 328)	117 149	633 376	703 197	153 792	856 989
Payment of dividend to shareholders	-	-	-	(5 928)	(21 787)	(27 715)	(20 088)	(47 803)
Increase/decrease in equity	*-*	*-*	*(47 328)*	*111 221*	*611 589*	*675 482*	*133 704*	*809 186*
As at 31 December 2022	69 288	407 976	(39 794)	312 447	837 702	1 587 619	464 563	2 052 182

Standalone financial statements

Abbreviated standalone statement of profit and loss

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Continuing operations			
Revenues from sales of services	3 610	3 019	12 754
Interest on loans	550	582	2 290
Dividend income	1 573	-	57 416
Sales revenues	5 733	3 601	72 460
Interest expense to related entities and costs of sales of logistics services	(2 790)	(2 108)	(7 350)
Profit/(loss) on sales	2 943	1 493	65 109
Other operating income	1 670	12	1 928
Administrative expenses	(1 353)	(2 617)	(17 938)
Impairment allowances to assets	(471)	-	175 745
Other operating expenses	(1 666)	(63)	(381)
Operating profit/(loss)	1 124	(1 176)	224 463
Financial income	2 016	593	3 316
Financial expenses	(2 333)	(2 166)	(8 804)
Gross profit/(loss)	807	(2 749)	218 975
Income tax	151	553	3 931
Net profit/(loss) for the period	958	(2 196)	222 906
Earnings per share:			
– basic earnings from the profit/(loss) for the period (in PLN)	0,01	(0,03)	3,22
– basic earnings from the profit/(loss) from continuing operations for the period (in PLN)	0,01	(0,03)	3,22

Abbreviated standalone statement of total comprehensive income

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Net profit/(loss) for the reporting period	958	(2 196)	222 906
Items to be reclassified to profit/(loss) in future reporting periods:			
Measurement of financial instruments	(1 313)	3 040	4 954
Deferred income tax on the measurement of financial instruments	-	-	(941)
FX differences on translation of foreign operations	140	(46)	707
Other net total comprehensive income	(1 173)	2 994	4 720
Total comprehensive income	(215)	798	227 626

Abbreviated standalone statement of financial position

	As at 31 March 2023 (unaudited)	As at 31 December 2022	As at 31 March 2022 (unaudited)
ASSETS			
Fixed assets			
Tangible fixed assets	967	451	662
Intangible assets	1 346	1 346	1 319
Shares in subsidiaries	855 079	854 898	678 635
Other financial assets	29 456	35 514	8 751
Deferred income tax	1 865	1 865	-
	888 711	894 074	689 366
Current assets			
Trade and other receivables	22 470	17 566	28 321
Income tax receivables	325	1 430	11
Other financial assets	20 606	12 728	109 687
Other non-financial assets	5 945	5 817	2 021
Cash and cash equivalents	170 521	213 272	7 721
	219 865	250 814	147 760
TOTAL ASSETS	**1 108 575**	**1 144 888**	**837 126**
EQUITY AND LIABILITIES			
Equity			
Share capital	69 288	69 288	69 288
Reserve capital	427 502	427 502	427 502
Other reserves	105 412	106 725	127 540
FX differences on translation	1 602	1 463	710
Retained earnings/Accumulated losses	172 951	171 993	(47 182)
Total equity	776 754	776 969	577 857
Long-term liabilities			
Interest-bearing loans borrowings and bonds	72 875	73 022	101 805
Provisions	-	-	3 130
Other financial liabilities	3	10	119
Deferred income tax liability	2 003	2 003	606
	74 882	75 036	105 661
Short-term liabilities			
Interest-bearing loans borrowings and bonds	232 843	263 752	124 896
Trade and other payables	20 201	19 175	20 755
Other financial liabilities	37	49	86
Other short-term liabilities	2 835	1 383	7 871
Employee liabilities	-	6 895	-
Income tax liability	1 022	1 630	-
	256 939	292 883	153 609
TOTAL LIABILITIES	331 821	367 919	259 270
TOTAL EQUITY AND LIABILITIES	**1 108 575**	**1 144 888**	**837 126**

Abbreviated standalone cash flow statement

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Cash flows from operating activities			
Gross profit/(loss)	807	(2 749)	218 975
Adjustments for:			
Depreciation/amortisation	48	66	228
FX gains/(loss)	(819)	416	1 421
Impairment of assets	291	-	(175 745)
Interest and dividend, net	(70)	1 294	(54 595)
Profit/(loss) from investing activities	(564)	70	90
Change in receivables and other non-financial assets	(3 798)	1 374	9 963
Change in liabilities excluding loans and borrowings and other financial liabilities	(5 024)	(457)	(4 058)
Change in accruals and prepayments	(128)	-	-
Change in provisions	-	13	-
Income tax	-	-	2 722
Change in cash-pooling liabilities	(35 774)	(11 604)	214 745
Zmiana stanu należności z tytułu cash-poolingu	(9)	-	-
Change in loans granted to subsidiaries	1 128	1 308	3 342
Odsetki otrzymane od pożyczek udzielonych i cash-poolingu	558	-	2 336
Odsetki zapłacone w ramach cash-poolingu	(782)	-	(1 506)
Other	820	3 513	2 537
Net cash flows from operating activities	**(43 316)**	**(6 758)**	**220 455**
Cash flows from investing activities			
Increase of interests in subsidiaries	-	-	(50)
Net cash flows from investing activities	**-**	**-**	**(50)**
Cash flows from financing activities			
Repayment of leasing liabilities	(19)	(34)	(180)
Repayment of borrowing liabilities	-	-	(48 235)
Interest paid	(990)	(453)	(3 384)
Dividend received	1 573	-	57 416
Dividend paid	-	-	(27 715)
Net cash flows from financing activities	**565**	**(487)**	**(22 099)**
Change in cash and cash equivalents	(42 751)	(7 245)	198 306
Cash and cash equivalents at the beginning of the period	213 272	14 966	14 966
Cash and cash equivalents at the end of the period	**170 521**	**7 721**	**213 272**

Abbreviated consolidated statement of changes in equity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total equity
As at 01 January 2023	69 288	427 502	1 463	106 725	171 993	776 969
FX differences on translation	-	-	140	-	-	140
Net profit/(loss) for the period	-	-	-	-	958	958
Other total comprehensive income for the period	-	-	-	(1 313)	-	(1 313)
Total comprehensive income for the period	-	-	140	(1 313)	958	(215)
As at 31 March 2023 (unaudited)	69 288	427 502	1 602	105 412	172 951	776 754

	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
FX differences on translation	-	-	(46)	-	-	(46)
Net profit for the period	-	-	-	-	(2 196)	(2 196)
Other total comprehensive income	-	-	-	3 040	-	3 040
Total comprehensive income for the period	-	-	(46)	3 040	(2 196)	798
As at 31 March 2022 (unaudited)	69 288	427 502	710	127 540	(47 182)	577 857

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total equity
As at 01 January 2022	69 288	427 502	756	124 500	(44 986)	577 059
Net profit for the period	-	-	-	-	222 906	222 906
Other total comprehensive income for the period	-	-	707	4 012	-	4 718
Total comprehensive income for the period	-	-	707	4 012	222 906	227 625
Dividend distribution	-	-	-	(21 787)	(5 928)	(27 715)
As at 31 December 2022 (audited)	69 288	427 502	1 463	106 725	171 993	776 969

Additional explanatory notes

1. General information

The Arctic Paper Group is a paper and pulp producer. We offer bulky book paper and a wide range of products in this segment, as well as high-quality graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. As at 31 March 2023, the Arctic Paper Group employs over 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our Paper Mills are located in Poland and in Sweden. Pulp Mills are located in Sweden. As at 31 March 2023, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 3 months of 2023 amounted to PLN 1,032 million.

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

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

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

The Quarterly Abbreviated Consolidated Financial Statements of the Company comprise income statement, statement of comprehensive income, cash flow statement and statement of changes in equity for the period of the first three months ended on 31 March 2023 and include comparative data for the period of first three months ended on 31 March 2022 as well as for the twelve month period ended on 31 December 2022.

The Quarterly Abbreviated Consolidated Financial Statements of the Company comprise also a statement of financial position as at 31 March 2023 and include comparative data as on 31 December 2022 and 31 March 2022.

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 31 March 2023) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600.000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 31 March 2023 was 68.13% and has not changed until the date hereof.

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

2. Composition of the Group

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

Unit	Registered office	Business activity	Group's interest in the equity of the subsidiary entities as at		
			09 May 2023	31 March 2023	31 December 2022
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, formerly paper production	99,74%	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, HQ Olympiades France, 30 rue du CHÂTEAU DES RENTIERS, 75013 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%
Arctic Power Sp.z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of energy	100%	100%	100%

Unit	Registered office	Business activity	Group's interest in the equity of the subsidiary entities as at		
			09 May 2023	31 March 2023	31 December 2022
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	76%	76%	100%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51,27%	51,27%	51,27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-operating company	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%	51,27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Latvia, Kuldiga	Procurement bureau	51,27%	51,27%	51,27%

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

Change in the Group's share in Kostrzyn Packaging Sp. z o. o. results from the joint-venture agreement signed in February 2023 between Arctic Paper and Rottneros AB.

As at 31 March 2023, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

3. Management and supervisory bodies

3.1. Management Board of the Parent Entity

As at 31 March 2023, the Parent Entity's Management Board was composed of:

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

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

3.2. Supervisory Board of the Parent Entity

As at 31 March 2023, the Parent Entity's Supervisory Board was composed of:

— Per Lundeen – Chairman of the Supervisory Board appointed on 22 September 2016 (appointed to the Supervisory Board on 14 September 2016);
— Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 22 September 2016 (appointed as a Member of the Supervisory Board on 14 September 2014);
— Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
— Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021 (independent member);
— Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021 (independent member).

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

3.3. Audit Committee of the Parent Entity

As at 31 March 2023, the Parent Entity's Audit Committee was composed of:

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

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

4. Approval of the financial statements

These Abbreviated Consolidated Financial Statements were approved for publication by the Management Board on 09 May 2023.

5. Basis of preparation of the consolidated financial statements

These abbreviated consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU ("EU IFRS"), in particular International Accounting Standard 34. These Abbreviated Consolidated Financial Statements are presented in the Polish Zloty ("PLN"), and all values, unless indicated otherwise, are stated in PLN '000.

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

The Abbreviated Consolidated Financial Statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31 December 2022.

In connection with the term and revolving loan agreements, signed on 2 April 2021, the Group agreed to maintain specified financial ratios that are calculated at the end of each quarter. As at 31 March 2023, the Group complied with the financial ratios required under the above loan agreement concluded with a consortium of financing banks (Santander Bank S.A., Bank BNP Paribas S.A. and the European Bank for Reconstruction and Development).

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 2022, except for those presented below.

a) IFRS 17 “Insurance contracts” and amendments to IFRS 17

IFRS 17 “Insurance Contracts” was issued by the International Accounting Standards Board on 18 May 2017, while the amendments to IFRS 17 were published on 25 June 2020. The new standard is effective for annual periods beginning on or after 1 January 2023.
IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows for a variety of practices in accounting for insurance contracts. The new standard will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies only, and contracts entered into by entities other than insurance companies may also contain an element that meets the definition of an insurance contract (as defined in IFRS 17).

b) Amendments to IAS 1 “Presentation of Financial Statements” and the IFRS Board’s guidance on disclosure of accounting policies in practice

The amendment to IAS 1 introduces the requirement to disclose material information about accounting policies as defined in the standard. The amendment clarifies that information on accounting policies is material if, in its absence, users of the financial statements would not be able to understand other material information contained in the financial statements. In addition, the Board’s guidance on the application of the concept of materiality in practice has also been revised to provide guidance on the application of the concept of materiality to accounting policy disclosures. The change is effective from 1 January 2023.

c) Amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors”:

In 2021 the Board published an amendment to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” regarding the definition of estimates. The amendment to IAS 8 clarifies how entities should distinguish between changes in accounting policies and changes in accounting estimates. The change is effective from 1 January 2023.

d) Amendments to IAS 12 “Income Taxes”

The amendments to IAS 12 clarify how to account for deferred tax on transactions such as leases and retirement obligations. Prior to the amendment to the standard, there was ambiguity as to whether the recognition of equal amounts of an asset and a liability for accounting purposes (e.g. the initial recognition of a lease) with no impact on current tax settlements necessitates the recognition of deferred tax balances or whether the so-called initial recognition exemption applies, which states that deferred tax balances are not recognised if the recognition of an asset or liability has no impact on the accounting or tax outcome at the time of that recognition. Revised IAS 12 addresses this issue by requiring deferred tax to be recognised in the above situation by additionally stating that the exemption from initial recognition does not apply if an entity simultaneously recognises an asset and an equivalent liability and each creates temporary differences.

The amendment is effective for financial statements for periods beginning on or after 1 January 2023.

The Group did not decide to adopt earlier any other standards, interpretations or amendments that were issued but are not yet effective for periods commencing on 1 January 2023.

6.1. Published standards and interpretations not yet in force and not previously applied by the Group

In these consolidated financial statements, the Group has not decided to early apply the following published standards, interpretations or amendments to existing standards before their effective date:

e) Amendment to IFRS 17 “Insurance Contracts”

The amendment relates to the transitional requirements in connection with the first-time application of IFRS 17 “Insurance Contracts” and IFRS 9 “Financial Instruments”. The purpose of the amendment is to ensure the usefulness of financial information for investors in the period of initial application of the new standard by introducing certain simplifications with regard to the presentation of comparative information.

The amendment relates only to the application of the new IFRS 17 standard and does not affect any other requirements in IFRS 17.

f) Amendment to IFRS 16 “Leases”

In September 2022. The Board amended IFRS 16 “Leases” by supplementing the requirements for the subsequent measurement of the lease obligation for sale and leaseback transactions, where the criteria of IFRS 15 are met and the transaction should be accounted for as a sale.

The change requires the seller-lessee to subsequently measure the lease liabilities resulting from the leaseback in such a way as not to recognize a gain or loss related to the retained right of use. The new requirement is particularly relevant where sale-leasebacks include variable lease payments that do not depend on an index or rate, as these payments are excluded from “lease payments” under IFRS 16. The revised standard includes a new example that illustrates the application of the new requirement in this respect. The amendment is effective from 1 January 2024. At the date of these consolidated financial statements, the amendment has not yet been approved by the European Union.

g) Amendments to IAS 1 “Presentation of Financial Statements”

In 2020, the Council published amendments to IAS 1, which clarify the presentation of liabilities as long-term and short-term. In October 2022, the Council issued further amendments to the IAS 1 standard, which address the issue of classifying liabilities as long-term and short-term, in relation to which the entity is obliged to meet certain contractual requirements, the so-called covenants. The amended IAS 1 provides that liabilities are classified as short-term or long-term depending on the rights existing at the end of the reporting period. Neither the entity’s expectations nor events after the reporting date (for example, waiver or breach of covenant) affect the classification.

The published amendments are effective for financial statements for periods beginning on or after 1 January 2024.

At the date of these consolidated financial statements, these amendments have not yet been approved by the European Union.

h) IFRS 14 “Regulatory accruals”

This standard allows entities that prepare their financial statements in accordance with IFRS for the first time (on or after 1 January 2016) to recognise amounts arising from price-regulated activities in accordance with existing accounting policies. To improve comparability, with entities that already apply IFRS and do not report such amounts, under published IFRS 14, amounts arising from regulated price activities should be presented as a separate line item in both the statement of financial position and the income statement and statement of other comprehensive income.

By a decision of the European Union, IFRS 14 will not be endorsed.

i) Amendments to IFRS 10 and IAS 28 on the sale or contribution of assets between an investor and its associates or joint ventures

The amendments resolve the current inconsistency between IFRS 10 and IAS 28. The accounting treatment depends on whether the non-monetary assets sold or contributed to the associate or joint venture constitute a “business”.

Where non-monetary assets constitute a “business”, the investor shows a full profit or loss on the transaction. If, on the other hand, the assets do not meet the definition of a business, the investor only recognises a gain or loss to the extent of the portion representing the interests of other investors.

The amendments were published on 11 September 2014. At the date of these consolidated financial statements, approval of this amendment is deferred by the European Union.

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

6.2. Foreign currency translation

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

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

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

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

The following exchange rates were used for book valuation purposes:

	As at 31 March 2023	As at 31 December 2022
USD	4,2934	4,4018
EUR	4,6755	4,6899
SEK	0,4152	0,4213
DKK	0,6277	0,6307
NOK	0,4117	0,4461
GBP	5,3107	5,2957
CHF	4,6856	4,7679

Mean FX rates for the reporting periods are as follows:

	01,01 – 31,03,2021	01,01 – 31,03,2022
USD	4,3880	4,1260
EUR	4,7100	4,6259
SEK	0,4206	0,4412
DKK	0,6328	0,6217
NOK	0,4290	0,4663
GBP	5,3334	5,5311
CHF	4,7465	4,4649

7. Seasonality

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

8. Operational segments

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

The paper production business is presented as the "Uncoated" and "Coated" segments and includes the financial results of, among others, three Paper Mills:

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

The cellulose business is presented as the "Cellulose" segment and includes, among others, two cellulose plants:

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

The Group identifies the following business segments:

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

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

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

— Demand for products and their supply as well as the prices of products sold in the market are affected by operational factors characteristic for each segment, such as e.g. the production capacity level in the specific paper and pulp segment,
— The key operating parameters such as inflow of orders or the level of production costs are determined by the factors that are similar for each paper and pulp segment,
— The products manufactured at the Paper Mills operated by the Group may (with certain restrictions) be allocated to production in other entities within the same paper segment which to a certain extent distorts the financial results generated by each Paper Mill,
— The results of the Arctic Paper Group are under the pressure of global market trends with respect to the prices of paper and pulp, and to a lesser extent are subject to the specific conditions of the production entities.

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

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

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities, split by segments of the Group for the period of 3 months ended on 31 March 2023 and as at 31 March 2023.

3-month period ended on 31 March 2023 and as at 31 March 2023

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	490 525	231 759	309 932	1 032 216	-	1 032 216
Sales between segments	-	283	2 966	3 248	(3 248)	-
Total segment revenues	490 525	232 042	312 897	1 035 464	(3 248)	1 032 216
Result of the segment						
EBITDA	72 955	40 429	75 280	188 664	(3 130)	185 535
Depreciation/amortisation	(17 616)	(2 716)	(9 515)	(29 846)	(52)	(29 898)
Operating profit/(loss)	55 339	37 713	65 766	158 818	(3 182)	155 636
Interest income	109	657	1 262	2 027	587	2 615
Interest expense	(905)	(290)	(841)	(2 035)	(611)	(2 646)
FX gains and other financial income	-	1 038	-	1 038	(765)	274
FX losses and other financial expenses	(402)	-	(1 262)	(1 663)	276	(1 388)
Gross profit	54 142	39 118	64 925	158 185	(3 695)	154 490
Assets of the segment	1 415 365	476 364	1 355 368	3 242 529	(118 077)	3 124 452
Liabilities of the segment	573 987	251 926	350 844	1 172 189	(214 697)	957 492
Capital expenditures	(22 665)	(2 250)	(13 797)	(35 347)	2 835	(32 512)
Joint ventures	4 231	-	-	4 231	-	4 231

— Revenues from inter-segment transactions are eliminated on consolidation.
— Segment results do not include financial income (PLN 2.888 thousand of which PLN 2.615 thousand is interest income) and financial expenses (PLN 4,034 thousand of which PLN 2,646 thousand is interest expense), depreciation/amortisation (PLN 29,898 thousand) as well as income tax cost (PLN 22,826 thousand).
— Segment assets do not include deferred tax (PLN 6,481 thousand) because this item is managed at Group level and interests in joint ventures (PLN 4,231 thousand). Segment liabilities do not include deferred tax (PLN 145,316 thousand) as this item is managed at Group level.

,The table below presents data concerning revenues and profit as well as certain assets and liabilities, split by segments of the Group for the period of 3 months ended on 31 March 2022 and as at 31 March 2022.

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

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	571 249	248 310	291 199	1 110 758	-	1 110 758
Sales between segments	-	964	-	964	(964)	-
Total segment revenues	571 249	249 273	291 199	1 111 721	(964)	1 110 758
Result of the segment						
EBITDA	86 445	44 907	75 447	206 799	(1 074)	205 725
Depreciation/amortisation	(17 009)	(2 586)	(9 982)	(29 577)	(66)	(29 643)
Operating profit/(loss)	69 436	42 321	65 465	177 222	(1 140)	176 082
Interest income	131	28	-	158	22	180
Interest expense	(538)	(712)	(441)	(1 691)	(417)	(2 108)
FX gains and other financial income	519	142	1 324	1 984	(1 985)	(0)
FX losses and other financial expenses	(1 390)	(1 779)	-	(3 169)	1 035	(2 134)
Gross profit	68 158	39 999	66 348	174 505	(2 485)	172 020
Assets of the segment	1 198 051	427 030	1 115 582	2 740 663	(134 674)	2 605 989
Liabilities of the segment	621 758	374 152	273 843	1 269 754	(211 054)	1 058 699
Capital expenditures	(24 621)	(2 515)	(13 366)	(40 502)	-	(40 502)
Joint ventures	2 951	-	-	2 951	-	2 951

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

The table below presents data concerning revenues and profit as well as certain assets and liabilities, split by segments of the Group for the period of 12 months ended on 31 December 2022 and as at 31 December 2022.

12-month period ended on 31 December 2022 and as at 31 December 2022

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
Revenues						
Sales to external customers	2 495 842	1 083 960	1 314 473	4 894 276	-	4 894 276
Sales between segments	(21)	2 398	-	2 377	(2 377)	-
Total segment revenues	2 495 821	1 086 358	1 314 473	4 896 653	(2 377)	4 894 276
Result of the segment						
EBITDA	479 412	217 640	288 478	985 530	(11 557)	973 973
Depreciation/amortisation	(69 217)	(10 604)	(50 945)	(130 766)	(228)	(130 994)
Operating profit/(loss)	410 195	207 036	237 534	854 764	(11 785)	842 979
Interest income	1 194	497	1 764	3 455	(588)	2 867
Interest expense	(2 383)	(2 326)	(2 205)	(6 914)	269	(6 646)
FX gains and other financial income	2 550	567	89 102	92 218	(2 318)	89 900
FX losses and other financial expenses	361	(571)	-	(210)	(1 313)	(1 523)
Gross profit/(loss)	411 917	205 202	326 194	943 314	(15 736)	927 577
Assets of the segment	1 464 156	464 264	1 414 303	3 342 723	(97 697)	3 245 026
Liabilities of the segment	625 292	248 415	348 415	1 222 122	(197 570)	1 024 552
Capital expenditures	(82 504)	(17 426)	(54 815)	(154 745)	(134)	(154 879)
Joint ventures	4 264	-	-	4 264	-	4 264

— Income from intercompany transactions is eliminated on consolidation.
— Segment results do not include financial income (PLN 92.767 thousand of which PLN 2.867 thousand is interest income) and financial expenses (PLN 8,169 thousand of which PLN 6,646 thousand is interest expense), depreciation/amortisation (PLN 130,994 thousand) as well as income tax cost (PLN 170,755 thousand).
— Segment assets do not include deferred tax (PLN 5,196 thousand) because this item is managed at Group level and interests in joint ventures (PLN 4,264 thousand). Segment liabilities do not include deferred tax (PLN 177,750 thousand) as this item is managed at Group level.

9. 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.

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 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).

In 2022, the Company paid a total dividend of PLN 27,715,113.20, i.e. PLN 0.40 gross per share.

On 15 February 2023, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Group for 2022, 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 2022, in the total amount of PLN 187,077,014.10, i.e. PLN 2.70 gross per share. The Management Board's recommendation will be reviewed by the Supervisory Board and will be submitted to the General Meeting for resolution. The final decision on the distribution of the Company's 2022 profit and the payment of the dividend will be taken by the Annual General Meeting.

10. Earnings per share

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

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

	3-month period ended on 31 March 2023 (unaudited)	3-month period ended on 31 March 2022 (unaudited)	Year ended on 31 December 2022
Net profit/(loss) period from continuing operations attributable to the shareholders of the Parent Entity	107 868	120 681	631 001
Net profit/(loss) attributable to the shareholders of the Parent Entity	107 868	120 681	631 001
Total number of shares	69 287 783	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783
Profit/(loss) per share (in PLN)			
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	1,56	1,74	9,11
Diluted profit/(loss) per share (in PLN)			
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	1,56	1,74	9,11

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

In the period covered by this report, the Group made partial repayments of its loan debt with Danske Bank in the total amount of PLN 2,944 thousand and Nordea Bank Abp in the amount of PLN 1,262 thousand.

The other changes in loans at 31 March 2023 compared to 31 December 2022 are mainly due to changes in the balance sheet valuation and payment of interest accrued at 31 December 2022 and paid during Q1 2023.

12. Share capital

There were no changes in share capital as at 31 March 2023 compared to 31 December 2022.

13. Financial instruments

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

At 31 March 2023, the Company held the following financial instruments: cash on hand and in bank accounts, term deposits, loans, receivables, payables, including leases, and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

13.1. Hedge accounting

In order to mitigate the volatility of future energy prices, the Paper Mills and Pulp Mills in Sweden apply forward contracts for the purchase of electricity. Rottneros Group companies, in order to mitigate the volatility of future inflows from pulp sales, enter into forward contracts for pulp sales. Arctic Paper S.A., in order to mitigate the volatility of future interest costs on loans, has concluded interest rate SWAP contracts.

As at 31 March 2023, the Group's cash flows were hedged with a forward contract for purchase of electricity, a forward contract for sale of pulp, an interest rate SWAP.

Hedge accounting of cash flows from sales of pulp

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

Type of hedge	Cash flow hedge related to sales of pulp
Hedged position	The hedged position is a part of highly likely future cash inflows for pulp sales
Hedging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK
Contract parameters:	
Contract conclusion date	2022
Maturity date:	depending on the contract; until 31.12.2023
Hedged quantity of pulp	13,500 tonnes
Term price	SEK 13,302 /tonne

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

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

Type of hedge	Cash flow hedge related to planned purchases of electricity
Hedged position	The hedged position is a part of highly likely future cash flows for electricity purchases
Hedging instruments	Forward contract for the purchase of electricity at Nord Pool Exchange
Contract parameters:	
Contract conclusion date	depending on the contract; from 2018
Maturity date:	depending on the contract; until 31.12.2028
Hedged quantity of electricity	950,551 MWh
Term price	from 25.30 to 37.40 EUR/MWh

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

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

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate

Currency	Date	Loan amount PLN as of 31.03.2023
EUR	2021-04-02 – 2026-04-02	20 809 638
EUR	2021-04-02 – 2026-04-02	15 684 890
EUR	2021-04-02 – 2026-04-02	15 684 890
		52 179 419
PLN	2021-04-02 – 2026-04-02	20 176 562
PLN	2021-04-02 – 2026-04-02	15 210 725
PLN	2021-04-02 – 2026-04-02	15 210 725
		50 598 012
The total value of loans is secured with an interest rate swap		**133 912 010**

The table below shows the fair value of derivative hedging instruments in cash flow hedge accounting and fair value as at 31 March 2023 and comparatives:

	As at 31 March 2023		As at 31 December 2022	
	Assets	Equity and liabilities	Assets	Equity and liabilities
Forward on pulp sales	5 102	-	2 528	-
SWAP	6 832	-	8 144	-
Forward for electricity	184 660	-	302 033	-
Total hedging derivative instruments	**196 594**	**-**	**312 705**	**-**

14. Contingent liabilities and contingent assets

As at 31 March 2023, the Capital Group reported:

— a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 61 thousand).

15. Legal claims

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

16. Material events after the balance sheet date

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

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	09 May 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	09 May 2023	signed with a qualified electronic signature

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