

# **ARCTIC PAPER CAPITAL GROUP**

Consolidated semi-annual report  
for 6 months ended on 30 June 2023  
along with an independent auditor's report from a review

Translator's Explanatory Note: the following document is a free translation of the report of the above-mentioned Company. In the event of any discrepancy in interpreting the terminology in Polish version is binding.

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# Introduction

## Information on the report

This Interim Consolidated Quarterly Report for 6 months ended on 30 June 2023 was prepared in accordance with the Regulation of the Minister of Finance of 29 March 2018 on current and periodic information provided by issuers of securities and on conditions under which information required by legal regulations of a third country may be recognised as equivalent (Journal of Laws of 2018, item 757) and a part of the interim abbreviated consolidated financial statements in accordance with International Accounting Standard No. 34.

The Interim Abbreviated Consolidated Financial Statements do not comprise all information and disclosures required in the Annual Consolidated Financial Statements which are subject to mandatory audit and therefore they should be read in conjunction with the Consolidated Financial Statements of the Group for the year ended 31 December 2022. The data for the periods of 3 months ended on 30 June 2023 and on 30 June 2022, disclosed in the interim abbreviated consolidated and standalone financial statements was not reviewed or audited by statutory auditor.

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

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

## Definitions and abbreviations

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

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 profit/(loss) on sales to sales revenues from continuing operations
EBIT	Profit on continuing operating activities (Earnings Before Interest and Taxes)
EBIT profitability, operating profitability, operating profit margin	Ratio of operating profit/(loss) to sales 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 short-term 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.

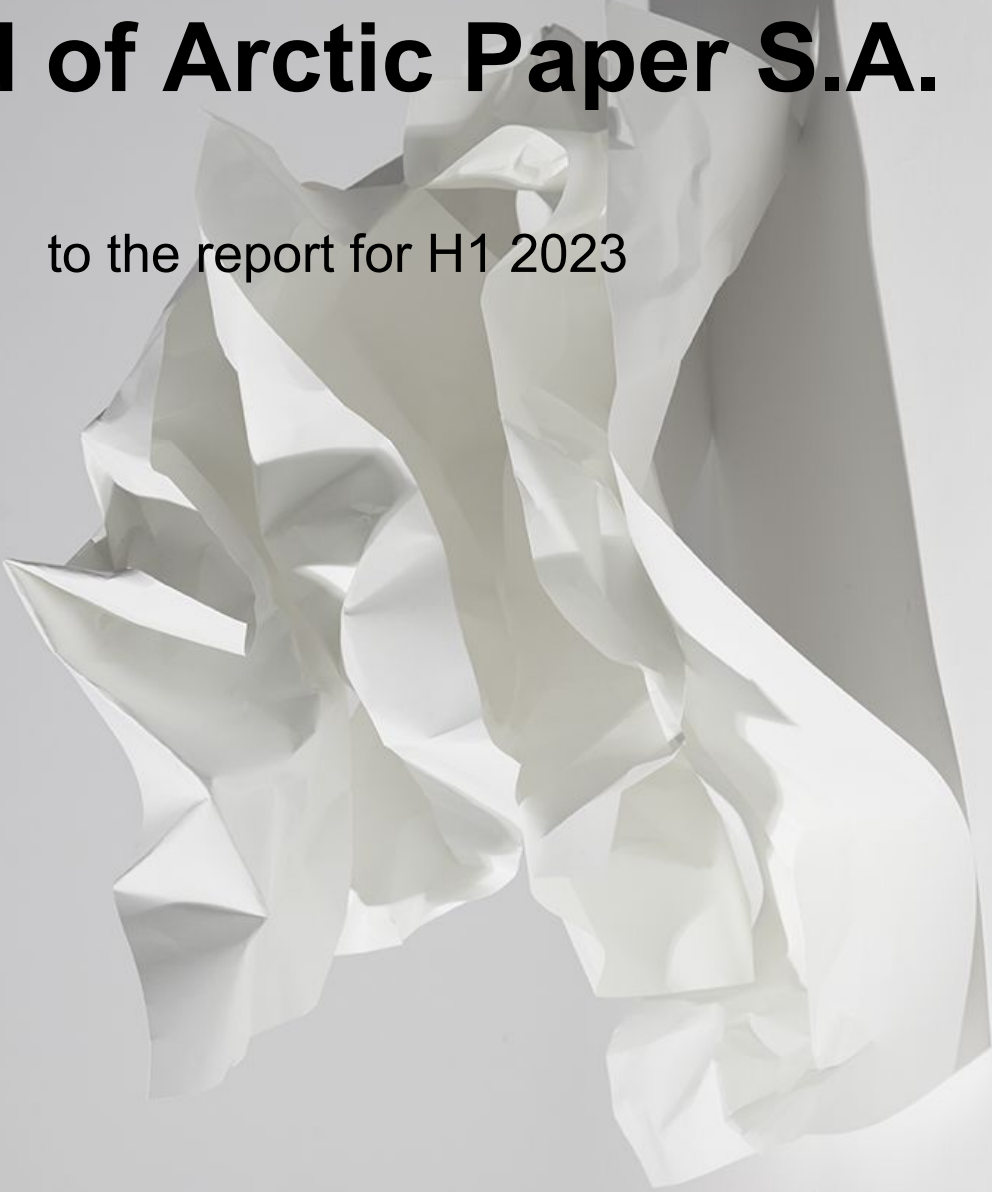
### **Forward looking statements relating to risk factors**

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

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

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

to the report for H1 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-grade graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. In connection with acquisition of the Rottneros Group in December 2012, the Group's assortment was expanded with the production of pulp. As at 30 June 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 30 June 2023, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for H1 2023 amounted to PLN 1,868 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 wood-free paper, uncoated wood-free 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

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

In H1 2023, no other changes in the capital structure of the Arctic Paper Group occurred.

## Shareholding structure

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 report for Q1 2023, 09 May 2023.

as at 10.08.2023

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

## Summary of the consolidated financial results

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

<i>EUR '000</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Change % Q2 2023/ Q1 2023	Change % Q2 2023/ Q2 2022	Change % H1 2023/ H1 2022
Continuing operations								
<b>Sales revenues</b>	<b>836 243</b>	<b>1 032 216</b>	<b>1 296 279</b>	<b>1 868 459</b>	<b>2 407 037</b>	<b>(19,0)</b>	<b>(35,5)</b>	<b>(22,4)</b>
<i>of which:</i>								
<i>Sales of paper</i>	<i>566 667</i>	<i>722 284</i>	<i>948 565</i>	<i>1 288 952</i>	<i>1 768 123</i>	<i>(21,5)</i>	<i>(40,3)</i>	<i>(27,1)</i>
<i>Sales of pulp</i>	<i>269 576</i>	<i>309 932</i>	<i>347 714</i>	<i>579 507</i>	<i>638 913</i>	<i>(13,0)</i>	<i>(22,5)</i>	<i>(9,3)</i>
Profit on sales	141 633	269 352	455 106	410 985	755 723	(47,4)	(68,9)	(45,6)
<b>EBIT</b>	<b>39 324</b>	<b>155 636</b>	<b>298 058</b>	<b>194 960</b>	<b>474 140</b>	<b>(74,7)</b>	<b>(86,8)</b>	<b>(58,9)</b>
<b>EBITDA</b>	<b>68 932</b>	<b>185 535</b>	<b>330 061</b>	<b>254 466</b>	<b>535 786</b>	<b>(62,8)</b>	<b>(79,1)</b>	<b>(52,5)</b>
<b>Net profit/(loss)</b>	<b>46 889</b>	<b>131 665</b>	<b>254 094</b>	<b>178 554</b>	<b>400 458</b>	<b>(64,4)</b>	<b>(81,5)</b>	<b>(55,4)</b>
<i>% of sales revenues</i>	<i>5,61</i>	<i>12,76</i>	<i>19,60</i>	<i>9,56</i>	<i>16,64</i>	<i>(7,1) p.p.</i>	<i>(14,0) p.p.</i>	<i>(7,1) p.p.</i>
Net profit/(loss) for the reporting period attributable to the shareholders of the Parent Entity	39 758	107 868	215 868	147 626	336 549	(63,1)	(81,6)	(56,1)
Sales volume (in thousand tonnes)								
paper	97	113	165	210	332	(14)	(41)	(37)
pulp	82	87	106	169	206	(6)	(23)	(18)

### Comments of the President of the Management Board Michał Jarczyński on the results of H1 2023

The second quarter of 2023 was a challenging period as demand weakened compared to the record quarter last year, which was one of the best in the history of the Group. In line with the general market, Arctic Paper's revenues decreased by 36 percent to PLN 836.2 million (1 296.3 million). Our short-term focus on margins instead of volumes was effective, and EBITDA reached PLN 68.9 million (330.1 million) with a corresponding EBITDA margin of 8.2 percent. Arctic Paper's financial position remains rock solid with a net debt/EBITDA-ratio of -0.19 (-0.02). The strong balance sheet is a good point of departure as we now proceed with new investments in line with our long-term strategy to diversify in energy and packaging.

For the paper segment, revenues amounted to PLN 566.7 million (948.6 million) as customers in all segments and all markets continued to reduce their inventories, while the general economic activity also was lower than the corresponding period last year. EBITDA reached PLN 47.6 million (227.2 million). As a result of our adaptive focus on margins, our income per tonne remained at PLN 5 850 (5 740) while production capacity usage reached 55 percent for the period (99).

The pulp segment – Rottneros – decreased its revenue to SEK 681 million (784) with an EBITDA of SEK 71 million (253), driven by a challenging pulp market and further price declines, while the strong USD benefitted the margins. During the quarter, reductions and efficiency improvements were implemented to increase competitiveness. A long-term agreement to secure renewable energy was signed.

The joint venture investment with Rottneros in a new production facility for molded fiber trays in Kostrzyn is progressing as planned with the aim of being operational during the first quarter of 2024. The interest for molded fibre packaging as a sustainable choice was amplified when exhibited at Interpack in Düsseldorf.

We continue to focus on expanding our energy segment as an important step towards climate neutrality and as an alternative future revenue stream. After the end of the period, we have decided to invest SEK 286 million in an upgrade of the biofuel boiler and steam turbine in Grycksbo. First and foremost, the investment will increase both the energy output and the flexibility; secondly it will add the production of up to 100 000 tonnes of wood pellets per year. A contract was signed for the

construction of a 16 MW solar farm in Kostrzyn. In addition, a 1.2 MW installation will be built on the roof of the mill in Kostrzyn.

In an environment of inflation and recession in Europe, recovery of graphical and packaging markets may take time. We are prepared to meet a situation where demand remain low, and we will continue to focus on our margins and adapt accordingly. The volatility of the pulp and paper markets serves as a reminder of the importance of our long-term strategic plan to diversify into energy and packaging, while maintaining our strong positions in the pulp and paper markets. We are working intensively to develop future growth opportunities in line with the 4P strategy.

## Revenues

The decrease in revenues from paper and pulp sales for both Q2 2023 compared to Q2 2022 and for H1 2023 compared to H1 2022 is primarily due to a decrease in paper and pulp sales volumes.

## Profit on sales, EBIT, EBITDA, net profit

The decrease in profit on sales, EBIT, EBITDA and net profit in both Q2 2023 compared to Q2 2022 and for H1 2023 compared to H1 2022 is due to the decrease in paper and pulp sales as well as fixed costs, which did not decrease in line with the decrease in sales.

## Profitability analysis

<i>EUR '000</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Change % Q2 2023/ Q1 2023	Change % Q2 2023/ Q2 2022	Change % H1 2023/ H1 2022
Profit/(loss) on sales	141 633	269 352	455 106	410 985	755 723	(47,4)	(68,9)	(45,6)
<i>% of sales revenues</i>	16,94	26,09	35,11	22,00	31,40	(9,2) p.p.	(18,2) p.p.	(9,4) p.p.
<b>EBITDA</b>	<b>68 932</b>	<b>185 535</b>	<b>330 061</b>	<b>254 466</b>	<b>535 786</b>	<b>(62,8)</b>	<b>(79,1)</b>	<b>(52,5)</b>
<i>% of sales revenues</i>	8,24	17,97	25,46	13,62	22,26	(9,7) p.p.	(17,2) p.p.	(8,6) p.p.
<b>EBIT</b>	<b>39 324</b>	<b>155 636</b>	<b>298 058</b>	<b>194 960</b>	<b>474 140</b>	<b>(74,7)</b>	<b>(86,8)</b>	<b>(58,9)</b>
<i>% of sales revenues</i>	4,70	15,08	22,99	10,43	19,70	(10,4) p.p.	(18,3) p.p.	(9,3) p.p.
<b>Net profit/(loss)</b>	<b>46 889</b>	<b>131 665</b>	<b>254 094</b>	<b>178 554</b>	<b>400 458</b>	<b>(64,4)</b>	<b>(81,5)</b>	<b>(55,4)</b>
<i>% of sales revenues</i>	5,61	12,76	19,60	9,56	16,64	(7,1) p.p.	(14,0) p.p.	(7,1) p.p.
Return on equity / ROE (%)	2,7	6,5	13,8	10,4	21,8	(3,8) p.p.	(11,1) p.p.	(11,4) p.p.
Return on assets / ROA (%)	1,8	4,2	8,2	6,9	12,9	(2,4) p.p.	(6,4) p.p.	(6,0) p.p.

Lower return on equity and return on assets ratios were due primarily to the lower net profit generated in H1 2023 versus the equivalent period last year.

## Selected items of the consolidated statement of financial position

<i>EUR '000</i>	30 June 2023	31 December 2022	30 June 2022	Change 30.06.2023 -31.12.2022	Change 30.06.2023 -30.06.2022
Fixed assets	1 234 406	1 371 867	1 518 773	(137 461)	(284 367)
Current assets	1 364 796	1 882 618	1 594 471	(517 821)	(229 674)
<b>Total assets</b>	<b>2 599 202</b>	<b>3 254 485</b>	<b>3 113 244</b>	<b>(655 282)</b>	<b>(514 041)</b>
Equity	1 724 002	2 052 182	1 841 133	(328 180)	(117 131)
Short-term liabilities	575 107	806 906	792 825	(231 799)	(217 719)
Long-term liabilities	300 094	395 397	479 285	(95 303)	(179 192)
<b>Total equity and liabilities</b>	<b>2 599 202</b>	<b>3 254 485</b>	<b>3 113 244</b>	<b>(655 282)</b>	<b>(514 041)</b>

### Fixed assets

The decrease in fixed assets at the end of June 2023 compared to the end of the previous year is mainly due to a decrease in tangible fixed assets and other financial assets. The decrease in tangible fixed assets is mainly the result of their lower valuation in PLN as the presentation currency. The decrease in other financial assets is mainly the result of a decrease in the positive valuation of derivatives, mainly energy forwards.

### Current assets

The decrease in current assets at the end of June 2023 compared to the end of the previous year is mainly due to a decrease in inventories, trade and other receivables, other financial assets and cash. The decrease in inventories and trade and other receivables is a result of the decline in paper and pulp sales orders. The decrease in other financial assets is mainly the result of a decrease in the positive valuation of derivatives, mainly energy forwards. The decrease in cash is due to dividend payments to both AP SA Shareholders and non-controlling Shareholders.

### Equity

The decrease in equity at the end of June 2023 compared to the end of the previous year is mainly due to a decrease in the valuation of subsidiaries with a functional currency other than PLN recognised in other comprehensive income, a decrease in the positive valuation of financial instruments treated as hedges of future cash flows and the approval of a dividend to AP SA Shareholders and to non-controlling Shareholders paid by Rottneros AB.

### Short-term liabilities

The decrease in short-term liabilities at the end of June 2023 compared to the end of the previous year is mainly due to a decrease in trade and other payables and employee liabilities. The decrease in trade and other payables is the result of lower purchases for paper and pulp production. The decrease in employee liabilities is due to the decrease in salary and bonus liabilities on 30 June 2023 (higher value of provisions on 31 December 2022) and the payment of tax on the repaid provision for pensions and similar benefits.

### Long-term liabilities

The decrease in long-term liabilities at the end of June 2023 compared to the end of the previous year is mainly due to a decrease in deferred tax liabilities and loans due to their reclassification to the current portion. The decrease in the deferred tax liability is primarily the result of a lower positive valuation of derivatives.

## Debt analysis

	Q2 2023	Q1 2023	Q2 2022	Change % Q2 2023/ Q1 2023	Change % Q2 2023/ Q2 2022
Debt to equity ratio (%)	50,8	54,3	69,1	(3,5) p.p.	(18,3) p.p.
Equity to fixed assets ratio (%)	139,7	155,3	121,2	(15,6) p.p.	18,4 p.p.
Interest-bearing debt-to-equity ratio (%)	10,0	9,9	13,1	0,2 p.p.	(3,1) p.p.
Net debt to EBITDA ratio for the last 12 months (x)	(0,2)x	(0,3)x	(0,0)x	0,1	(0,2)
EBITDA to interest expense ratio for the last 12 months (x)	124,1x	132,8x	52,0x	(8,7)	72,1

The decrease in the debt-to-equity ratio in Q2 2023 is the result of a higher rate of decline in liabilities than in equity. The decrease in the equity to fixed assets ratio in Q2 2023 is the result of a higher rate of decline in equity than in fixed assets.

The decrease in the ratio of interest expense to EBITDA for the 12 months ended 30 June 2023 is a result of the decrease in EBITDA.

## Liquidity analysis

	Q2 2023	Q1 2023	Q2 2022	Change % Q2 2023/ Q1 2023	Change % Q2 2023/ Q2 2022
<b>Current ratio</b>	<b>2,4x</b>	<b>2,5x</b>	<b>2,0x</b>	<b>0,2</b>	<b>0,4</b>
<b>Quick ratio</b>	<b>1,4x</b>	<b>1,6x</b>	<b>1,4x</b>	<b>(0,1)</b>	<b>0,0</b>
<b>Cash solvency ratio</b>	<b>0,5x</b>	<b>0,6x</b>	<b>0,3x</b>	<b>(0,1)</b>	<b>0,2</b>
DSI (days)	68,6	74,9	51,2	(6,3)	(5,1)
DSO (days)	43,4	46,0	45,2	(0,1)	(1,7)
DPO (days)	45,5	59,9	63,2	(14,4)	(17,7)
Operating cycle (days)	112,0	120,8	96,4	2,8	(4,0)
<b>Cash conversion cycle (days)</b>	<b>66,5</b>	<b>60,9</b>	<b>33,2</b>	<b>5,5</b>	<b>33,3</b>

The lengthening of the cash conversion cycle in Q2 2023 is the result of a shortening of the liabilities turnover in days.

## Selected items of the consolidated cash flow statement

<i>PLN '000</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Change % Q2 2023/ Q1 2023	Change % Q2 2023/ Q2 2022	Change % H1 2023/ H1 2022
Cash flows from operating activities	99 473	45 242	218 299	144 715	236 248	119,9	(54,4)	(38,7)
Cash flows from investing activities	19 674	(56 625)	(34 938)	(36 951)	(75 440)	(134,7)	(156,3)	(51,0)
Cash flows from financing activities	(251 290)	(7 577)	(63 286)	(258 867)	(70 848)	3 216,5	297,1	265,4
<b>Total cash flows</b>	<b>(132 142)</b>	<b>(18 960)</b>	<b>120 074</b>	<b>(151 103)</b>	<b>89 960</b>	<b>596,9</b>	<b>(210,1)</b>	<b>(268,0)</b>

### Cash flows from operating activities

The positive operating cash flow in both Q2 2023 and H1 2023 is primarily the result of positive EBITDA.

### Cash flows from investing activities

The positive cash flow from investing activities in Q2 2023 is mainly due to the proceeds from the term deposit from surplus cash and the proceeds from the sale of energy forwards that do not meet hedge accounting rules.

The negative cash flow from investing activities in H1 2023 is the result of expenditure on the purchase of tangible fixed assets offset in part by proceeds from the sale of energy forwards that do not meet hedge accounting rules.

### Cash flows from financing activities

Negative cash flows from financing activities in both Q2 2023 and H1 2023 are primarily the result of dividend payments to AP SA Shareholders as well as to non-controlling Shareholders.

## Summary of standalone financial results

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

<i>PLN '000</i>	Q2 2023	Q1 2023	Q2 2022	H1 2023	H1 2022	Change % Q2 2023/ Q1 2023	Change % Q2 2023/ Q2 2022	Change % H1 2023/ H1 2022
<b>Sales revenues</b>	<b>183 943</b>	<b>3 601</b>	<b>60 669</b>	<b>187 544</b>	<b>64 270</b>	<b>&gt;1000%</b>	<b>&gt;1000%</b>	<b>&gt;1000%</b>
Profit on sales	181 198	1 493	58 593	182 691	60 086	>1000%	>1000%	>1000%
<b>EBIT</b>	<b>176 248</b>	<b>(1 176)</b>	<b>170 445</b>	<b>175 072</b>	<b>169 269</b>	<b>&gt;-1000%</b>	<b>343%</b>	<b>343%</b>
<b>EBITDA</b>	<b>176 292</b>	<b>(1 110)</b>	<b>170 489</b>	<b>175 182</b>	<b>169 379</b>	<b>&gt;-1000%</b>	<b>340%</b>	<b>343%</b>
<b>Gross profit/(loss)</b>	<b>176 286</b>	<b>(2 749)</b>	<b>167 940</b>	<b>173 537</b>	<b>165 191</b>	<b>&gt;-1000%</b>	<b>497%</b>	<b>505%</b>
<b>Net profit/(loss)</b>	<b>177 701</b>	<b>(2 196)</b>	<b>168 678</b>	<b>175 505</b>	<b>166 482</b>	<b>-&gt;-1000%</b>	<b>535%</b>	<b>542%</b>
<i>% of sales revenues</i>	<i>5 056</i>	<i>(61,00)</i>	<i>5 527</i>	<i>2 463</i>	<i>2 742</i>	<i>5 1173 p.p.</i>	<i>(471) p.p.</i>	<i>(278) p.p.</i>

#### Revenue and profit on sales

The main reason for the increase in revenue and profit in 2023 was the dividends received in the second quarter of PLN 179,235 thousand.

#### EBIT and EBITDA

The increase in EBIT and EBITDA in Q2 2023 compared to the same period in 2022 is due to the receipt of a higher dividend and higher sales revenue 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)

Despite a slight increase in financial income and higher financial expenses in H1 2023, the financial result in H1 2023 compared to the same period in 2022 is higher and this is due to the receipt of a dividend of PLN 179,235 thousand by the Company in Q2 2023.



## Selected items of the standalone statement of financial position

<i>EUR '000</i>	30 June 2023	31 December 2022	30 June 2022	Change 30.06.2023 -31.12.2022	Change 30.06.2023 -30.06.2022
Fixed assets	889 935	894 074	808 876	(4 139)	81 059
Current assets	130 476	250 814	182 782	(120 337)	(52 306)
<b>Total assets</b>	<b>1 020 411</b>	<b>1 144 888</b>	<b>991 658</b>	<b>(124 477)</b>	<b>28 753</b>
Equity	764 063	776 970	720 718	(12 907)	43 345
Short-term liabilities	198 087	292 883	178 769	(94 796)	19 318
Long-term liabilities	58 263	75 036	92 173	(16 773)	(33 910)
<b>Total equity and liabilities</b>	<b>1 020 411</b>	<b>1 144 888</b>	<b>991 658</b>	<b>(124 477)</b>	<b>28 753</b>

### Fixed assets

The value of fixed assets in H1 2023 compared to Q1 2022 is mainly due to an increase in the value of the Plant and machinery item.

### Current assets

The decrease in current assets was due to lower cash and cash equivalents (paid dividend) and receivables in H1 2023.

### Equity

The main reason for the increase in equity was the profit generated in H1 2023.

### Short-term liabilities

The increase in the value of short-term liabilities in H1 2023 and at the end of 2022 is due to an increase in the value of Interest-bearing loans, loans and bonds, which is an effect of a change of cash-polling liabilities.

### Long-term liabilities

The decrease in long-term liabilities compared to H1 2022 is due to the repayment of bank loan instalments in Q4 2022 and Q1 2023.

## Selected items of the standalone cash flow statement

<i>EUR '000</i>	Q2 2023	Q1 2023	H1 2023	H1 2022	Change % Q2 2023/ Q1 2023	Change % H2 2022/ H1 2022
Cash flows from operating activities	126 862	(43 305)	83 558	88 243	(393,0)	(149,1)
Cash flows from investing activities	(4 782)	-	(4 782)	(50)	-	(100,0)
Cash flows from financing activities	(203 700)	554	(203 147)	(33 715)	(36 894,5)	(101,6)
<b>Total cash flows</b>	<b>(81 620)</b>	<b>(42 751)</b>	<b>(124 371)</b>	<b>54 478</b>	<b>(100,0)</b>	<b>(178,5)</b>

The cash flow statement presents a decrease in cash in H1 2023 by PLN 124,371 thousand which includes:

- positive cash flows from operating activities of PLN 83,558 thousand,
- negative cash flows from investing activities of PLN -4,782 thousand,
- negative cash flows from financing activities of PLN -203,147 thousand.

### Cash flows from operating activities

In H1 2023, net cash flows from operating activities amounted to PLN 83,558 thousand as compared to PLN 88,243 thousand in the equivalent period of 2022. The cash flows from operating activities in the first half of this year include the dividend paid and the change in cash-pooling liabilities.

### Cash flows from investing activities

In H1 2023, cash flows from investing activities amounted to PLN -4,782 thousand and resulted from a capital contribution to Kostrzyn Packaging Sp. z o.o.

### Cash flows from financing activities

In H1 2023, cash flows from financing activities amounted to PLN -203,147 thousand as compared to PLN -33,715 thousand in the equivalent period of 2022. In 2023, the negative flows were related to the payment of dividends and the repayment of loan commitments.

# Factors affecting development of Arctic Paper Group

## Information on market trends

In Q2 2023 the Arctic Paper Group recorded a decreased level of orders versus Q1 2023 by 14.3% and a decrease of orders versus the equivalent period of 2022 by 41.4%.

Source of data: Arctic Paper analysis

### Paper prices

At the end of H1 2023, the prices of uncoated wood-free paper (UWF) in Europe grew by 0.4% versus the prices at the end of 2022 while for coated wood-free paper (CWF) there was a decrease by 1.9%.

At the end of June 2023, the average prices declared by producers for selected types of paper and markets: Germany, France, Spain, Italy, United Kingdom – for both uncoated wood-free paper (UWF) and coated wood-free paper (CWF) were lower than at the end of Q1 2023 by 3.6% and 5.3% respectively.

The prices invoiced by Arctic Paper in EUR for comparable products in the segment of uncoated wood-free paper (UWF) decreased from the end of March 2023 until the end of June 2023 by 7.1% on the average while in the segment of coated wood-free paper (CWF) the prices decreased by 2.1%. At the end of H1 2023, the prices of uncoated wood-free paper (UWF) invoiced by Arctic Paper decreased by 0.1% versus the prices at the end of June 2022 while for coated wood-free paper (CWF) there was an increase by 0.1%.

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 quoted without considering specific rebates for individual customers and they include neither any additions nor price reductions in relation to the publicly available price lists. The estimated prices for each month reflect orders placed in the month while the deliveries may take place in the future. Because of that, RISI price estimates for a particular month do not reflect the actual prices at which deliveries are performed but only express ordering prices. For Arctic Paper products, the average invoiced sales prices for all served markets in EUR.

### Pulp prices

At the end of Q2 2023, the pulp prices reached the level of: NBSK – USD 1.240/tonne and BHKP – USD 957.5/ tonne.

The average NBSK price in Q2 2023 was lower by 5.3% compared to the equivalent period of the previous year while for BHKP the average price was lower by 11.9%. Compared to Q1 2023, the average pulp price in Q2 2023 was lower by 6.6% for NBSK and by 18% for BHKP.

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

The average pulp cost used for production of paper calculated for the Arctic Paper Group in PLN decreased in Q2 2023 compared to Q1 2023 by 11.8% while in relation to Q2 2022 it increased by 4.4%.

The share of pulp costs in overall selling costs after 6 months of the current year was 52% versus about 59.5% in the equivalent quarter in 2022.

The Arctic Paper Group uses the pulp in the production process according to the following structure: BHKP 73%, NBSK 23% and other 4%.

Source of data: [www.foex.fi](http://www.foex.fi) Arctic Paper analysis

### Currency exchange rates

At the end of Q2 2023, the EUR/PLN rate amounted to 4.4503 and was by 4.9% lower than at the end of Q2 2022. The mean EUR/PLN exchange rate in H1 2023 amounted to 4.6280 and was by 0.2% lower than in the equivalent period of 2022.

The EUR/SEK exchange rate amounted to 11.8108 at the end of Q2 2023 (growth by 10.3% versus the end of Q2 2022). For that currency pair, the mean exchange rate in H1 2023 was by 8.1% higher than in the equivalent period of 2022. The

weakening SEK versus EUR has been positively impacting the revenues invoiced in EUR in the factories in Sweden (AP Munkedals and AP Grycksbo).

The USD/PLN exchange rate as at the end of Q2 2023 amounted to 4.1066. In H1 2023 the mean USD/PLN exchange rate was 4.2828 versus 4.2419 in the equivalent period of the previous year which was a growth by 1%. In Q2 2023 the mean USD/PLN exchange rate was 4.1725 and was by 4.3% lower than in Q2 2022. The change has positively affected the costs incurred in USD by AP Kostrzyn, in particular the costs of pulp.

The USD/SEK exchange rate as at the end of Q2 2023 amounted to 10.8986. In H1 2023, the mean exchange rate amounted to 10.4839 compared to 9.5864 in the equivalent period of the previous year which was an appreciation of the exchange rate by 9.4%. In Q2 2023 the mean USD/SEK exchange rate increased by 1% versus Q1 2023. The change in comparison to the equivalent quarter of 2022 unfavourably affected the costs incurred in USD by AP Munkedals and AP Grycksbo, in particular the costs of pulp.

At the end of June 2022, the EUR/USD exchange rate amounted to 1.0837 compared to 1.0442 (+3.8%) at the end of June 2022. In Q2 2023, there was a significant strengthening of EUR against the USD compared to Q2 2022 (+2.1%). In H1 2023 the mean exchange rate was 1.0809 while in the equivalent period of the previous year it was 1.0942 which was a depreciation of EUR versus USD by 1.2%.

The appreciation of PLN versus EUR has favourably affected the Group's financial profit, mainly due to increased sales revenues generated in EUR and translated into PLN. The strengthening of the PLN against the USD in turn had a positive impact on the Group's financial performance, as it resulted in lower purchase costs for the main raw material at the Kostrzyn mill. The weakening SEK against EUR had a favourable impact on revenues generated in EUR at APM and APG factories.

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

The material factors that have an impact on the financial results over the next 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**

### **Major changes to risk factors**

There were no significant changes in risk factors in H1 2023.

### **Risk factors related to the environment in which the Group operates**

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

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

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

#### **Risk of changing legal regulations**

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

#### **Currency risk**

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

#### **Interest rate risk**

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

#### **Risk related to increasing importance of alternative media**

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

The objectives and methods of financial risk management in the Group along with hedging methods of major transactions are detailed in note 34 to the consolidated financial statements.

## **Risk factors relating to the business of the Group**

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

### **Risk related to relatively low operational margins**

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

### **Risk of price changes to raw materials, energy and products**

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

### **Risk of disruption to production processes**

Our Group holds three Paper Mills operating jointly seven production lines with total annual production capacity of over 700,000 tonnes of paper and two Pulp Mills with a total production capacity of 400,000 tonnes of pulp. Long-lasting disruption to the production process may result from a number of factors, including a breakdown, human error, unavailability of raw materials, natural catastrophes and other that are beyond our control. Each such disruption, even relatively short, may have material impact on our production and profitability and result in material costs for repairs, liabilities to buyers whose orders we are not able to satisfy and other expenses.

### **Risk related to our investments**

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

### **Risk factors relating to the debt of the Group**

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

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

### **Risk related to insurance limits**

In the context of deteriorating situation in paper industry and the results of the Arctic Paper Group, our suppliers, in particular suppliers of such raw materials as pulp, may have problems with acquiring insurance limits (sale on credit) and thus they may

lose the possibility of offering deferred payment terms to the Arctic Paper Group. Such situation may result in deteriorated financial situation and loss of financial liquidity of operating units and as a result this may adversely affect the situation in the entire Group.

#### **Risk of restricted supplies of natural gas**

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

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

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

#### **Risk related to consolidation and liquidity of key customers**

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

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

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

#### **Risk related to CO2 emissions**

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

#### **Risk related to dividend distribution**

The Issuer is a holding company and therefore its capacity to pay dividend is subject to the level of potential disbursements from its subsidiary companies involved in operational activity, and the level of cash balances. Certain subsidiaries of the

Group involved in operational activity may be subject to certain restrictions concerning disbursements to the Issuer. No certainty exists that such restrictions will have no material impact on the business, results on operations and capacity of the Group to distribute dividend.

In connection with the term and revolving loan agreements, and the agreement between creditors 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).

## **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,
- Currency exchange rate 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

### 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, each with a nominal value of PLN 10,000.00. 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 of up to 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 around 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.

### Dividend distribution

On 6 June 2023, the Annual General Meeting of the Company, after reviewing the Management Board's proposal on dividend payment, decided to allocate a part of the Company's net profit for the financial year 2022, in the amount of PLN 187,077,014.10 (in words: one hundred and eighty-seven million, seventy-seven thousand and fourteen zloty 10/100) for dividend payment among the Company's shareholders. The dividend per share will amount to PLN 2.70 gross (in words: two zloty seventy groszy). The Company's Annual General Meeting determined 15 June 2023 as the ex-dividend date and 21 June 2023 as the dividend distribution date. The dividend was distributed according to schedule.

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

Arctic Paper SA reports that on 9th of August 2023 it decided to proceed with negotiations on the agreement amending a term and revolving facilities agreement dated 2nd of April 2021 (as amended) the conclusion of which was published by the Company in current report no. 12/2021 dated 2nd of April 2021, which was concluded between the Company as borrower and guarantor, the Company's subsidiaries as guarantors and a consortium of banks composed of: Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A. and Santander Bank Polska S.A. under which the Lenders will grant the Company additional facility to finance the construction of a biomass drying and pellet production plant, which will be located in Grycksbo on a property owned by Arctic Paper Grycksbo AB.

The total estimated cost of the investment will amount to approximately EUR 28.5 million of which approximately EUR 8.5 million will be financed from equity funds. The investment will reduce energy costs by approximately SEK 50 million per year.

In addition to electricity and steam, the installation will produce approximately 50 thousand tons of pellets annually. According to the Issuer's estimates, the investment will generate an annual revenue of approximately SEK 100 million from the sale of pellets, and its completion is planned for the first half of 2025.

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

1. total amount of financing: the equivalent of EUR 20 million;
2. currency: EUR;
3. facilities: investment term loan;
4. financing period: seven years from the date of the conclusion of the Amendment Agreement;
5. repayment conditions: 67,5% of the Additional Facility will be repaid in equal instalments paid every six months starting from March 2026. The remaining part will be repaid on the final maturity date of the Additional Facility;
6. interest rate: interest at a floating rate based on the EURIBOR base reference rate and variable margin, the level of which will depend on the level of the net debt-to-EBITDA ratio; and
7. security: Additional Facility will be secured with the same package of securities established in connection with the Facilities Agreement.

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

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

## 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.

### Composition of the supervisory and management bodies at Arctic Paper S.A.

As at 30 June 2023, the Company's Supervisory Board was composed of:

- Per Lundeen – Chairman of the Supervisory Board appointed on 14 September 2016;
- Roger Mattsson – Deputy Chairman of the Supervisory Board appointed on 16 September 2014;
- Thomas Onstad – Member of the Supervisory Board appointed on 22 October 2008;
- Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021.

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

On 9 May 2023, Mr Göran Eklund resigned as a Member of the Company's Management Board and Chief Financial Officer of the Company with effect from 29 May 2023.

The Supervisory Board, by resolution of 9 May 2023, appointed Ms Katarzyna Wojtkowiak as a member of the Company's Management Board with effect from 29 May 2023. Ms Katarzyna Wojtkowiak also holds the position of Chief Financial Officer of the Company.

The Supervisory Board, in connection with the expiry of the Management Board's term of office on 29 May 2023, by resolution of 9 May 2023 appointed the Management Board for a new three-year term of office as of 29 May 2023 with the following composition:

- Mr Michał Jarczyński – President of the Management Board
- Ms Katarzyna Wojtkowiak – Member of the Management Board

The Supervisory Board, by resolution of 9 May 2023, appointed Mr Fabian Langenskiöld as a member of the Company's Management Board with effect from 14 August 2023. Mr Fabian Langenskiöld also holds the position of Sales and marketing Director of the Company.

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

### Changes in holdings of the Issuer's shares or rights to shares by persons managing and supervising Arctic Paper S.A.

Managing and supervising persons	Number of shares or rights to shares as at 10.08.2023	Number of shares or rights to shares as at 30.06.2023	Number of shares or rights to shares as at 09.05.2023	Change
<b>Management Board</b>				
Michał Jarczyński	5 572	5 572	5 572	-
Göran Eklund *	-	-	-	-
Katarzyna Wojtkowiak **	-	-	-	-
<b>Supervisory Board</b>				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad*	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

\* until 29.05.2023

\*\* as of 29.05.2023

\*\*\*Figures in the table do not include shares held indirectly

The shareholding of the Company's managing and supervising persons has not changed since the publication of the last interim report, i.e. the report for Q1 2023, on 9 May 2023.

## Information on sureties and guarantees

As at 30 June 2023, the Capital Group reported:

- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand; SEK
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 434 thousand; SEK
- pledge on properties held by Arctic Paper Munkedals Kraft AB as required by loan agreements with Nordea Bank for SEK 80,000 thousand (related to the investment in the hydro power plant;
- pledges on shares in subsidiaries in the Rottneros Group for SEK 284,730 thousand; under loan agreements concluded with Danske Bank;

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

1. under Polish law – Collateral Documents establishing the following Collateral:

- › financial and registered pledges on all shares held by the Company and the Guarantors that are registered in Poland and belong to companies in the Company's group (except Rottneros AB, Arctic Paper Mochenwangen GmbH, Arctic Paper Investment GmbH and Munkedals Kraft AB), with the exception of the Company's shares;
- › mortgages on all real properties located in Poland and owned by the Guarantors;
- › registered pledges on all material rights and movable assets owned by the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
- › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
- › declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
- › financial pledges and registered pledges on the bank accounts of the Company and the Guarantors, registered in Poland;
- › powers of attorney to Polish bank accounts of the Company and the Guarantors, registered in Poland.

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

- › pledges on all shares held by the Companies and the Guarantors, registered in Sweden, belonging to group companies, except for the Company's shares;
- › mortgages on all real properties located in Sweden and owned by the Company and the Guarantors as long as such collateral covers solely the existing mortgage deeds;
- › corporate mortgage loans granted by the Guarantors registered in Sweden as long as such collateral covers solely the existing mortgage deeds;
- › assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
- › pledges on Swedish bank accounts of the Company and the Guarantors as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

## Material off-balance sheet items

The information regarding off-balance sheet items is disclosed in the interim abbreviated consolidated financial statements.

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

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.

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

On 14 July 2023, Arctic Paper S.A. contracted with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. to review the Company's interim standalone consolidated financial statements and the Group's interim consolidated financial statements for the periods from 1 January 2023 to 30 June 2023 and from 1 January 2024 to 30 June 2024, and to audit the Company's stand-alone financial statements and the Group's consolidated financial statements for the financial periods from 1 January 2023 to 31 December 2023 and for the financial periods from 1 January 2024 to 31 December 2024. The contract was concluded for the time required to perform the above services.

## Statements of the Management Board

### Accuracy and reliability of the presented reports

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

- The interim abbreviated consolidated financial statements for the period of 6 months ended on 30 June 2023 of the Arctic Paper S.A. Capital Group and the comparable data and the interim abbreviated standalone financial statements for the period of 6 months ended on 30 June 2023 of the Arctic Paper S.A. Capital Group and the comparable data have been prepared in compliance with the applicable accounting standards and that they reflect in a true, reliable and clear manner the economic and financial condition of the Capital Group and its financial results for the period of the first 6 months of 2023.
- The Management Board's Report from operations of the Arctic Paper S.A. Capital Group to the report for H1 2023 contains a true image of the development, achievements and condition of the Arctic Paper S.A. Capital Group, including a description of core hazards and risks.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	10 August 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	10 August 2023	signed with a qualified electronic signature



**Interim abbreviated  
consolidated financial  
statements**

for the period of 6 months  
ended on 30 June 2023  
along with an independent auditor's opinion  
from the review



## Interim abbreviated consolidated financial statements

### Interim abbreviated consolidated profit and loss statement

	Note	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
Continuing operations					
Revenues from sales of products	9.1	836 243	1 868 459	1 296 279	2,407,037
Sales revenues		836 243	1 868 459	1 296 279	2,407,037
Costs of sales	9.2	(694 610)	(1 457 474)	(841 174)	(1,651,314)
Profit/(loss) on sales		141 633	410 985	455 106	755,723
Selling and distribution costs	9.2	(78 371)	(174 262)	(124 065)	(223,359)
Administrative expenses	9.2	(36 025)	(63 005)	(34 162)	(59,523)
Other operating income	9.2	23 808	49 666	22 057	43,359
Other operating expenses	9.2	(11 722)	(28 424)	(20 878)	(42,060)
Profit/(loss) on operations		39 324	194 960	298 058	474 140
Financial income	9.2	12 322	15 211	5 521	5,701
Financial expenses	9.2	(314)	(4 348)	(1 863)	(6,105)
Gross profit/(loss)		51 332	205 822	301 715	473,735
Income tax	9.2	(4 443)	(27 269)	(47 622)	(73,278)
Net profit/(loss)		46 889	178 554	254 094	400,458
Attributable to:					
The shareholders of the Parent Entity		39 758	147 626	215 868	336 549
Non-controlling shareholders		7 131	30 928	38 226	63,909
		46 889	178 554	254 094	400,458
Earnings per share:					
– basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity	12	0.57	2.13	3.12	4.86
– diluted earnings from the profit attributable to the shareholders of the Parent Entity	12	0.57	2.13	3.12	4.86

## Interim abbreviated consolidated statement of comprehensive income

	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
Profit for the reporting period	46 889	178 554	254 094	400 458
Other comprehensive income				
<i>Items to be reclassified to profit/(loss) in future reporting periods:</i>				
FX differences on translation of foreign operations	(129 802)	(151 434)	(29 248)	(23 219)
Measurement of financial instruments	7 814	(145 980)	278 770	342 899
Deferred income tax on the measurement of financial instruments	(1 742)	29 604	(56 640)	(69 205)
<i>Items that were reclassified to profit/(loss) during the reporting period:</i>				
Measurement of financial instruments	(3 234)	(12 542)	(10 556)	(15 947)
Deferred income tax on the measurement of financial instruments	646	2 544	2 162	3 218
<i>Items not to be reclassified to profit/loss:</i>				
Actuarial profit/(loss) for defined benefit plans	-	-	9 662	9 662
Deferred tax on actuarial gains/(losses)	-	-	(1 927)	(1 927)
<b>Other net comprehensive income</b>	<b>(126 318)</b>	<b>(277 808)</b>	<b>192 223</b>	<b>245 482</b>
Total comprehensive income for the period	(79 429)	(99 255)	446 317	645 940
Total comprehensive income attributable to:				
The shareholders of the Parent Entity	(49 257)	(48 339)	349 328	506 272
Non-controlling shareholders	(30 172)	(50 915)	96 989	139 668

## Interim abbreviated consolidated statement of financial position – assets

	Note	As at 30 June 2023 (unaudited)	As at 31 December 2022
<b>ASSETS</b>			
Fixed assets			
Tangible fixed assets	13	1 060 400	1 125 004
Investment properties		1 763	1 763
Intangible assets	13	50 080	63 899
Goodwill	13	7 913	8 847
Interests in joint ventures		4 025	4 264
Other financial assets	14	105 652	162 617
Other non-financial assets		130	277
Deferred income tax assets		4 443	5 196
		1 234 406	1 371 867
Current assets			
Inventories	15	529 062	601 205
Trade and other receivables	16	403 664	503 391
Corporate income tax receivables		25 474	633
Other non-financial assets		14 778	12 048
Other financial assets	14	84 584	283 411
Cash and cash equivalents	10	307 235	481 930
		1 364 796	1 882 618
<b>TOTAL ASSETS</b>		<b>2 599 202</b>	<b>3 254 485</b>

## Interim abbreviated consolidated statement of financial position – liabilities

	Note	As at 30 June 2023 (unaudited)	As at 31 December 2022
<b>EQUITY AND LIABILITIES</b>			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	20	69 288	69 288
Reserve capital		443 805	407 976
Other reserves		223 841	312 447
FX differences on translation		(147 153)	(39 794)
Retained earnings/Accumulated losses		762 422	837 702
		1 352 203	1 587 619
Non-controlling interests		371 799	464 563
Total equity		1 724 002	2 052 182
Long-term liabilities			
Interest-bearing loans	17	100 899	139 166
Provisions		1 130	1 264
Employee liabilities	19	41 489	43 547
Other financial liabilities		21 076	23 158
Deferred income tax liability		126 401	177 750
Grants and deferred income		9 099	10 512
		300 094	395 397
Short-term liabilities			
Interest-bearing loans	17	44 782	35 387
Provisions		6 971	9 202
Other financial liabilities		6 408	8 055
Trade and other payables	18	351 464	551 211
Employee liabilities	19	102 947	133 165
Income tax liability		53 997	55 043
Grants and deferred income		8 538	14 843
		575 107	806 906
TOTAL LIABILITIES		875 200	1 202 303
TOTAL EQUITY AND LIABILITIES		2 599 202	3 254 485

## Interim abbreviated consolidated cash flow statement

	Note	6-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
<b>Cash flows from operating activities</b>			
Gross profit/(loss)		205 822	473 735
Adjustments for:			
Depreciation/amortisation		59 506	61 646
FX gains/(loss)		(6 152)	4 113
Interest, net		6 178	3 655
Profit/(loss) on investing activities		(985)	(3)
(Increase) / decrease in receivables and other non-financial assets		63 728	(258 454)
(Increase)/decrease in inventories		28 559	(84 433)
Increase/(decrease) of liabilities except loans, borrowings, bonds and other financial liabilities		(154 317)	74 527
Change in provisions		7 077	(1 035)
Change in non-financial assets		(5 093)	(9 669)
Income tax paid		(50 540)	(26 305)
Change in pension provisions and employee liabilities		(21 512)	(10 158)
Change in grants and deferred income		(7 082)	5 650
Co-generation certificates and CO2 emission rights		(8 561)	(2 777)
Change in the settlement of realised forward contracts		28 937	6 250
Other		(850)	(496)
<b>Net cash flows from operating activities</b>		<b>144 715</b>	<b>236 248</b>
<b>Cash flows from investing activities</b>			
Disposal of tangible fixed assets and intangible assets		213	-
Purchase of tangible fixed assets and intangible assets		(69 574)	(75 440)
Outflows from bank deposit set up for more than 3 months		(41 520)	-
Proceeds from bank deposit set up for more than 3 months		41 520	-
Interest received		531	-
Proceeds from forward contracts that do not comply with hedge accounting rules		31 649	-
Other capital outflows / inflows		409	-
<b>Net cash flows from investing activities</b>		<b>(36 951)</b>	<b>(75 440)</b>
<b>Cash flows from financing activities</b>			
Change to overdraft facilities		-	(18 322)
Repayment of leasing liabilities		(4 440)	(5 277)
Proceeds/repayment of other financial liabilities		(819)	-
Repayment of loans		(18 050)	(23 553)
Dividend disbursed to shareholders of AP SA		(187 077)	-
Dividend paid to non-controlling shareholders		(41 849)	(20 088)
Interest paid		(6 632)	(3 608)
Other		-	-
<b>Net cash flows from financing activities</b>		<b>(258 867)</b>	<b>(70 848)</b>
Increase/(decrease) in cash and cash equivalents		(151 103)	89 960
Net FX differences		(23 592)	(3 313)
<b>Cash at the beginning of the period</b>		<b>481 930</b>	<b>167 927</b>
<b>Cash at the end of the period</b>	10	<b>307 235</b>	<b>254 574</b>

## Interim abbreviated consolidated statement of changes in equity

Attributable to the shareholders of the Parent Entity									
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	earnings/Accumulated losses	Retained 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	-	-	-	-		147 626	147 626	30 928	178 554
Other net comprehensive income for the period	-	-	(107 359)	(88 606)		-	(195 965)	(81 843)	(277 808)
Total comprehensive income for the period	-	-	(107 359)	(88 606)		147 626	(48 339)	(50 915)	(99 255)
Profit distribution /Dividend to AP SA Shareholders	-	35 829	-	-		(222 906)	(187 077)	-	(187 077)
Dividend distribution to non-controlling entities	-	-	-	-		-	-	(41 849)	(41 849)
As at 30 June 2023 (unaudited)	69 288	443 805	(147 153)	223 841		762 422	1 352 203	371 799	1 724 002

Attributable to the shareholders of the Parent Entity									
	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	earnings/Accumulated losses	Retained losses	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2022	69 288	407 976	7 534	201 226		226 113	912 137	330 859	1 242 996
Net profit/(loss) for the period	-	-	-	-		336 549	336 549	63 909	400 458
Other net comprehensive income for the period	-	-	(15 069)	177 057		7 735	169 723	75 759	245 482
Total comprehensive income for the period	-	-	(15 069)	177 057		344 284	506 272	139 668	645 940
Profit distribution /Dividend to AP SA Shareholders	-	-	-	(5 928)		(21 787)	(27 715)	-	(27 715)
Dividend distribution to non-controlling entities	-	-	-	-		-	-	(20 088)	(20 088)
As at 30 June 2022 (unaudited)	69 288	407 976	(7 535)	372 355		548 610	1 390 694	450 439	1 841 133

## 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-grade graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. The Arctic Paper Group employs around 1,500 people in its paper mills, paper sales and pulp companies, purchasing office and food packaging company. Our Paper Mills are located in Poland and in Sweden. Pulp Mills are located in Sweden. The Group had 13 Sales Offices providing access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 6 months of 2023 amounted to PLN 1,868 million.

Arctic Paper S.A. is a holding company set up in April 2008. As a result of capital restructuring carried out in 2008, the Paper Mills Arctic Paper Kostrzyn (Poland) and Arctic Paper Munkedals (Sweden), Distribution Companies and Sales Offices have become the properties of Arctic Paper S.A. Previously they were owned by Trebruk AB (formerly Arctic Paper AB), the parent company of Arctic Paper S.A. In addition, under the expansion, the Group acquired the Paper Mill Arctic Paper Mochenwangen (Germany) in November 2008 and the Paper Mill Grycksbo (Sweden) in March 2010. In 2012, the Group acquired shares in Rottneros AB, a NASDAQ-listed company in Stockholm with interests in two pulp mills (Sweden). In 2020, the Group took control of Nykvist Skogs AB, a company of private forest owners in Sweden.

The Parent Entity is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra, 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The company's registered office is located in Poland, in Kostrzyn nad Odrą (ul. Fabryczna 1). The Company has a foreign branch in Göteborg, Sweden.

The interim abbreviated consolidated financial statements of the Group with respect to the interim abbreviated consolidated profit and loss account, statement of comprehensive income, cash flow statement and statement of changes to equity and notes to the interim abbreviated consolidated statement of comprehensive income and interim abbreviated consolidated statement of profit and loss cover the period of 6 months ended on 30 June 2023 and contain comparable data for the period of 6 months ended on 30 June 2022; and in the consolidated statement of financial condition, it presents data as at 30 June 2023 and as at 31 December 2022.

The interim abbreviated consolidated statement of total comprehensive income the interim abbreviated consolidated statement of profit and loss also include data for the three months ended 30 June 2023 and comparative data for the three months ended 30 June 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 30 June 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 30 June 2023 and 31 December 2022 was 68.13% and has not changed until the date hereof.

The ultimate parent of the entire Arctic Paper Group is Incarta Development S.A., which is controlled by Mr Thomas Onstad. 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			
			10 August 2023	30 June 2023	09 May 2022	31 December 2022
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, formerly paper production	99,74%	99,74%	99,74%	99,74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%	100%



Unit	Registered office	Business activity	Group's interest in the equity of the subsidiary entities as at			
			10 August 2023	30 June 2023	09 May 2022	31 December 2022
Arctic Power Sp.z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of energy	100%	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94,90%	94,90%	94,90%	94,90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%	100%
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	75,65%	75,65%	100%	100%
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51,27%	51,27%	51,27%	51,27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51,27%	51,27%	51,27%	51,27%
Utansjö Bruk AB	Sweden, Söderhamn	Non-operating company	51,27%	51,27%	51,27%	51,27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51,27%	51,27%	51,27%	51,27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51,27%	51,27%	51,27%	51,27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51,27%	51,27%	51,27%	51,27%
SIA Rottneros Baltic	Latvia, Kuldīga	Procurement bureau	51,27%	51,27%	51,27%	51,27%

\* – companies established for the purpose of the acquisition of Arctic Paper Mochenwangen GmbH

\*\* – company established to acquire Grycksbo Paper Holding AB (closed in 2015) and indirectly Arctic Paper Grycksbo AB

In May 2022, Kostrzyn Packaging Sp. z o.o. was established, which will ultimately be a moulded cellulose fibre packaging factory whose shares are currently held by Arctic Paper S.A. and Rottneros AB.

As at 30 June 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 30 June 2023, the Parent Entity's Management Board was composed of:

- Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
- Katarzyna Wojtkowiak – Member of the Management Board appointed on 29 May 2023.

On 9 May 2023, Mr Göran Eklund resigned as a Member of the Company's Management Board and Chief Financial Officer of the Company with effect from 29 May 2023.

The Supervisory Board, by resolution of 9 May 2023, appointed Ms Katarzyna Wojtkowiak as a member of the Company's Management Board with effect from 29 May 2023. Ms Katarzyna Wojtkowiak also holds the position of Chief Financial Officer of the Company.

The Supervisory Board, by resolution of 9 August 2023, appointed Mr Fabian Langenskiöld as a member of the Company's Management Board with effect from 14 August 2023. Mr Fabian Langenskiöld also holds the position of Sales and marketing Director of the Company.

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

### 3.2. Supervisory Board of the Parent Entity

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

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

## 4. Approval of the financial statements

These interim abbreviated consolidated financial statements were approved for publication by the Management Board on 10 August 2023.

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

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

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

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

The interim abbreviated consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements and should be read in conjunction with the Group's annual consolidated financial statements for the year ended on 31 December 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 30 June 2023, the Group has met the financial ratios required by the aforementioned loan agreement with the consortium of financing banks (Santander Bank S.A, Bank BNP Paribas S.A. and Pekao SA).

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

The amendment introduces a new option to apply IFRS 17 for the first time in order to reduce operational complexity and accounting mismatches in comparative figures between insurance contract liabilities and related financial assets at the time of first-time application of IFRS 17. The amendment allows comparative figures for financial assets to be presented more consistently with IFRS 9 Financial Instruments.

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

### c) 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 relevant 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.

### d) 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.

### e) 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.

### f) Amendments to IAS 12 Income Taxes: Global Minimum Income Tax (Pillar Two)

In May 2023, the Board published amendments to IAS 12 ‘Income Taxes’ in response to the Pillar Two global minimum income tax regulations issued by the Organisation for Economic Co-operation and Development (OECD) in connection with international tax reform. The amendment to IAS 12 provides a temporary exemption from the requirement to recognise deferred income tax arising from enacted tax law that implements the Pillar II model rules. Companies can apply the guidance of the revised IAS 12 standard immediately, while certain disclosures are required for annual periods beginning on or after 1 January 2023. As at the date of these (consolidated) financial statements, the modification has not been approved by the European Union.

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:

### **g) 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.

### **h) 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.

### **i) Amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures" – disclosure of supplier finance arrangements**

In May 2023, the Board published amendments to IAS 7 "Statement of cash flows" and IFRS 7 "Financial instruments: disclosures". The amendments to the standards introduce disclosure requirements for supplier finance arrangements. The amendments require specific disclosures about the entity's financial contracts with suppliers to enable readers of the financial statements to assess the impact of those contracts on the entity's liabilities and cash flows and the entity's exposure to liquidity risk. These amendments are intended to increase the transparency of disclosures about arrangements made with suppliers. The amendments do not affect the recognition and measurement principles, only the disclosure requirements. The new disclosure obligations will be effective for annual reporting periods beginning on or after 1 January 2024.

As at date the of these financial statements, the modifications have not been approved by the European Union.

### **j) 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.

### **k) 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 changes are not expected to have material impact on the Group's financial statements.

## 6.2. Foreign currency translation

Transactions denominated in currencies other than the functional currency of the entity are translated into the functional currency at the Currency exchange 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 currency exchange 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 currency exchange rate 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 FX differences recognised in equity and relating to that particular foreign operation shall be recognised in the profit and loss account.

FX 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:

	30 June 2023	31 December 2022
USD	4,1066	4,4018
EUR	4,4503	4,6899
SEK	0,3768	0,4213
DKK	0,5976	0,6307
NOK	0,3810	0,4461
GBP	5,1796	5,2957
CHF	4,5562	4,7679

Mean Currency exchange rate for the reporting periods are as follows:

	01.01 – 30.06.2023	01.01 – 30.06.2022
USD	4,2828	4,2419
EUR	4,6280	4,6362
SEK	0,4087	0,4425
DKK	0,6215	0,6231
NOK	0,4099	0,4650
GBP	5,2797	5,5052
CHF	4,6955	4,4931

## 7. Seasonality

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

## 8. Information on business segments

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

The paper production business is presented as the "Uncoated" and "Coated" segments and includes the financial results of, 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);
- 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.

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 under continuing operations, split by segments of the Group for the period of 6 months ended on 30 June 2023 and as at 30 June 2023.

**6-month period ended on 30 June 2023 and on 30 June 2023**

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
<b>Revenues</b>						
Sales to external customers	883 482	405 469	579 507	1 868 459	-	1 868 459
Sales between segments	-	549	2 882	3 431	(3 431)	-
<b>Total segment revenues</b>	<b>883 482</b>	<b>406 019</b>	<b>582 390</b>	<b>1 871 890</b>	<b>(3 431)</b>	<b>1 868 459</b>
<b>Result of the segment</b>						
EBITDA	107 310	56 158	96 452	259 920	(5 453)	254 466
Depreciation/amortisation	(35 175)	(5 292)	(18 901)	(59 368)	(138)	(59 506)
Profit/(loss) on operations	72 135	50 866	77 551	200 551	(5 591)	194 960
Interest income	1 275	637	2 452	4 364	(50)	4 314
Interest expense	(1 692)	(572)	(2 043)	(4 308)	1 028	(3 280)
FX gains and other financial income	-	7 890	5 722	13 611	(2 715)	10 897
FX losses and other financial expenses	(637)	-	-	(637)	(431)	(1 068)
Gross profit	71 081	58 821	83 681	213 582	(7 760)	205 822
Assets of the segment	1 160 012	420 285	1 145 001	2 725 298	(134 563)	2 590 735
Liabilities of the segment	447 838	202 645	307 092	957 575	(208 776)	748 800
Capital expenditures	(44 043)	(3 972)	(20 995)	(69 010)	(564)	(69 574)
Interests in joint ventures	4 025	-	-	4 025	-	4 025

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 15,211 thousand of which PLN 4,314 thousand is interest income) and financial expenses (PLN 4,348 thousand of which PLN 3,280 thousand is interest expense), depreciation/amortisation (PLN 59,506 thousand) and income tax liability (PLN -27,269 thousand).
- Segment assets do not include deferred taxes (PLN 4,443 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,025 thousand). Segment liabilities do not include deferred taxes (PLN 126,401 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 June 2023 and as at 30 June 2023.

### 3-month period ended on 30 June 2023 and on 30 June 2023

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
<b>Revenues</b>						
Sales to external customers	392 957	173 710	269 576	836 243	-	836 243
Sales between segments	-	267	(84)	183	(183)	-
<b>Total segment revenues</b>	<b>392 957</b>	<b>173 977</b>	<b>269 492</b>	<b>836 426</b>	<b>(183)</b>	<b>836 243</b>
<b>Result of the segment</b>						
EBITDA	34 355	15 729	21 171	71 255	(2 324)	68 932
Depreciation/amortisation	(17 559)	(2 576)	(9 386)	(29 522)	(86)	(29 608)
Profit/(loss) on operations	16 795	13 153	11 785	41 733	(2 410)	39 324
Interest income	1 166	(20)	1 190	2 337	(638)	1 699
Interest expense	(788)	(282)	(1 202)	(2 272)	1 639	(634)
FX gains and other financial income	-	6 851	5 722	12 573	(1 950)	10 623
FX losses and other financial expenses	(235)	-	1 262	1 027	(707)	320
Gross profit	16 939	19 702	18 757	55 397	(4 066)	51 332
Assets of the segment	1 160 012	420 285	1 145 001	2 725 298	(134 563)	2 590 735
Liabilities of the segment	447 838	202 645	307 092	957 575	(208 776)	748 800
Capital expenditures	(24 470)	(2 029)	(10 563)	(37 062)	-	(37 062)
Interests in joint ventures	4 025	-	-	4 025	-	4 025

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 12,322 thousand of which PLN 1,699 thousand is interest income) and financial expenses (PLN 314 thousand of which PLN 634 thousand is interest expense), depreciation/amortisation (PLN 29,608 thousand) and income tax liability (PLN -4,443 thousand).
- Segment assets do not include deferred taxes (PLN 4,443 thousand), as this item is managed at Group level and interests in joint ventures (PLN 4,025 thousand). Segment liabilities do not include deferred taxes (PLN 126,401 thousand) since this item is managed at the Group level.



The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 6 months ended on 30 June 2022 and as at 31 December 2022.

**6-month period ended on 30 June 2022 and on 31 December 2022**

	Uncoated	Coated	Pulp	Total	Exclusions	Total continuing operations
<b>Revenues</b>						
Sales to external customers	1 203 094	565 029	638 913	2 407 037	-	2 407 037
Sales between segments	-	1 433	-	1 433	(1 433)	-
<b>Total segment revenues</b>	<b>1 203 094</b>	<b>566 462</b>	<b>638 913</b>	<b>2 408 470</b>	<b>(1 433)</b>	<b>2 407 037</b>
<b>Result of the segment</b>						
EBITDA	235 889	126 377	178 312	540 577	(4 791)	535 786
Depreciation/amortisation	(34 104)	(5 200)	(22 233)	(61 536)	(110)	(61 646)
Profit/(loss) on operations	201 784	121 177	156 079	479 041	(4 901)	474 140
Interest income	342	110	-	452	207	660
Interest expense	(1 153)	(1 394)	(885)	(3 431)	(912)	(4 343)
FX gains and other financial income	1 036	284	10 619	11 939	(6 898)	5 041
FX losses and other financial expenses	(1 496)	(3 829)	-	(5 326)	3 563	(1 762)
Gross profit/(loss)	200 514	116 349	165 813	482 676	(8 941)	473 735
Assets of the segment	1 322 090	498 448	1 357 924	3 178 462	(75 131)	3 103 331
Liabilities of the segment	614 141	333 325	323 602	1 271 068	(178 609)	1 092 459
Capital expenditures	(44 242)	(9 142)	(21 957)	(75 341)	(99)	(75 440)
Interests in joint ventures	2 894	-	-	2 894	-	2 894

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 5,701 thousand of which PLN 660 thousand is interest income) and financial expenses (PLN 6,105 thousand of which PLN 4.343 thousand is interest expense), depreciation/amortisation (PLN 61,646 thousand) and income tax liability (PLN -73,278 thousand).
- Segment assets do not include deferred taxes (PLN 5,196 thousand), as this item is managed at Group level and interests in joint ventures (PLN 2,894 thousand). Segment liabilities do not include deferred taxes (PLN 177,750 thousand) since this item is managed at the Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities split by segments of the Group for the period of 3 months ended on 30 June 2022 and as at 31 December 2022.

**3-month period ended on 30 June 2022 and on 31 December 2022**

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

- Revenues from inter-segment transactions are eliminated on consolidation.
- The results of the segments do not cover financial income (PLN 5,521 thousand of which PLN 480 thousand is interest income) and financial expenses (PLN 1,863 thousand of which PLN 2,235 thousand is interest expense), depreciation/amortisation (PLN 32,004 thousand) and income tax liability (PLN -47,622 thousand).
- Segment assets do not include deferred taxes (PLN 5,196 thousand), as this item is managed at Group level and interests in joint ventures (PLN 2,894 thousand). Segment liabilities do not include deferred taxes (PLN 177,750 thousand) since this item is managed at the Group level.

## 9. Income and costs

### 9.1. Revenues from contracts with customers

The table below shows the Group's revenue from paper and pulp sales from external customers by country and region for the 6 months ended 30 June 2023 and 30 June 2022:

Revenue from the sale of paper and pulp from external customers:	6-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
Germany	375 869	451 960
France	109 674	181 604
UK	165 295	193 257
Scandinavia	283 231	326 476
Western Europe (other countries)	268 573	393 738
Poland	213 012	294 719
Central and Eastern Europe (other than Poland)	243 664	350 841
Outside Europe	209 142	214 443
Total revenue	1 868 459	2 407 037

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

### 9.2. High-quality graphic paper demand evolution in the context of war in Ukraine

Geopolitical situation in Europe caused by the war in Ukraine creates uncertainty for general economic situation. Sanctions imposed on Russia may result in limitation of demand for products offered by the Group and hence negatively influence Group's financial results.

The Arctic Paper Group does not sell graphic paper to Russia and Belarus. The total volume of trade with these countries did not exceed 1.8% of the Group's revenues in 2022. In 2023 total volume of trade with Ukraine hasn't exceeded 1% of the Group's revenues. The sources of raw materials and materials are properly diversified and we do not expect any disruptions in the production process. We believe that the war in Ukraine has no direct impact on the Group's operations, including the assumption of business continuation.

### 9.3. Costs, other income, income tax

In H1 2023, the cost of sales amounted to PLN 1,457,474 thousand (in H1 2022: PLN 1,651,314 thousand and decreased by PLN 193,840 thousand (-12%) mainly due to fixed production costs, which did not fall in proportion to the decrease in revenues from product sales.

In H1 2023, the cost of sales amounted to PLN 174,262 thousand (in H1 2022: PLN 223,359 thousand) and decreased by PLN 49,097 thousand (-22%) mainly due to a decrease in transport costs, which fell in proportion to the decrease in revenues from product sales.

In H1 2023, general and administrative expenses amounted to PLN 63,005 thousand (in H1 2022: PLN 59,523 thousand and increased by PLN 3,482 thousand +6%) mainly due to an increase in the cost of consultancy services provided to the Group.

In H1 2023, other operating income amounted to PLN 49,666 thousand (in H1 2022: PLN 43,359 thousand) and increased by PLN 6,307 thousand (+15%).

In H1 2023, other operating expenses amounted to PLN 28,424 thousand (in H1 2022: PLN 42,060 thousand) and decreased by PLN 13,636 thousand (+32%).

A major part of the other operating income and expenses includes revenues and costs of sales of sold energy and other materials. In addition, in H1 2023, lower costs related to research work in the part not compensated by the National Research and Development Centre contributed to the decrease in other operating expenses.

In H1 2023, financial income amounted to PLN 15,211 thousand (in H1 2022: PLN 5,701 thousand) and increased by PLN 9,510 thousand (+167%).

In H1 2023, financial expenses amounted to PLN 4,348 thousand (in H1 2022: PLN 6,105 thousand) and decreased by PLN 1,757 thousand (-29%).

The changes in financial income are mainly due to higher interest income from bank deposits and bank balances and positive exchange rate differences.

Income tax in H1 2023 amounted to PLN -27,269 thousand (in H1 2022, it amounted to PLN -73,278 thousand).

The current portion of income tax in the analysed semi-annual period amounted to PLN -28,991 thousand (in H1 2022: PLN -60,285 thousand while the deferred portion to PLN +1,772 thousand (in H1 2022: PLN -12,993 thousand).

## 10. Cash and cash equivalents

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

	As at 30 June 2023 (unaudited)	As at 31 December 2022
Cash in bank and on hand	307 235	481 930
Short-term deposits	-	-
Cash in transit	-	-
<b>Cash and cash equivalents in the consolidated balance sheet</b>	<b>307 235</b>	<b>481 930</b>
Cash and cash equivalents in the consolidated cash flow statement	307 235	481 930
	307 235	481 930

## 11. Dividends paid and proposed

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

Dividend is paid based on the net profit disclosed in the standalone annual financial statements of Arctic Paper S.A. after covering losses carried forward from the previous years.

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

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. 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 6 June 2023, the Annual General Meeting of the Company, after reviewing the Management Board's proposal on the payment of dividends, resolved to allocate part of the Company's net profit for the financial year 2022, in the amount of PLN 187,077,014.10, to the payment of dividends to the Company's shareholders. The gross dividend per share was PLN 2.70. The Company's Annual General Meeting determined 15 June 2023 as the ex-dividend date and 21 June 2023 as the dividend distribution date. The dividend was paid according to schedule.

## 12. Earnings/(loss) per share

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

Information regarding profit/(loss) and the number of shares which constituted the basis to calculate earnings/(loss) per share and diluted earnings/(loss) per share on continuing operations and overall operations is presented below:

	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
Net profit/(loss) from continuing operations attributable to the shareholders of the Parent Entity	39 758	147 626	215 868	336 549
Net profit/(loss) attributable to the shareholders of the Parent Entity	39 758	147 626	215 868	336 549
Number of ordinary shares – A series	50 000	50 000	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Profit/(loss) per share (in PLN)				
– basic earnings from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0.57	2.13	3.12	4.86
Diluted profit/(loss) per share (in PLN)				
– from the profit/(loss) for the period attributable to the shareholders of the Parent Entity	0.57	2.13	3.12	4.86

## 13. Tangible fixed assets, intangible assets, goodwill and impairment

### 13.1. Tangible fixed assets, intangible assets and goodwill

The net value of tangible fixed assets as at 30 June 2023 was PLN 1,060,400 thousand, including assets of the right of use of PLN 27,182 thousand. The net value of tangible fixed assets as at 31 December 2022 was PLN 1,125,004 thousand, including assets of the right of use of PLN 29,684 thousand.

A comparison of movements in tangible fixed assets (excluding assets to be used) for the first 6 months of 2023 with the corresponding period of 2022 is as follows: the value of tangible fixed assets acquired in the period under review amounted to PLN 69,021 thousand. (for the period of 6 months ended on 30 June 2022 it was PLN 68,637 thousand). The net value of sold or liquidated tangible fixed assets for the period of 6 months ended on 30 June 2023 was PLN 526 thousand (for the period of 6 months ended on 30 June 2022 it was PLN 115 thousand). Amortisation allowances for the period of 6 months ended on 30 June 2023 amounted to PLN 54,532 thousand (for the period of 6 months ended on 30 June 2022 it was PLN 55,450 thousand). The Group did not recognise or release any impairment allowance on tangible fixed assets in the 6 months of 2023 or in the equivalent period of the previous year. FX differences amounted to PLN -76,065 thousand for the period of 6 months ended on 30 June 2023 (for the period of 6 months ended on 30 June 2022 they amounted to PLN -18,521 thousand).

A comparison of movements in assets in use for the first 6 months of 2023 with the corresponding period of 2022 is as follows: increases for the 6 months ended 30 June 2023 amounted to PLN 4,186 thousand (for the 6 months ended 30 June 2022 amounted to PLN 2,433 thousand), The depreciation allowance for the 6 months ended 30 June 2023 amounted to PLN 4,866 thousand. (for the period of 6 months ended on 30 June 2022 it was PLN 5,125 thousand), decreases for the 6 months ended 30 June 2023 amounted to PLN 512 thousand (for the 6 months ended 30 June 2022 amounted to PLN 30 thousand), FX differences for the six-month period ended 30 June 2023 amounted to PLN -1,734 thousand (for the six-month period ended 30 June 2022 amounted to PLN -436 thousand).

The net value of intangible assets as at 30 June 2023 was PLN 50,080 thousand, (31 December 2022: PLN 63,899 thousand). The value of intangible assets acquired in the period under report was PLN 8,573 thousand (for the period of 6 months ended on 30 June 2022 it was PLN 12,816 thousand). The net value of sold or liquidated intangible assets for the period of 6 months ended on 30 June 2023 was PLN 18,202 thousand (for the period of 6 months ended on 30 June 2022 it was PLN 10,038 thousand). Amortisation allowances for the period of 6 months ended on 30 June 2023 amounted to PLN 108 thousand (for the period of 6 months ended on 30 June 2022 it was PLN 1,071 thousand). Impairment of assets for the period of 6 months ended on 30 June 2023 was PLN 0 thousand (for the period of 6 months ended on 30 June 2022 it was PLN 0 thousand). FX gains/losses for the period of 6 months ended on 30 June 2023 amounted to PLN -4,082 thousand (for the period of 6 months ended on 30 June 2022 it was PLN -1.069 thousand).

The increased acquisitions and decreases for intangible assets in H1 2023 and 2022 are the result of the purchase and redemption of CO2 emission rights by Arctic Paper Kostrzyn.

The goodwill as at 30 June 2023 amounted to PLN 7,913 thousand (31 December 2022: PLN 8,847 thousand). The change in its value in H1 2023 was affected only by FX differences of PLN -934 thousand (H1 2022: PLN -238 thousand).

Revenues from disposal of tangible fixed assets and intangible assets in H1 2023 amounted to PLN 213 thousand (in H1 2022: PLN 0 thousand)

### 13.2. Impairment of non-financial assets

As at 30 June 2023, there were no indications of impairment testing at Arctic Paper Kostrzyn, Munkedals, Grycksbo (directly and solely controlled by Arctic Paper Investment AB, in which parent company has 100% shares) and Rottneros for tangible fixed assets or intangible assets.

As at 31 December 2022 and in earlier periods, impairment tests were carried out at Arctic Paper Grycksbo in respect of tangible fixed assets and intangible assets.

The test as at 31 December 2022 did not result in a change in impairment allowances in respect of tangible fixed assets and intangible assets at Arctic Paper Grycksbo.

The total cumulated impairment allowance to Arctic Paper Grycksbo as at 30 June 2023 was PLN 238,945 thousand (31 December 2022: PLN 267,164 thousand). The difference in the impairment allowance was due to the measurement of the impairment allowance from previous years denominated in SEK to the presentation currency – PLN.

Investment value is calculated based on historical cost decreased by impairment.

## 14. Other financial assets

	As at 30 June 2023 (unaudited)	As at 31 December 2022
Hedging instruments	125 905	309 406
Derivative instruments measured at fair value through profit and loss	33 158	72 782
Investments in equity instruments	3 462	3 370
Settlement of realised forward contracts	6 987	37 641
Receivables from pension fund	20 724	22 829
<b>Total</b>	<b>190 236</b>	<b>446,028</b>
– short-term	84 584	283 411
– long-term	105 652	162 617

The decrease in other financial assets was mainly due to a decrease in the positive valuation of derivatives, mainly energy forwards.

## 15. Inventories

	As at 30 June 2023 (unaudited)	As at 31 December 2022
Materials (at purchase prices)	223 731	258 076
Production in progress (at manufacturing costs)	9 833	9 170
Finished products, of which:		
At purchase price / manufacturing costs	264 107	333 922
At net realisable price	31 274	-
Advance payments for deliveries	116	37
Total inventories, at the lower of: purchase price / manufacturing costs or net realisable price	529 062	601 205
Impairment allowance to inventories	18 467	9 703
Total inventories before impairment allowance	547 529	610 909

The decrease in inventories at 30 June 2023 compared to the end of the previous year was mainly due to lower paper and pulp production volumes.

The increase in inventory impairment allowances during H1 2023 was mainly due to additional allowances on finished goods due to their valuation to the net realisable selling price.

## 16. Trade and other receivables

	As at 30 June 2023 (unaudited)	As at 31 December 2022
Trade receivables	376 448	457 032
VAT receivables	20 384	38 442
Other third party receivables	6 832	5 201
Other receivables from related entities	-	2 716
		-
Total (net) receivables	403 664	503 391
Impairment allowances to receivables	3 871	5 482
Gross receivables	407 535	508 873

The decrease in trade receivables compared to the end of the previous year was primarily due to a decrease in sales.

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

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

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

The impairment allowance fully refers to receivables under contracts with customers. The decrease in the allowance for receivables was mainly due to its utilisation and release in H1 2023.

Below is an analysis of trade receivables that as at 30 June 2023 and 31 December 2022 were overdue but not treated as uncollectible:

	Total	Not overdue	Overdue but collectible				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
As at 30 June 2023	376 448	349 140	20 609	4 722	64	15	1 898
As at 31 December 2022	457 032	399 413	52 226	2 401	172	248	2 573

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

The maturities of other receivables from third parties do not exceed 360 days.

The Group presents discounts netted out with receivables. The reason for such presentation is settling trade receivables of particular customers by offsetting. Total value of discounts granted by Group's companies in 2023 hasn't exceeded MPLN 24.

## 17. Interest-bearing loans

During the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 2 April 2021 with a syndicate of banks in the amount of PLN 14,780 thousand and it also made a partial repayment of a loan from Nordea Bank for PLN 2,453 thousand and at Danske Bank for PLN 817 thousand.

The other changes to loans, borrowings and bonds as at 30 June 2023, compared to 31 December 2022 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2022 and paid in H1 2023.



The Group presents amounts of trade receivables and discounts netted. The reason for that is offsetting settlements of particular customers' regarding discounts and receivables. The total amount of discounts of Group's companies hasn't exceeded 24 m. PLN in 2023.

## 18. Trade and other payables

In the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 2 April 2021 with a syndicate of banks in the amount of PLN 14,780 thousand and made a partial repayment of the loan with Nordea Bank in the amount of PLN 2,453 thousand and with Danske Bank in the amount of PLN 817 thousand.

The other changes to loans, borrowings and bonds as at 30 June 2023, compared to 31 December 2022 result mainly from balance sheet evaluation and payment of interest accrued as at 31 December 2022 and paid in H1 2023.

## 19. Employee liabilities

	As at 30 June 2023 (unaudited)	As at 31 December 2022 -
Provision for pensions and similar benefits	45 379	47 286
Payable to employees as salaries	4 322	13 701
Personal Income Tax	5 025	6 147
Tax on repaid provision for pensions and similar benefits	-	13 908
Social benefit liabilities	16 995	17 010
Unused leave	43 919	42 690
Bonuses	15 962	34 050
Other employee liabilities	12 833	1 921
<b>TOTAL</b>	<b>144 436</b>	<b>176 712</b>
– short-term	102 947	133 165
– long-term	41 489	43 547

## 20. Share capital

As at 30 June 2023, there were no changes in share capital compared to 31 December 2022.

## 21. Financial instruments

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

At 30 June 2023, the Company held the following financial instruments: cash on hand and in bank accounts, loans, receivables, payables, including leases, and interest SWAP contracts, forward power purchase contracts and forward pulp sale contracts.

## 21.1. Fair value of each class of financial instruments

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

	Category in compliance with IFRS 9	Carrying amount	
		As at 30 June 2023	As at 31 December 2022
<b>Financial assets</b>			
Hedging instruments*	IRZ	125 905	309 406
<b>Financial liabilities</b>			
Loans	WwZK	145 681	174 553
Hedging instruments*	IRZ	-	-

\* derivative hedging instruments meeting the requirements of hedge accounting

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

IRZ – hedge accounting instruments

The fair value of the loans amounted to PLN 148,659 thousand (carrying amount PLN 145,681 thousand) as at 30 June 2023. The fair value of the loans amounted to PLN 181,237 thousand (carrying amount PLN 174,553 thousand) as at 31 December 2022.

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

As at 30 June 2023 and 31 December 2022, for the following financial assets and financial liabilities, the fair value does not differ significantly from their carrying amount:

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

More information on the fair value of financial instruments is provided in the Annual Consolidated Report for 2022, note 36.

As at 30 June 2023 and 31 December 2022, financial instruments according to the valuation hierarchy qualify as Level 3 except for derivatives (Level 2).

## 22. Contingent liabilities and contingent assets

As at 30 June 2023, the Capital Group reported:

- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of 434 thousand SEK (164 thousand PLN);
- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand; (SEK 51 thousand PLN).

## 23. Legal claims

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

## 24. Tax settlements

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

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

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

Tax settlements may be subject to inspections for five years from the end of the year in which the tax was paid. As a result of inspections, the tax liability of the Group may be increased by additional tax liability. In the opinion of the Group, there is no need to establish additional provisions for any identified and quantifiable tax risk as at 30 June 2023.

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

## 25. Future contractual investment commitments

Future contractual commitments to purchase tangible fixed assets concluded until 30 June 2023 and not required to be recognised in the consolidated statement of financial position at that date amounted to PLN 137,226 thousand.

## 26. Transactions with related entities

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

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

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

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2023 and as at 30 June 2023:

Data for the period from 01 January 2023 to 30 June 2023 and as at 30 June 2023

Related Entity	Sales to related entities	Purchases from related parties/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	209	31	-	-	-	-	6
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	142	-	-	-	-	-
Key management personnel	-	633	-	-	-	-	-
Total	209	806	-	-	-	-	6

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

Data for the period from 1 January 2022 to 30 June 2022 and as at 31 December 2022

Related Entity	Sales to related entities	Purchases from related parties/remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	222	31	-	-	2 716	-	7
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	47	-	-	-	-	-
Key management personnel	-	1 329	-	-	-	-	49
Total	222	1 407	-	-	2 716	-	56

## 27. Material events after the reporting period

After 30 June 2023, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

### Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	10 August 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	10 August 2023	signed with a qualified electronic signature

The background of the entire page is a light beige or cream color, featuring several vertical strips of paper that have been torn and layered on top of each other. The edges of the paper are jagged and uneven, creating a textured, layered effect. The lighting is soft and even, highlighting the texture of the paper.

# **Interim abbreviated standalone financial statements**

**for the period of 6 months  
ended on 30 June 2023  
along with an independent auditor's opinion  
from the review**

## Interim abbreviated standalone financial statements

### Interim abbreviated standalone profit and loss statement

	Note	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
Continuing operations					
Sales of services		3 514	7 124	3 052	6 071
Interest on loans	11.1	635	1 185	560	1 141
Dividend income	14	177 662	179 235	57 058	57 058
Sales revenues		181 811	187 544	60 669	64 270
Interest expense to related entities and costs of sales of logistics services		(2 063)	(4 853)	(2 076)	(4 184)
Profit/(loss) on sales		179 748	182 691	58 593	60 086
Other operating income		47	47	41	53
Administrative expenses	11.2	(4 998)	(6 351)	(5 221)	(7 838)
Impairment allowances to assets	11.4	(818)	(1 289)	117 014	117 014
Other operating expenses	11.2	1 640	(26)	17	(46)
Profit/(loss) on operations		175 618	175 072	170 445	169 269
Financial income		854	2 870	1 140	1 733
Financial expenses		(2 072)	(4 405)	(3 645)	(5 811)
Gross profit/(loss)		174 400	173 537	167 940	165 191
Income tax		1 817	1 968	738	1 291
Net profit/(loss) for the financial year		176 218	175 505	168 678	166 482
Earnings per share:					
– basic earnings from the profit (loss) for the period		2,54	2,53	2,43	2,40
– basic earnings from the profit (loss) from continuing operations for the period		2,54	2,53	2,43	2,40

## Interim abbreviated standalone statement of comprehensive income

Note	3-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2023 (unaudited)	3-month period ended on 30 June 2022 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
Net profit/(loss) for the reporting period	174 547	175 505	168 678	166 482
<i>Items that have been reclassified to the result in the current reporting period:</i>				
Measurement of financial instruments	-	-	-	-
<i>Items to be reclassified to profit/(loss) in future reporting periods:</i>				
Measurement of financial instruments	(2 496)	(3 808)	3 244	6 284
Deferred income tax on the measurement of financial instruments	1 450	1 450	(1 685)	(1 685)
FX differences on translation of foreign operations	883	1 023	338	292
<b>Other comprehensive income (net)</b>	<b>(162)</b>	<b>(1 335)</b>	<b>1 897</b>	<b>4 891</b>
<b>Total comprehensive income</b>	<b>174 385</b>	<b>174 170</b>	<b>170 575</b>	<b>171 373</b>



## Interim abbreviated standalone statement of financial position

Note	As at 30 June 2023 (unaudited)	As at 31 December 2022
<b>ASSETS</b>		
Fixed assets		
Tangible fixed assets	883	451
Intangible assets	1 339	1 346
Shares in subsidiaries	859 680	854 898
Other financial assets	26 168	35 514
Other non-financial assets	1 865	1 865
	889 935	894 074
Current assets		
Trade and other receivables	14 448	17 566
Income tax receivables	5 508	1 430
Other financial assets	12 965	12 728
Other non-financial assets	8 653	5 817
Cash and cash equivalents	88 902	213 272
	130 476	250 814
<b>TOTAL ASSETS</b>	<b>1 020 411</b>	<b>1 144 888</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
Share capital	69 288	69 288
Reserve capital	463 331	427 502
Other reserves	104 367	106 725
FX differences on translation	2 486	1 463
Retained earnings/Accumulated losses	124 592	171 993
Total equity	764 063	776 969
Long-term liabilities		
Interest-bearing loans, loans and bonds	56 813	73 022
Deferred income tax liability	1 450	2 003
Other long-term liabilities	-	10
	58 263	75 035
Short-term provisions		
Interest-bearing loans, loans and bonds	170 511	263 752
Trade payables	21 309	19 175
Other financial liabilities	27	49
Other short-term liabilities	5 046	1 383
Rezerwy krótkoterminowe	1 194	6 895
Income tax liability	-	1 630
	198 087	292 884
<b>TOTAL LIABILITIES</b>	<b>256 349</b>	<b>367 919</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 020 411</b>	<b>1 144 888</b>

## Interim abbreviated standalone cash flow statement

	Note	6-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
<b>Cash flows from operating activities</b>			
Gross profit/(loss)		173 537	165 191
Adjustments for:			
Depreciation/amortisation		138	296
FX gains / (loss)		(2 377)	(696)
Impairment of assets		-	(117 014)
Net interest		3 921	597
Profit / loss from investing activities		(564)	(40)
Increase/decrease in receivables and other non-financial assets		(959)	(10 758)
Increase / decrease in liabilities except for loans and borrowings		(2 087)	5 057
Change in accruals and prepayments		(2 836)	9 316
Change in provisions		-	(14)
Podatek dochodowy zapłacony		(798)	-
Change to liabilities due to cash-pooling		(91 505)	32 721
Increase/decrease of loans granted to subsidiaries		6 506	2 926
Other		582	662
Net cash flows from operating activities		83 558	88 243
<b>Cash flows from investing activities</b>			
Increased interest in subsidiary entity		(4 782)	(50)
Net cash flows from investing activities		(4 782)	(50)
<b>Cash flows from financing activities</b>			
Repayment of leasing liabilities		(32)	(133)
Dividends paid		(187 077)	-
Dividends received		2 129	-
Repayment of loan liabilities		(14 747)	(33 329)
Interest paid		(3 419)	(253)
Net cash flows from financing activities		203 147	(33 715)
Change in cash and cash equivalents		(124 370)	54 478
Cash and cash equivalents at the beginning of the period		213 272	14 966
Cash and cash equivalents at the end of the period	13	88 902	69 445

## Interim abbreviated standalone statement of changes in equity

### Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total equity
As at 01 January 2023	69 288	427 502	1 463	106 725	171 993	776 969
Net profit for the period	-	-	-	-	175 505	175 505
Other comprehensive income (net) for the period	-	-	1 023	(2 358)	-	(1 335)
Total comprehensive income for the period	-	-	1 023	(2 358)	175 505	174 170
Dividend distribution	-	35 829	-	-	(222 906)	(187 077)
As at 30 June 2023 (unaudited)	69 288	463 331	2 486	104 367	124 592	764 063

### Attributable to the shareholders of the Parent Entity

	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total equity
As at 01 January 2022	69 288	427 502	756	124 500	(44 986)	577 059
Net profit for the period	-	-	-	-	166 482	166 482
Other comprehensive income (net) for the period	-	-	292	4 599	-	4 891
Total comprehensive income for the period	-	-	292	4 599	166 482	171 373
Dividend distribution	-	-	-	(5 928)	(21 787)	(27 715)
As at 30 June 2022 (unaudited)	69 288	427 502	1 048	123 171	99 709	720 718

## **Additional explanatory notes**

### **1. General information**

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

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

The Company is entered in the National Court Register maintained by the District Court in Zielona Góra – 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Company holds statistical number REGON 080262255.

The duration of the Company is indefinite.

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

Holding operations is the core business of the Company.

The interim abbreviated standalone financial statements of the Company with respect to the interim abbreviated standalone profit and loss account, statement of comprehensive income, cash flow statement and statement of changes to equity, cover the period of 6 months ended on 30 June 2023 and contain comparable data for the period of 6 months ended on 30 June 2022; and in the interim abbreviated standalone statement of financial condition, it presents data as at 30 June 2023 and as at 31 December 2022.

The interim abbreviated unconsolidated statement of comprehensive income, the interim abbreviated unconsolidated statement of profit and loss include data for the three months ended 30 June 2023 and comparative data for the three months ended 30 June 2022.

### **2. Basis of preparation of the interim abbreviated financial statements**

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

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

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

The interim abbreviated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended on 31 December 2022.

### **3. Identification of the consolidated financial statements**

The Company made its interim abbreviated consolidated financial statements for the six-month period ended on 30 June 2023 which were approved for publication by the Management Board on 10 August 2023.

### **4. Composition of the Company's Management Board**

On 9 May 2023, Mr Göran Eklund resigned as a Member of the Company's Management Board and Chief Financial Officer of the Company with effect from 29 May 2023.

The Supervisory Board, by resolution of 9 May 2023, appointed Ms Katarzyna Wojtkowiak as a member of the Company's Management Board with effect from 29 May 2023. Ms Katarzyna Wojtkowiak also holds the position of Chief Financial Officer of the Company.

The Supervisory Board, in connection with the expiry of the Management Board's term of office on 29 May 2023, by resolution of 9 May 2023 appointed the Management Board for a new three-year term of office as of 29 May 2023 with the following composition:

- Mr Michał Jarczyński – President of the Management Board
- Ms Katarzyna Wojtkowiak – Member of the Management Board

The Supervisory Board, by resolution of 9 August 2023, appointed Mr Fabian Langenskiöld as a member of the Company's Management Board with effect from 14 August 2023. Mr Fabian Langenskiöld also holds the position of Sales and marketing Director of the Company.

Until the publication hereof, there were no changes to the composition of the Management Board of the Company.

## 5. Composition of the Company's Supervisory Board

As at 30 June 2023, the Company's Supervisory Board was composed of:

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

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

## 6. Approval of the interim abbreviated standalone financial statements

On 10 August 2023, these interim abbreviated standalone financial statements of the Company for the 6-month period ended on 30 June 2023 were approved for publication by the Management Board.

## 7. Investments by the Company

The Company holds interests in the following subsidiary companies:

Unit	Registered office	Business activity	Company's interest in the equity of the subsidiary entities		
			10 August 2023	30 June 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 Investment AB	Sweden, Box 383, 401 26 Göteborg	Holding activities	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, 20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskindelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%
Arctic Paper East Sp. z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Trading company	100%	100%	100%
Arctic Paper Investment GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Holding activities	99,8%	99,8%	99,8%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100,0%	100,0%	100,0%
Kostrzyn Packaging Spółka z o.o.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	100,0%	100,0%	100,0%
Rottneros AB	Sweden, 826 79 Vallvik	Activities of holding companies	51,27%	51,27%	51,27%

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

As at 30 June 2023 and as at 31 December 2022, the share in the overall number of votes held by the Company in its subsidiary entities was equal to the share of the Company in the share capital of those entities.

## 8. Significant accounting principles (policies)

The accounting policies applied in the preparation of the interim abbreviated financial statements are consistent with those applied in the preparation of the Company's annual financial statements for the year ended 31 December 2022, except as set out below.

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

— Amendments to *IFRS 3 Business Combinations*, *IAS 16 Tangible Fixed Assets*, *IAS 37 Provisions, Contingent Liabilities and Contingent Assets* and *Amendments to International Financial Reporting Standards 2018-2020* (all issued 14 May 2020) are effective for annual periods beginning on or after 1 January 2022, earlier application is permitted.

The amendment package contains three changes of narrow scope to the standards:

- updates the reference in IFRS 3 Business Combinations to the Framework for the Preparation and Presentation of Financial Statements without changing the accounting requirements for the recognition of business combinations,
- prohibits an entity from reducing the cost of an item of tangible fixed assets by the amount received from the sale of assets produced while the entity is preparing the item of tangible fixed assets for its intended use. Such income and related expenses will be recognised in profit or loss for the period,
- explains what costs an entity uses in assessing whether a particular contract will result in a loss.

The package also includes Amendments to International Financial Reporting Standards 2018-2020 which clarify the vocabulary used and correct minor inconsistencies, omissions or contradictions between the standards' requirements in IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and examples in IFRS 16 Leases;

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

### 8.1. New standards and interpretations that have been published and are not yet effective

The following standards and interpretations were issued by the International Accounting Standards Board but are not yet effective:

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

IFRS 17 that replaces temporary standard IFRS 4 Insurance Contracts that was implemented in 2004. IFRS 4 provided companies with a possibility to continue disclosing insurance contracts pursuant to the accounting principles applicable in national standards, which, as a result, meant application of different solutions.

IFRS 17 solves the issue of comparability created by IFRS 4 through a requirement of coherent disclosure of all insurance contracts, which will be beneficial for both investors and insurers. Liabilities arising from contracts will be recognised at present values, instead of historic cost.

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

The amendment introduces a new option to apply IFRS 17 for the first time in order to reduce operational complexity and accounting mismatches in comparative figures between insurance contract liabilities and related financial assets at the time of first-time application of IFRS 17. The amendment allows comparative figures for financial assets to be presented more consistently with IFRS 9 Financial Instruments.

- *Amendments to IAS 1 Presentation of Financial Statements and IFRSs-Practical Position 2: Accounting policy disclosures (issued 12 February 2021); Effective for annual periods beginning on or after 1 January 2023, earlier application permitted.*

The amendments to IAS 1 clarify the disclosure of significant accounting policies in an entity's financial statements. Under the amendments, an entity should only disclose significant accounting policies in the financial statements instead of significant accounting policies.

- *Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of estimated values (issued 12 February 2021) – effective for annual periods beginning on or after 1 January 2023, earlier application permitted;*

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

- *Amendments to IAS 12 Income Taxes: Deferred tax on an asset and a liability recognised as a result of a single transaction (issued 7 May 2021) Effective for annual periods beginning on or after 1 January 2023, earlier application permitted)*

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

- *Amendments to IAS 12 Income Taxes: Global Minimum Income Tax (Pillar Two)*

In May 2023, the Board published amendments to IAS 12 'Income Taxes' in response to the Pillar Two global minimum income tax regulations issued by the Organisation for Economic Co-operation and Development (OECD) in connection with international tax reform. The amendment to IAS 12 provides a temporary exemption from the requirement to recognise deferred income tax arising from enacted tax law that implements the Pillar II model rules. Companies can apply the guidance of the revised IAS 12 standard immediately, while certain disclosures are required for annual periods beginning on or after 1 January 2023. As at the date of these (consolidated) financial statements, the modification has not been approved by the European Union.

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

Published standards and interpretations awaiting for UE approval as at 10 August 2023

- *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.

- *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.

— *Amendments to IAS 7 “Statement of cash flows” and IFRS 7 “Financial instruments: disclosures” – disclosure of supplier finance arrangements*

In May 2023, the Board published amendments to IAS 7 “Statement of cash flows” and IFRS 7 “Financial instruments: disclosures”. The amendments to the standards introduce disclosure requirements for supplier finance arrangements. The amendments require specific disclosures about the entity’s financial contracts with suppliers to enable readers of the financial statements to assess the impact of those contracts on the entity’s liabilities and cash flows and the entity’s exposure to liquidity risk. These amendments are intended to increase the transparency of disclosures about arrangements made with suppliers. The amendments do not affect the recognition and measurement principles, only the disclosure requirements. The new disclosure obligations will be effective for annual reporting periods beginning on or after 1 January 2024.

As at date the of these financial statements, the modifications have not been approved by the European Union.

— *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.

— *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 changes are not expected to have material impact on the Company’s financial statements.

## 9. Seasonality

The Company’s activities, particularly with regard to dividends from associated companies, are seasonal in nature, with the majority of dividends being paid in the second and third quarters of the calendar year. For this reason, the Company’s reported results show significant fluctuations during these periods of the year.

## 10. Information on business segments

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

The table below presents revenues from the sale of services, interest income on loans and dividend income for the 6-month period ended on 30 June 2023 and as at 30 June 2022 in geographical presentation.

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

	6-month period ended on 30 June 2023 (unaudited)	6-month period ended on 30 June 2022 (unaudited)
<b>Geographical information</b>		
Poland	135 522	36 940
Foreign countries, of which:		
– Sweden	50 448	26 871
– Other	1 573	459
		-
<b>Total</b>	<b>187 544</b>	<b>64 270</b>

## 11. Income and costs

### 11.1. Interest income and expense

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

### 11.2. Administrative expenses

The administrative expenses include costs of the administration of the Company operation, costs of services provided for the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. In H1 2023, the administrative expenses amounted to PLN 6,351 thousand (in H1 2022: PLN 7,838 thousand). The decrease of the administrative expenses is due to lower costs of services provided to the Company by external entities.

### 11.3. Change in impairment allowances on assets

In H1 2023, the company recognised an allowance for loans receivable to Arctic Paper Mochenwangen GmbH of PLN 1,289 thousand. In H1 2022, the company reversed an impairment allowance on its shares in Arctic Paper Investment AB (owner of Arctic Paper Grycksbo AB) in the amount of PLN 117,014 thousand.

## 12. Investments in subsidiaries

The value of investments in subsidiary companies as at 30 June 2023 and as at 31 December 2022 was as follows:

	As at 30 June 2023 (unaudited)	As at 31 December 2022
Arctic Paper Kostrzyn S.A.	442 535	442 535
Arctic Paper Munkedals AB	88 175	88 175
Rottneros AB	101 616	101 616
Arctic Paper Investment AB, of which:	205 584	205 584
<i>Arctic Paper Investment AB (shares)</i>	307 858	307 858
<i>Arctic Paper Investment AB (loans)</i>	82 709	82 709
<i>Arctic Paper Investment AB (impairment allowance)</i>	(184 983)	(184 983)
Arctic Paper Investment GmbH	-	-
<i>Arctic Paper Investment GmbH (shares)</i>	120 030	120 031
<i>Arctic Paper Investment GmbH (impairment allowance)</i>	(120 030)	(120 031)
Arctic Paper Sverige AB	2 936	2 936
<i>Arctic Paper Sverige AB (shares)</i>	11 721	11 721
<i>Arctic Paper Sverige AB (impairment allowance)</i>	(8 785)	(8 785)
Arctic Paper Danmark A/S	2 947	2 592
<i>Arctic Paper Danmark A/S (shares)</i>	5 539	5 539
<i>Arctic Paper Danmark A/S ((impairment allowance)</i>	(2 592)	(2 592)
Arctic Paper Deutschland GmbH	4 977	4 977
Arctic Paper Norge AS	516	516
<i>Arctic Paper Norge AS (shares)</i>	3 194	3 194
<i>Arctic Paper Norge AS (impairment allowance)</i>	(2 678)	(2 678)
Arctic Paper Italy srl	738	738
Arctic Paper UK Ltd.	522	522
Arctic Paper Polska Sp. z o.o.	406	406
Arctic Paper Benelux S.A.	387	387
Arctic Paper France SAS	326	326
Arctic Paper Espana SL	196	196
Arctic Paper Papierhandels GmbH	194	194
Arctic Paper Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	2 602	2 602
Arctic Paper Baltic States SIA	64	64
Arctic Paper Schweiz AG	61	61
Arctic Paper Finance AB	68	50
Kostrzyn Packaging Spółka z o.o.	4 830	68
<b>Total</b>	<b>859 680</b>	<b>854 898</b>

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

### 12.1. Impairment of assets in subsidiaries

As at 30 June 2023, there were no prerequisites for impairment testing at Arctic Paper Kostrzyn, Munkedals, Grycksbo (directly and solely controlled by Arctic Paper Investment AB, in which parent company has 100% shares) and Rottneros for shares.

As at 31 December 2022 and in earlier periods, impairment tests were carried out at Arctic Paper Grycksbo in respect of shares.

The test as at 31 December 2022 resulted in a partial reversal of impairment allowances in respect of shares at Arctic Paper Investment AB.

The total cumulated impairment allowance reversal as at 30 June 2023 was PLN 184,983 thousand (31 December 2022: PLN 184,983 thousand).

## 13. Cash and cash equivalents

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

	As at 30 June 2023	As at 30 June 2022
	(unaudited)	(unaudited)
Cash in bank and on hand	88 902	69 445
<b>Total</b>	<b>88 902</b>	<b>69 445</b>

## 14. Dividend paid and proposed

Dividend is paid based on the net profit disclosed in the standalone annual financial statements of Arctic Paper S.A. after covering losses carried forward from the previous years.

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

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the annual report for 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 6 June 2023, the Annual General Meeting of the Company, after reviewing the Management Board's proposal on dividend payment, decided to allocate a part of the Company's net profit for the financial year 2022, in the amount of PLN 187,077,014.10 (in words: one hundred and eighty-seven million, seventy-seven thousand and fourteen zloty 10/100) for dividend payment among the Company's shareholders. The dividend per share amounted to a gross dividend of PLN 2.70 (in words: two zloty seventy groszy). The Annual General Meeting of the Company set the dividend date as 15 June 2023. The dividend was paid on 21 June 2023.

## 15. Dividend received

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

- Arctic Paper Kostrzyn S.A. in the amount of PLN 133,578 thousand,
- Arctic Paper France SAS of PLN 468 thousand,
- Arctic Paper Deutschland GmbH of PLN 1,105 thousand,
- Rottneros AB of PLN 44,083 thousand.

## 16. Trade and other receivables

Trade and other receivables disclosed as at 30 June 2023 dropped by PLN 3,118 thousand versus 31 December 2022.

## 17. Tangible fixed assets and intangible assets

### 17.1. Purchases and disposal

During the 6 months ended 30 June 2023, the company acquired fixed assets (tangible fixed assets) in the amount of PLN 564 thousand. During the period ended 30 June 2022, the Company acquired fixed assets under construction in the amount of PLN 99 thousand. Amortisation allowances for the period under report were PLN 137 thousand (for 6 months in 2022: PLN 110 thousand).

### 17.2. Impairment allowances

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

## 18. Other financial assets

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

In accordance with the agreement, Arctic Paper Grycksbo AB repaid the loans in the amount of PLN 3,842 thousand (EUR 840 thousand and Arctic Paper Italia SRL repaid a loan of PLN 357 thousand (EUR 80 thousand). On the other hand, the reduction in financial receivables was also significantly influenced by the decrease in the cash-pool receivable balance of Arctic Paper Grycksbo by approximately MPLN 56.4.

## 19. Interest-bearing loans, borrowings and bonds

In accordance with the loan agreement, in H1 2023 the Company repaid principal instalments and paid interest of PLN 18,3 million. Other changes in the value of loans and borrowings are due, among other things, to a decrease in cash-pool liabilities (PLN -91.1 million).

## 20. Tax liabilities

As of 1 January 2022, Arctic Paper SA and Arctic Paper Kostrzyn SA have formed a Tax Group and jointly account for corporate income tax. In accordance with the decision of the Management Board, the Issuer is a direct tax settling entity with the tax office, hence an item of income tax receivables of PLN 5,508 thousand appeared in the balance sheet.

## 21. Share capital and reserve capital/other reserves

### 21.1. Share capital

As at 30 June 2023, there were no changes in the Company's share capital compared to 31 December 2022.

## 21.2. Major shareholders

	As at 30 June 2023		As at 31 December 2022	
	Share in the share capital	Share in the total number of votes	Share in the share capital	Share in the total number of votes
<b>Thomas Onstad</b>	<b>68,13%</b>	<b>68,13%</b>	<b>68,13%</b>	<b>68,13%</b>
indirectly via	59,15%	59,15%	59,15%	59,15%
Nemus Holding AB	58,28%	58,28%	58,28%	58,28%
other entity	0,87%	0,87%	0,87%	0,87%
directly	8,98%	8,98%	8,98%	8,98%
<b>Other</b>	<b>31,87%</b>	<b>31,87%</b>	<b>31,87%</b>	<b>31,87%</b>

## 21.3. FX differences on translation of investments in foreign entities

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

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

## 21.4. Reserve capital

The supplementary capital as at 30 June 2023 amounted to PLN 463,331 thousand. The amount of supplementary capital versus the end of 2022 increased due to partial transfer of retained earnings to this position.

## 21.5. Other reserves

Other reserves amounted to PLN 104,367 thousand as at 30 June 2023 and decreased versus 31 December 2022 by PLN 2,358 thousand.

The decrease in the capital reserve is due to a decrease in the positive valuation of financial instruments compared to the end of 2022.

## 21.6. Undistributed profit and restrictions in dividend distribution

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

Dividend payment restrictions were described in note 13.

As at 31 December 2022, there were no other restrictions concerning dividend distribution.

## 22. Financial instruments

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

### 22.1. Fair value of each class of financial instruments

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

	Category in compliance with IFRS 9	Carrying amount	
		As at 30 June 2023	As at 31 December 2022
<b>Financial assets</b>			
Shares in subsidiary companies			
Other (long-term) financial assets	WwWGpWF	26 168	31 568
Trade and other receivables	WwZK	14 448	17 566
Cash and cash equivalents	WwZK	88 902	213 272
Derivatives	IRZ	5 233	8 145
Other (short-term) financial assets	WwWGpWF	12 965	8 529
<b>Total</b>		<b>147 716</b>	<b>279 080</b>
<b>Financial liabilities</b>			
Interest-bearing loans, loans and bonds	WwZK	227 324	336 775
Trade payables	WwZK	21 309	19 175
Finance lease liabilities/other liabilities	WwZK	25	59
<b>Total</b>		<b>248 658</b>	<b>356 008</b>

Abbreviations used:

WwZK – Financial assets/liabilities measured at amortised cost

WwWGpWF - financial assets/liabilities measured at fair value through profit and loss

IRZ – hedge accounting instruments

The fair value of the loans amounted to PLN 87,990 thousand (carrying amount PLN 85,012 thousand) as at 30 June 2023 and PLN 105,355 thousand (carrying amount PLN 103,348 thousand) as at 31 December 2022.

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

As at 30 June 2023 and 31 December 2022, for the following financial assets and financial liabilities, the fair value does not differ significantly from their carrying amount:

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

More information on the fair value of financial instruments is provided in the Annual Report for 2022, note 28.1.

As at 30 June 2023 and 31 December 2022, financial instruments according to the valuation hierarchy qualify as Level 3 except for derivatives (Level 2).

## 23. Contingent liabilities and contingent assets

As at 30 June 2023, the Company had no contingent liabilities.

## 24. Transactions with related entities

The table below presents the total amount of transactions concluded with related entities within the 6-month period ended on 30 June 2023 and as at 30 June 2022 and as at 30 June 2023 and as at 31 December 2022:



<i>Related Entity</i>		<i>Sales to related entities</i>	<i>Purchases from related entities</i>	<i>Interest – operational income</i>	<i>Dividend received</i>	<i>Interest – financial expense</i>	<i>Guarantees obtained – other financial expenses</i>	<i>Receivables from related entities</i>	<i>including overdue</i>	<i>Loan receivables</i>	<i>Liabilities to related entities</i>	<i>including overdue, after the payment date</i>	<i>Loan liabilities</i>
<b>Parent entity:</b>													
Nemus Holding AB	2023	2	-	-	-	-	-	2 776	-	-	-	-	-
	2022	1	-	-	-	-	-	2 776	-	-	16 152	-	-
Thomas Onstad	2023	-	-	-	-	-	-	-	-	-	-	-	-
	2022	-	-	-	-	-	-	-	-	-	2 489	-	-
		-	-	-	-	-	-	-	-	-	-	-	-
<b>Subsidiaries</b>	2023	<b>7 125</b>	<b>1 874</b>	<b>1 185</b>	<b>179 235</b>	-	<b>1 322</b>	<b>34 297</b>	<b>22 531</b>	<b>174 189</b>	<b>9 406</b>	-	<b>142 311</b>
	2022	<b>6 071</b>	<b>1 478</b>	<b>1 141</b>	<b>57 058</b>	-	<b>1 322</b>	<b>38 631</b>	<b>22 531</b>	<b>180 590</b>	<b>587</b>	-	<b>233 427</b>
<b>Total</b>	<b>2023</b>	<b>7 126</b>	<b>1 874</b>	<b>1 185</b>	<b>179 235</b>	-	<b>1 322</b>	<b>37 073</b>	<b>22 531</b>	<b>174 189</b>	<b>9 406</b>	-	<b>142 311</b>
	<b>impairment allowances</b>	-	-	-	-	-	-	<b>(22 531)</b>	<b>(22 531)</b>	<b>(57 836)</b>	-	-	-
	<b>presentation as interests in subsidiaries</b>	-	-	-	-	-	-	-	-	<b>(82 709)</b>	-	-	-
	<b>2023 following impairment allowances and changes to presentation</b>	-	-	-	-	-	-	-	-	-	-	-	-
		<b>7 126</b>	<b>1 874</b>	<b>1 185</b>	<b>179 235</b>	-	<b>1 322</b>	<b>14 542</b>	-	<b>33 644</b>	<b>9 406</b>	-	<b>142 311</b>
	<b>2023</b>	<b>8 707</b>	<b>6 146</b>	<b>1 503</b>	<b>760</b>	-	<b>1 263</b>	<b>41 305</b>	<b>22 531</b>	<b>180 590</b>	<b>587</b>	-	<b>233 427</b>
	<b>impairment allowances</b>	-	-	-	-	-	-	<b>(22 531)</b>	<b>(22 531)</b>	<b>(57 836)</b>	-	-	-
	<b>presentation as interests in subsidiaries</b>	-	-	-	-	-	-	-	-	<b>(82 709)</b>	-	-	-
	<b>2022 following impairment allowances and changes to presentation</b>	-	-	-	-	-	-	-	-	-	-	-	-
		<b>8 707</b>	<b>6 146</b>	<b>1 503</b>	<b>760</b>	-	<b>1 263</b>	<b>18 774</b>	-	<b>40 045</b>	<b>587</b>	-	<b>233 427</b>

## 25. Presentation change due to error correction

In the current reporting period, in the separate statement of cash flows, the Company identified an error in the presentation of cash flows from dividends received. The error related to the incorrect classification of cash flows from dividends received into cash flows from financing activities, which, according to IAS 7, should have been presented in cash flows from operating or investing activities. Accordingly, the Company has corrected the error in the current separate statement of cash flows and presented the dividends received in cash flows from operating activities (identical to the presentation in the Statement of Profit and Loss).

The error was identified in the separate statement of cash flows for the year ended 31.12.2022 in which cash flows from dividends received occurred in the second half of the year, i.e. in a period not included as a comparative period for this separate statement of cash flows. Accordingly, the presentation of the revised comparative figures of the separate statement of cash flows for the period ended 30.06.2023 has been waived. In the separate statement of cash flows for the year ended 31.12.2022, the impact of the adjustment is as follows:

Position of standalone statement of financial position	Year ended ony 31 december 2022 (before transformation)	Transformation	Year ended ony 31 december 2022 (after transformation)
Net cash flows from operating activities	220 455	57 416	277 871
Net cash flows from investing activities	(50)	-	(50)
Net cash flows from financing activities	(22 099)	(57 416)	(79 515)
Cash and cash equivalents at the beginning of the period	14 966	-	14 966
Change in cash and cash equivalents	198 306	-	198 306
Cash and cash equivalents at the end of the period	213 272	-	213 272

## 26. Events after the end of the reporting period

After 30 June 2023, until the date hereof there were no other material events requiring disclosure in this report with the exception of those events that were disclosed in this report in paragraphs above.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	10 August 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	10 August 2023	signed with a qualified electronic signature

Head Office Branch in Sweden

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