Arctic Paper SA 2022 ANNUAL REPORT



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

Arctic Paper has prepared its 2022 annual financial report in the European Single Electronic Format (ESEF) which is the electronic reporting format in which issuers on EU regulated markets shall prepare their annual financial reports from 1 January 2020 based on Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as amended.

This PDF version of Arctic Paper SA Annual Report 2022 has been prepared solely for the convenience of digital reading.

Despite all the efforts devoted to the conversion of XHTML file into PDF format, certain discrepancies, omissions or approximations may exist. In case of any differences between the PDF and the XHTML versions, the XHTML version is the only one legally binding and shall prevail.

Arctic Paper, its representatives and employees decline all responsibility in this regard.

Table of contents

Selected standalone financial data	5	1. General information	49
		2. Identification of the consolidated financial statements	49
Letter from the President of the Management		3. Composition of the Company's Management Board	49
Board of Arctic Paper S.A.	7	4. Approval of the financial statements	49
		5. Investments by the Company	50
Description of the business of Arctic Paper	8	6. Material values based on professional judgement and	
		estimates	51
Summary of financial results	12	7. Basis of preparation of the financial statements	51
		8. Changes in the applied accounting principles	52
Relevant information and factors affecting the	•	9. New standards and interpretations that have been	
financial results and the assessment of the		published and are not yet effective	52
financial standing	17	10. Significant accounting principles (policies)	53
		11. Sales revenues	61
Factors affecting the development of the		12. Other revenues and expenses	61
Company	19	13. Income tax	63
		14. Earnings/(loss) per share	65
Supplementary information	21	15. Dividend paid and proposed	65
		16. Other assets	66
Statement on the application of the Corporate		17. Trade and other receivables	70
Governance Rules	26	18. Cash and cash equivalents	70
		19. Share capital and reserve capital/other reserves	71
Information compliant with the requirements of	of	20. Interest-bearing loans and borrowings	72
Swedish regulations concerning corporate		21. Long-term employee liabilities	73
governance.	39	22. Trade and other payables and other financial liabilities	74
		23. Contingent liabilities	74
Information by the Management Board of Arcti	ic	24. Information on related entities	76
Paper S.A. on selection of the audit firm	41	25. Information on the remuneration of the statutory auditor	or
		entity authorised to audit financial statements	78
Statements of the Management Board	42	26. Financial risk management objectives and policies	78
		27. Financial instruments	82
Standalone financial statements	44	28. Capital management	84
		29. Employment structure	85
Accounting principles (policies) and additiona	al	30. Events after the balance sheet date	85
explanatory notes	49		

SELECTED STANDALONE FINANCIAL DATA

Selected standalone financial data

	Period from 01.01.2022 to 31.12.2022 PLN '000	Period from 01.01.2021 to 31.12.2021 PLN '000	Period from 01.01.2022 to 31.12.2022 EUR '000	Period from 01.01.2021 to 31.12.2021 EUR '000
	70.400		45.455	40.070
Sales revenues Operating profit/(loss)	72 460 224 463	63 836 32 920	15 455 47 877	13 978 7 208
Gross profit/(loss)	218 975	21 787	46 707	4 771
Net profit/(loss) from continuing operations	222 906	21 787	47 545	4 771
Net profit/(loss) for the financial year	222 906	21 787	47 545	4 771
Net cash flows from operating activities	220 455	(15 320)	47 022	(3 354)
Net cash flows from investing activities	(50)	(2 498)	(11)	(547)
Net cash flows from financing activities	(22 099)	(7 364)	(4 714)	(1 612)
Change in cash and cash equivalents	198 306	(25 182)	42 298	(5 514)
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	3,22	0,31	0,69	0,07
Diluted EPS (in PLN/EUR)	3,22	0,31	0,69	0,07
Mean PLN/EUR exchange rate*			4,6883	4,5775
	As at	As at	As at	As at
	31 December	31 December	31 December	31 December
	2022 PLN '000	2021 PLN '000	2022 EUR '000	2021 EUR '000
	. 2.7 000	. 2.1 000	20.1 000	20.1 000
Total assets				
	1 144 888	857 299	244 118	186 394
Long-term liabilities	1 144 888 75 036	857 299 105 398	244 118 15 999	186 394 22 916
Long-term liabilities Short-term liabilities				
-	75 036	105 398	15 999	22 916
Short-term liabilities	75 036 292 883	105 398 174 841	15 999 62 450	22 916 38 014
Short-term liabilities Equity	75 036 292 883 776 970	105 398 174 841 577 059	15 999 62 450 165 669	22 916 38 014 125 464
Short-term liabilities Equity Share capital	75 036 292 883 776 970 69 288	105 398 174 841 577 059 69 288	15 999 62 450 165 669 14 774	22 916 38 014 125 464 15 064
Short-term liabilities Equity Share capital Number of ordinary shares	75 036 292 883 776 970 69 288	105 398 174 841 577 059 69 288	15 999 62 450 165 669 14 774 69 287 783	22 916 38 014 125 464 15 064 69 287 783
Short-term liabilities Equity Share capital Number of ordinary shares Diluted number of ordinary shares	75 036 292 883 776 970 69 288 69 287 783 69 287 783	105 398 174 841 577 059 69 288 69 287 783 69 287 783	15 999 62 450 165 669 14 774 69 287 783 69 287 783	22 916 38 014 125 464 15 064 69 287 783 69 287 783
Short-term liabilities Equity Share capital Number of ordinary shares Diluted number of ordinary shares Book value per share (in PLN/EUR) Diluted book value per share (in PLN/EUR)	75 036 292 883 776 970 69 288 69 287 783 69 287 783 11,21 11,21	105 398 174 841 577 059 69 288 69 287 783 69 287 783 8,33 8,33	15 999 62 450 165 669 14 774 69 287 783 69 287 783 2,39 2,39	22 916 38 014 125 464 15 064 69 287 783 69 287 783 1,81 1,81
Short-term liabilities Equity Share capital Number of ordinary shares Diluted number of ordinary shares Book value per share (in PLN/EUR) Diluted book value per share (in PLN/EUR) Declared or paid dividend (in PLN/EUR)	75 036 292 883 776 970 69 288 69 287 783 69 287 783 11,21 11,21 27 715 113	105 398 174 841 577 059 69 288 69 287 783 69 287 783 8,33 8,33 8,33	15 999 62 450 165 669 14 774 69 287 783 69 287 783 2,39 2,39 5 909 532	22 916 38 014 125 464 15 064 69 287 783 69 287 783 1,81 1,81 4 519 358
Short-term liabilities Equity Share capital Number of ordinary shares Diluted number of ordinary shares Book value per share (in PLN/EUR) Diluted book value per share (in PLN/EUR)	75 036 292 883 776 970 69 288 69 287 783 69 287 783 11,21 11,21	105 398 174 841 577 059 69 288 69 287 783 69 287 783 8,33 8,33	15 999 62 450 165 669 14 774 69 287 783 69 287 783 2,39 2,39	22 916 38 014 125 464 15 064 69 287 783 69 287 783 1,81 1,81

^{* -} Profit and loss account and cash flow statement items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing in the period that the presented data refers to.

^{** -} Balance sheet items have been translated at the mean arithmetic exchange rates published by the National Bank of Poland, prevailing on the balance sheet date.

MANAGEMENT BOARD'S REPORT ON THE OPERATIONS OF ARCTIC PAPER S.A. to the report for 2022

Letter from the President of the Management Board of Arctic Paper S.A.

Dear Sirs,

I am pleased to report that last year was another year in which the Arctic Paper group achieved very good results. It was a time of very dynamic change, with many factors having a significant impact on our business. We have modified our activities on an ongoing basis to suit the business environment.

The war in Ukraine has affected our activities to some extent. We have ceased trade with countries involved in this conflict. We were forced to find new sources of supply of raw materials. In previous years, we sold less than 1.5% of our total paper volume to these countries. The high demand in Europe allowed us to redirect this volume to other countries in Western Europe. On the humanitarian aspect, we joined in helping Ukrainian children by donating funds to buy medicine, clothing and food. As a paper manufacturer, we have donated more than 150,000 notebooks to Ukrainian schools.

The consistent implementation of the 4P strategy and the results achieved as a result confirm that Arctic Paper is a reliable and solid partner for its customers and meets the expectations of its shareholders.

I would like to thank the entire Arctic Paper Group team for their consistency in achieving the tasks set before them.

Sincerely yours,

Michał Jarczyński

President of the Management Board of Arctic Paper S.A.

Description of the business of Arctic Paper

General information

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 Entity of the Issuer In addition, under the expansion, the Group acquired the Paper Mill Arctic Paper Mochenwangen (Germany) in December 2008 and the Paper Mill Grycksbo (Sweden) in March 2010.

In 2012 and 2013 Arctic Paper S.A. acquired shares in Rottneros AB, a company listed at NASDAQ in Stockholm, Sweden, holding 100% shares in two Pulp Companies, Procurement Office and a company manufacturing food packaging.

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 on the NASDAQ stock exchange in Stockholm, Sweden.

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations are conducted through Paper Mills and Pulp Mills as well as Sales Offices and Procurement Office. The description of the Arctic Paper Capital Group was provided in the Management Board's Report from operations of the Arctic Paper Capital Group for the year ended on 31 December 2022.

The Company is entered in the register of entrepreneurs of the National Court Register maintained by the District Court in Zielona Góra – 8th Commercial Division of the National Court Register, under KRS number 0000306944. The Parent Entity holds statistical number REGON 080262255. The Company has a foreign branch in Göteborg, Sweden.

Business activity

The core business of Arctic Paper S.A. covers holding activities.

Subsidiaries

As at 31 December 2022, Arctic Paper S.A. held investments in the following subsidiary companies:

- Arctic Paper Kostrzyn S.A. Paper Mill in Kostrzyn nad Odrą (Poland);
- Arctic Paper Munkedals AB Paper Mill in Munkedal (Sweden);
- Arctic Paper Sverige AB a sales office operating in Sweden;
- Arctic Paper Norge AS a sales office operating in Norway;
- Arctic Paper Danmark A/S a sales office operating in Denmark;
- Arctic Paper UK Limited a sales office in the United Kingdom;
- Arctic Paper Baltic States SIA a sales office covering the Baltic States;
- Arctic Paper Benelux S.A. a sales office covering the Benelux countries;
- Arctic Paper Schweiz AG a sales office in Switzerland;
- Arctic Paper Italia srl a sales office in Italy;
- Arctic Paper France SAS a sales office in France;
- Arctic Paper Espana SL a sales office in Spain;
- Arctic Paper Papierhandels GmbH a sales office in Austria;
- Arctic Paper Deutschland GmbH a sales office in Germany;
- Arctic Paper Polska Sp. z o.o. a sales office in Poland;
- Arctic Power Sp. z o.o. an energy production company;
- Kostrzyn Packaging Spółka z o.o. a packaging production company;
- Arctic Paper Investment GmbH a holding company established to acquire shares in the Paper Mill in Mochenwangen;
- Arctic Paper Investment AB a holding company established for the purpose of acquisition of Grycksbo Paper Holding AB;
- Rottneros AB a holding company with shares in the Paper Mills of Rottneros Bruk AB, Rottneros Vallvik AB and indirectly in
 Arctic Paper Grycksbo AB, in the procurement office and in the company manufacturing food packaging;

Arctic Paper Finance AB – a holding company involved in attracting financing.

Information on percentage holdings in each subsidiary company is provided in the Company's financial statements (note 5).

Changes in the capital structure of the Arctic Paper Group

In 2022, there were no changes to the capital structure of the Group.

Provided services

As a holding company, Arctic Paper S.A. receives dividend, interest on loans granted and revenues for the management services it provides for related entities operating within the Arctic Paper Capital Group.

In connection with restructuring activities in the Arctic Paper Group, at the beginning of 2016 a centralised logistics department started to operate within the structures of Arctic Paper S.A. The logistics department provides services in planning and coordinating transport to the Paper Mills in Kostrzyn, Grycksbo and Munkedals.

The range of products manufactured by the Arctic Paper Group's paper mills is described in the Management Board's Report from operations of the Arctic Paper Capital Group for 2022.

Modifications to the core management principles

In 2022, there were no material modifications to the core management principles.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 31 December 2022) 40,381,449 shares of our Company, which constitutes 58.28% of its share capital and corresponds to 58.28% of the total number of votes at General Meetings. Thus Nemus Holding AB is the Parent Entity of the Issuer.

Additionally, Mr Thomas Onstad, an indirect shareholder of Nemus Holding AB, holds directly 6,223,658 shares representing 8.98% of the total number of shares in the Company, and via another entity – 600,000 shares accounting for 0.87% of the total number of shares of the Issuer. Mr Thomas Onstad's total direct and indirect holding in the capital of Arctic Paper S.A. as at 31 December 2022 was 68.13% and has not changed until the date hereof.

as of 28.03.2023

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 205 107	68.13%	47 205 107	68.13%
- indirectly via Nemus Holding	40 989	59.15%	40 981 449	59.15%
AB	40 381 449	58.28%	40 381 449	58.28%
other entity	600 000	0.87%	600 000	0.87%
- directly	6 223 658	8.98%	6 223 658	8.98%
Other	22 082 676	31.87%	22 082 676	31.87%
Total	69 287 783	100.00%	69 287 783	100.00%
Treasury shares	-	0.00%	-	0.00%
Total	69 287 783	100.00%	69 287 783	100.00%

The data in the above table are shown as at the date of approval of this report. The shareholder structure has not changed compared to the balance sheet date and the date of publication of the quarterly report for Q3 2022.

Market environment

The Company provides no services directly to external entities. The Company's financial condition and its ability to distribute dividend is primarily affected by the market environment in which the Paper and Pulp Mills controlled by the Company operate.

Information on the core products offered by the Group with details of their value and quantities and the share of each product in total sales of the Group as well as information on markets with a split into domestic and foreign markets and information on procurement sources of materials for production and services, are all provided in the consolidated annual report for 2022.

Development directions and strategy

On 4 October 2021, the Company's Supervisory Board approved the "Arctic Paper Group Strategy for 2022-2030" presented by the Issuer's Management Board. With the Group's new strategy to 2030, Arctic Paper will accelerate its transformation into a more comprehensive company, leveraging the synergies and competencies of its existing businesses. The Company's strategic directions are reflected in its 4 pillars: packaging, energy, graphic paper and pulp.

With its strong position as a premium paper producer and owner of the recognisable Graphic Paper and Pulp brands, as part of its Four Pillars(4P) strategy, the Group will invest in two new business areas where sustainability and renewable resources – packaging and energy – play a key role.

The Group's main strategic objectives in the 2030 perspective are:

- revenue growth by 25 per cent,
- an increase in EBITDA of around 70 per cent,
- an increase in EBITDA margin to 15 per cent.

The total investment between 2022 and 2030 in all four pillars is planned at over PLN 1.5 billion, of which around 40 per cent of this amount will be allocated to new business areas. The Group assumes that it will achieve carbon neutrality by 2035 at the latest.

Sales structure

In 2022, the sales structure by main sources of the Company's revenues was as follows:

Total	72 460	100%	63 836	100%
loans	2 290	3%	2 710	4%
Interest income on				
Dividend	57 416	79%	38 724	61%
Services	12 754	18%	22 402	35%
PLN '000	2022	% share	2021	% share

The Company provides management services to companies pursuant to agreements signed with those entities.

PLN '000	2022	% share	2021	% share
Arctic Paper Kostrzyn S.A.	38 713	53%	30 065	47%
Rottneros AB	21 160	29%	15 989	25%
Arctic Paper Munkedals AB	4 888	7%	3 691	6%
Arctic Paper Grycksbo AB	6 882	9%	12 247	19%
Other	817	1%	1 843	3%
Total	72 460	100%	63 836	100%

Information on the seasonal or cyclical nature of business

The demand for the Group's products is subject to slight variations throughout the year. Reduced demand for paper occurs each year during summer holidays and around Christmas when some printing houses, in particular in Western Europe are closed. Changes in the demand for paper are not material versus the demand for paper in other periods of the year. Changes in the demand for paper affect largely changes in demand for pulp.

Research and development

The Company has no direct expenses on research and development.

The Arctic Paper Group conducts primarily development works aimed at enhancing and modernising production processes and improving the quality of products on offer and expanding the assortment thereof. In the period covered with this report, the Paper Mills carried out development works to improve production processes, in particular to shorten the idle time of paper machines as well as works aimed at improving the paper quality and extending the assortment and to improve paper quality properties.

New product development was an important aspect of the development works in 2022.

Environment

The description of the impact of environmental regulations on the operations of the Paper and Pulp Mills controlled by the Company is provided in the consolidated annual report.

Summary of financial results

Selected items of the statement of profit and loss

PLN '000	2022	2021	Change % 2022/2021
Sales revenues	72 460	63 836	13,5
of which:			,
Revenues from sales of services	12 754	22 402	(43)
Interest income on loans	2 290	2 710	(15)
Dividend income	57 416	38 724	48
Profit on sales	65 109	58 664	11
% of sales revenues	89,86	91,90	(2,0)
Administrative expenses	(17 938)	(25 144)	(29)
Other operating income	180 733	488	36 931
Other operating expenses	(3 441)	(1 087)	216
EBIT	224 463	32 920	582
% of sales revenues	309,78	51,57	258,2 p.p.
EBITDA	224 692	33 309	574,6
% of sales revenues	310,09	52,18	257,9 p.p.
Financial income	3 316	3 899	(15)
Financial expenses	(8 804)	(15 031)	(41)
Gross profit	218 975	21 787	905
Income tax	3 931	-	-
Net profit	222 906	21 787	923
% of sales revenues	307,63	34,13	273,5 p.p.

Revenues, costs of sales and profit on sales

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations of the Group are conducted through Paper Mills and Pulp Mills as well as Sales Offices and Procurement Office. In 2022, the standalone sales revenues reached PLN 72,460 thousand and comprised: dividend income (PLN 57,416 thousand), services provided to Group companies (PLN 12,754 thousand) and interest income on loans (PLN 2,290 thousand). In 2021, the Company's standalone revenues amounted to PLN 63,836 thousand and included: dividend income (PLN 38,724 thousand), services provided to Group companies (PLN 22,402 thousand) and interest income on loans (PLN 2,710 thousand).

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

Costs of sales cover internal costs of providing logistics services to the Company by its related entities (PLN -7,350 thousand).

Administrative expenses

In 2022, the administrative expenses amounted to PLN 17,938 thousand. They cover costs of the administration of the Company operation, costs of services provided to the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. The above costs include a group of costs that are related solely to statutory activities and cover, inter alia: audit costs of financial statements, functioning costs of the Supervisory Board, costs of periodic owners' inspections in the Company, etc.

Selling and distribution costs

The company has not recognised any selling and distribution costs in 2022 and 2021.

Other operating income and expenses

Other operating income amounted to PLN 180,773 thousand in 2022, an increase compared with the same period of the previous year. The increase in income in 2022 was due to the reversal of an impairment allowance on the shares in Arctic Paper Investment AB in the amount of PLN 178.805 thousand.

At the same time there was an increase of other operating expenses that reached the level of PLN -3,441 thousand (in 2021 it was PLN -1,087 thousand). The increase in costs in 2022 was due to the recognition of additional of an impairment allowance on the shares in Arctic Paper Danmark AS in the amount of PLN 2,592 thousand.

Financial income and financial expenses

In 2022, the financial income amounted to PLN 3,316 thousand and was by PLN 583 thousand lower than generated in the equivalent period last year. At the same time, there was a decrease of financial expenses from PLN 15,031 thousand in 2021 down to PLN 8,804 thousand.

The changes in finance expenses are mainly due to realised interest rate swaps, bank commissions and fees related to financing, interest on loans and FX differences. In 2022 the Company incurred significant costs of refinancing process.

Profitability analysis

EBITDA in 2022 was PLN 224,692 thousand, while in 2021 it was PLN 33,309 thousand.

EBIT in 2022 amounted to PLN 224,463 thousand as compared to PLN 32,920 thousand in the previous year.

The net profit in 2022 amounted to PLN 222,906 thousand as compared to the net profit of PLN 21,787 thousand in 2021.

PLN '000	2022	2021	Change % 2022/2021
Profit on sales % of sales revenues	65 109 89,86	58 664 91,90	11,0 (2,0) p.p.
EBITDA % of sales revenues	224 692 310,09	33 309 52,18	574,6 257,9 p.p.
EBIT % of sales revenues	224 463 309,78	32 920 51,57	581,8 258,2 p.p.
Net profit % of sales revenues	222 906 307,63	21 787 34,13	923,1 - <i>p.p.</i>
Return on equity / ROE (%) Return on assets / ROA (%)	28,7 19,5	3,8 2,5	24,9 p.p. 16,9 p.p.

When describing the financial situation of the Capital Group, the Company uses alternative performance measures. In the opinion of the Management Board, these selected ratios are a source of additional (in addition to the data provided by the Company in the financial statements) valuable information on the financial and operating situation, as well as facilitate the analysis and assessment of the Group's financial results over the individual reporting periods.

The company presents alternative performance measures because they are standard measures and ratios commonly used in financial analysis, however, these ratios may be calculated and presented differently by different companies. Therefore, the Issuer provides precise definitions used by the Group in the reporting process. The selection of alternative performance measures was preceded by a thorough analysis of their usefulness in terms of providing shareholders, analysts and investors with useful information on the financial situation and financial performance, which in the Company's opinion allows for an optimal assessment of the financial results achieved

The ratios presented by the Company were calculated according to the formulas described below.

- *EBITDA Operating profit from continuing operations plus depreciation and amortisation and impairment allowances
- * Return on equity, return on equity, ROE net profit/(loss) to equity
- * Return on assets, return on assets, ROA the ratio of net profit/(loss) to total assets

In 2022, return on equity was 28.7% while in 2021 it was 3.8%. Return on assets increased from 2.5% in 2021 to 19.5% in 2022.

Selected items from the statement of financial position

_PLN '000	2022-12-31	2021-12-31	Change 31/12/2022 -31/12/2021
Fixed assets	894 074	686 451	207 623
Receivables	18 997	31 903	(12 907)
Other current assets	18 545	123 978	(105 433)
Cash and cash equivalents	213 272	14 966	198 306
Total assets	1 144 888	857 299	287 589
Equity	776 970	577 059	199 910
Short-term liabilities	292 883	174 841	118 042
w tym:			
interest-bearing debt	263 752	145 648	118 105
Long-term liabilities	75 036	105 398	(30 363)
w tym:			
interest-bearing debt	73 022	101 546	(28 524)
Total equity and liabilities	1 144 888	857 299	287 589

As at 31 December 2022, total assets amounted to PLN 1,144,888 thousand as compared to PLN 857,299 thousand at the end of 2021.

Fixed assets

At the end of December 2022 fixed assets accounted for about 78.1% of total assets and their share in total assets decreased versus December 2021 (80.1%).

Current assets

As at the end of December 2022, current assets amounted to PLN 250,814 thousand as compared to PLN 170,848 thousand at the end of 2021.

Equity

At the end of December 2022, the equity amounted to PLN 778,970 thousand as compared to PLN 577,059 thousand at the end of 2021.

The increase in equity is mainly due to the net profit generated in 2022 and the valuation of derivatives recognised in equity.

Short-term liabilities

As at the end of September 2022, current liabilities amounted to PLN 292,883 thousand (25.6% of balance sheet total) as compared to PLN 174,841 thousand as at the end of 2021 (20.4% of balance sheet total).

The significant increase in short-term liabilities is due to an increase in cash-pool liabilities.

Long-term liabilities

As at the end of December 2022, long-term liabilities amounted to PLN 75,036 thousand (6.6% of balance sheet total) as compared to PLN 105,398 thousand as at the end of 2021 (12.3% of balance sheet total).

Debt analysis

	2022	2021	Change % 2022/2021
Debt to equity ratio (%)			
Equity to fixed assets ratio (%)	47,4	48,6	(1,2) p.p.
Equity to fixed assets fatio (%)	86,9	84,1	2,8 p.p.
Interest-bearing debt-to-equity ratio (%)	43,3	42,8	0,5 p.p.

- * Equity debt ratio (%) total liabilities to equity ratio
- * Equity to fixed assets ratio equity to non-current assets ratio
- * Equity debt to interest-bearing debt the ratio of interest-bearing debt and other financial liabilities to equity

As at the end of December 2022, the equity debt ratio was 47.4% and was lower by 1.2 p.p. versus the end of December 2021. The equity to asset ratio increased from 84.1% as at the end of 2021 to 86.9% as at the end of December 2022. The equity debt to interest-bearing debt stood at 43.3% at the end of 2022, and was higher by 0.5 p.p. versus to 2021.

Liquidity analysis

	2022	2021	Change % 2022/2021
Current ratio			
Quick ratio	0.86x	0.98x	(0.1)
	0.86x	0.98x	(0.1)
Cash solvency ratio	0.73x	0.09x	0.6

- * Current ratio the ratio of current assets to short-term liabilities
- * Quick ratio the ratio of current assets minus inventory and short-term accruals and deferred income to short-term liabilities
- * Cash solvency ratio the ratio of the sum of cash assets and other cash assets to short-term liabilities

The current ratio and the quick ratio at the end of December 2022 amounted to 0.86 and were by 0.1 lower than at the end of December 2021. The cash ratio increased versus December 2021 and was 0.73 at the end of 2022.

Selected items from the cash flow statement

PLN '000	2022	2021	Change % 2022/2021
Cash flows from operating activities	220 455	(15 319,9)	(1 539,0)
of which:			
Gross profit	218 975	21 787,5	905,1
Depreciation/amortisation	228	389,0	(41,4)
Changes to working capital	5 905	1 537,5	284,1
Net interest and dividends	(54 595)	5 367,6	(1 117,1)
Increase/decrease of loans granted to subsidiaries	218 086	(52 357,1)	(516,5)
Impairment of shares (reversal)	(175 745)	-	-
Other adjustments	7 600	7 955,6	(4,5)
Cash flows from investing activities	(50)	(2 497,6)	(98,0)
Cash flows from financing activities	(22 099)	(7 364,0)	200,1

Cash flows from operating activities

In 2022, net cash flows from operating activities amounted to PLN 220,455 thousand as compared to PLN -15,320 thousand in 2021. The biggest impact on the positive cash flow from operating activities in 2022 was the change in cash pooling.

Cash flows from investing activities

In 2021, flows amounted to minus PLN 2,498 thousand and were related to the increase in shares in Arctic Paper Power Sp. z o.o., in 2022, cash flows from investing activities amounted to minus PLN 50 thousand and were related to the increase in shares in Kostrzyn Packaging Sp. z o.o.

Cash flows from financing activities

In 2022, cash flows from financing activities amounted to minus PLN 22,099 thousand as compared to minus PLN 7,364 thousand in 2021. In 2022, flows from financing activities were related to the repayment of existing bank loans.

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

Key factors affecting the performance results

The operations of the Company are indirectly affected by factors that have direct impact on the business of the Group's operational units – Paper Mills and the factors include:

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

The impact of the factors on the Group's business was described in detail in the consolidated annual report for 2022.

Unusual events and factors

In the period under the report there were no unusual events and/or other factors affecting Arctic Paper S.A.

Other material information

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

On February 17th, 2023 the Company and Rottneros AB ("Rottneros") concluded an agreement to establish a joint-venture ("Joint-Venture Agreement") and a joint-venture agreement under the name of Kostrzyn Packaging Sp. z o. o. ("Joint Venture").

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

The subject of the Joint-Venture's business will be: (i) production of packaging from molded cellulose fibre, (ii) sale of finished packaging, (iii) conducting development research and technical analysis of manufactured products.

The source of financing the Joint-Venture's activities will be shareholders' own contributions and bank loans.

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

The conditions for the granted income tax exemption are: the minimum value of the investment (PLN 97.2 million), the creation and maintenance of an appropriate number of jobs in the production plant and the investment completion date – no later than by December 31, 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 the quality criteria (including the criterion of sustainable economic and social development) within 5 years from the date of completion of the investment.

The purpose of the Joint-Venture is to build a moulded cellulose fiber packaging factory in Kostrzyn nad Odrą in Poland, which is scheduled to be launched at the end of 2023. The estimated value of the investment will amount to PLN 100 million, including the Issuer's share of 50%. According to the Issuer's estimates, the investment will generate an annual revenue of approximately PLN 60 million.

The joint venture of the Company and Rottneros AB will enable the synergy of Rottneros Packaging AB's know-how in the field of commercialization of biodegradable packaging production technology, operational experience and the advantageous location of the Joint-Venture in Kostrzyn nad Odrą. The expansion of the Arctic Paper Group's product portfolio will allow it to strengthen its position on the fast-growing market of ecological packaging and is an important element of the implementation of the Arctic Paper 4P strategy.

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

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

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

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

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

Factors affecting the development of the Company

Information on market trends and in factors affecting the Company's financial results over the next year is provided in the consolidated annual report. Below is a description of risk factors that directly affect the Company's business, other risk factors affecting the Company via its subsidiary companies, are described in detail in the consolidated annual report.

Risk factors

Risk factors related to the environment in which the Company operates

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

Risk of changing legal regulations

The Company operates in a legal environment characterised with a high level of uncertainty. The regulations affecting our business have been frequently amended and there are no consistent interpretations which generates a risk of violating the existing regulations and the resultant consequences even if such breach was unintentional.

Risk related to disadvantageous global economic situation

The global economic situation is affected by the effects of the recent financial crisis, in particular the continued loss of trust on the part of consumers and entrepreneurs, concerns related to the availability and increasing costs of loans, decrease in consumer and investment spending, volatility and strength of capital markets. We anticipate that the difficult global economic conditions may result in an overall decreased of demand and average prices of high quality paper which in turn may adversely affect the dividends received from subsidiary companies.

FX risk

The Company's revenues, expenses and results are exposed to the FX risk, in particular of PLN to EUR, SEK and other currencies since the Company has been paid dividend partly in EUR and in SEK. Thus FX rate fluctuations may have an adverse effect on the results, financial conditions and prospects of the Group.

Interest rate risk

The Company is exposed to interest rate risk in view of the existing interest-bearing debt. The risk is due to fluctuations of the reference interest rates WIBOR for debt in PLN. Unfavourable changes of interest rates may adversely affect the results, financial condition and prospects of the Company.

The objectives and methods of financial risk management in the Company along with hedging methods of major transactions are detailed in note 26 to the standalone financial statements.

Risk factors relating to the business of the Company

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 retention and attraction of management staff and qualified personnel

The achievement of strategic objectives by the Company is subject to the know-how and experience of the professional management staff and the ability to hire and retain qualified specialists. The Company may not be able to retain its management staff and other key specialists or to attract new specialists. If the Company is not able to attract and retain management staff and personnel, this may adversely affect its business, operational results and financial condition.

Risk related to the debt of the Company

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

Failure to meet the Company's obligations, including the level of agreed financial ratios (covenants) under the loan agreements, results in an event of default. 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 the capacity of the Company to pay dividend

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 Company 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).

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. did not publish projections of financial results for 2022 and has not published and does not intend to publish projections of financial results for 2023.

Principles of preparation of annual consolidated financial statements

The Company's financial statements for the period from 1 January 2022 to 31 December 2022 were prepared on the basis of the International Financial Reporting Standards and related interpretations announced in the form of regulations of the European Commission. The financial statements have been prepared with the assumption of going concern in the foreseeable future. As at the date of preparation of the financial statements, there are no circumstances indicating a threat to the continuation of business activity by the Issuer. Detailed rules for the preparation of the standalone financial statements are presented in the note 10 to the Standalone Financial Statements for 2022.

Dividend information

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.

On 15 February 2023, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for the year 2022, made a decision to recommend to the Annual General Meeting of the Company to pay a dividend from the Company's net profit for the financial year 2022, in the total amount of PLN 187,077,014.10, i.e. PLN 2.70 gross per share.

Changes to the bodies of Arctic Paper S.A.

As at 31 December 2022, the Parent Entity's Supervisory Board was composed of:

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

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

As at 31 December 2022, the Parent Entity's Management Board was composed of:

- Michał Jarczyński President of the Management Board appointed on 10 December 2018, effective in 1 February 2019;
- Göran Eklund Member of the Management Board appointed on 30 August 2017.

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

Changes to the share capital of Arctic Paper S.A.

In 2022 there were no changes to the Company's share capital.

Purchase of treasury shares

In 2022 and 2021 the Company did not acquire any treasury stock.

Remuneration paid to Members of the Management Board and the Supervisory Board

The table below presents information on the total amount of remuneration and other benefits paid or payable to members of the Management Board and of the Supervisory Board of the Parent Entity in the period from 1 January 2022 to 31 December 2021 (data in PLN).

Managing and supervising persons	Remuneration (base salary and surcharges) for the functions performed at Arctic Paper S.A.	Retirement plan	Other	Total
Management Board				
Management Board				
Michał Jarczyński	803 375		316 250	1 119 625
Göran Eklund	873 020	334 814	288 056	1 495 890
Supervisory Board				
Per Lundeen	340 057			340 057
Roger Mattsson	227 010			227 010
Thomas Onstad	161 970			161 970
Zofia Dzik	199 326			199 326
Anna Jakubowski	169 999			169 999

Agreements with Members of the Management Board guaranteeing financial compensation

As at 31 December 2022 and as at the approval date of this annual report, Members of the Management Board are entitled to compensation in case of their resignation or dismissal from their respective positions with no valid reason or when they are dismissed or their employment is terminated as a result of a merger of the Issuer by take-over. The amount of such compensation will correspond to their remuneration for 6 to 24 months.

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 28.03.2023	Number of shares or rights to shares as at 31.12.2022	Number of shares or rights to shares as at 7.11.2022	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	-
Göran Eklund	-	-	-	<u>-</u>
Supervisory Board				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad	6 223 658	6 223 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

Management of financial resources

As of the date hereof, the Company held sufficient funds and creditworthiness to ensure financial liquidity of Arctic Paper S.A.

Capital investments

In 2022, the Company did place short-term deposits.

Information on financial instruments

Information on financial instruments on:

- a) the risks of: price changes, credit, material disruption of cash flows and loss of liquidity to which the Company is exposed; and
- b) the entity's financial risk management objectives and policies, including its methods of hedging significant types of forecast transactions for which hedge accounting is used, are disclosed in the consolidated financial statements in notes 26 and 27.

Information on sureties, guarantees and contingent liabilities

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 (Arctic Paper Kostrzyn SA, Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB) 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 Company and 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;
- in financial pledges and registered pledges on the Company's and the Guarantors' bank accounts registered in Poland (the pledges relate to current and future bank accounts; in the event of an event of default, in the event that the pledged receivable or part thereof becomes due, the Company may not draw funds from the pledged receivable, nor may it instruct the bank maintaining the account to disburse the funds);
- > 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 Company and the Guarantors, registered in Poland, belonging to the companies of the group, with the exception of 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.

In the period covered with this report, Arctic Paper S.A. and its subsidiary companies did not grant or receive any guarantee to loans or borrowings, and did not grant – totally to one entity or a subsidiary of such entity – guarantees with the total value exceeding equivalent of 10% of the Company's equity.

Material off-balance sheet items

Information on off-balance sheet items is provided in the Company's standalone financial statements for 2022 in note 23.

Assessment of the feasibility of investment plans

Arctic Paper S.A. plans no material investments to be made in 2023. Material investments are carried out by the Issuer's subsidiary entities, in particular the Paper Mills as described in the Consolidated Annual Report for 2022.

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

During the period under report, Arctic Paper S.A. and its subsidiaries were not a party to any material proceedings pending before a court, arbitration or public administrative 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 agreements resulting in changes to the proportions of share holdings

The Issuer is not aware of any agreements that may in the future generate changes to the proportions of shareholdings by the existing shareholders and bond holders.

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

On 16 September 2022, Arctic Paper S.A. signed an annex to the agreement of January 20th 2021 with KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. for audit of the Company's financial statements and consolidated financial statements of the Group for the year ended on 31 December 2022. The contract was concluded for the time required to perform the above services. The Company used the services of KPMG Audyt Spółka z ograniczoną odpowiedzialniością sp.k.in the same scope for 2018-2021.

Other information on the entity authorised to audit the financial statements, including remuneration paid or due for 2022 and 2021, is provided in note 33to the consolidated financial statements.

On 22 February 2023 the Supervisory Board of the Company based on the recommendation of Audit Committee on selection of an audit firm conducting an audit of the financial statements, took a decision to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as an auditor for the Company and the Group for the period 2023-2024. The Audit Committee's recommendation was made pursuant to the selection procedure in line with the "Policy and procedure of selecting an audit firm to conduct a statutory and voluntary audit of consolidated and separate financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odra".

Headcount

Information on the headcount is provided in note 29 to the standalone financial statements for 2022.

Information on the preparation of a separate report of the capital group on non-financial information

Non-financial information referred to in Art. 49b sec. 2-8 of the Accounting Act, Company prepared in the form of a separate document entitled "Sustainability Report 2022", in accordance with the requirements set out in this Act. This document, after its publication together with the Annual Report and the Consolidated Annual Report for 2022, will be posted on the Company's website in accordance with Art. 49b sec. 6 above Acts".

Statement on the application of the Corporate Governance Rules

Corporate Governance Rules

On 29 March 2021, the Supervisory Board of the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.) by Resolution No. 13/1834/2021 adopted new corporate governance rules for companies listed on the WSE Main Market – "Best Practice of GPW Listed Companies (Best Practice 2021, DPSN2021).

Best Practice 2021 came into force on 1 July 2021.

Application by companies of the principles of corporate governance contained in the Best Practice is voluntary, but reporting on their application is an obligation of every listed company, enshrined in the Regulations of the WSE. Companies had to publish their reports on the application of DPSN2021 by 31 July 2021.

The text of the "Best Practice of GPW Listed Companies 2021" is available at Warsaw Stock Exchange and Company's webpage: https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf https://www.arcticpapergroup.com/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/dpsn21_broszura_wersja_do_druku_en-2021.pdf

Information on the extent the Issuer waived the provisions of the Corporate Governance Rules

Arctic Paper S.A. was striving at applying corporate governance rules as set forth in the document "Best Practice of GPW Listed Companies 2021". In 2022, Arctic Paper S.A. did not apply the following rules:

Good practice - Information Policy, Communication with Investors

Rule 1.3.2

"The company also includes ESG topics in its business strategy, in particular covering: social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees' rights, dialogue with local communities, customer relations."

Explanation: A detailed development of ESG issues covering the entire capital group is presented by the Company in the CSR reports published each year. CSR reports take into account environmental, social, employee and sustainable development issues, including, among others, measures and established goals, description of undertaken and planned actions in the ESG area.

Rule 1.4.2

"In order to ensure proper communication with stakeholders regarding the business strategy adopted, the company publishes on its website information on the assumptions of its strategy, measurable objectives, including in particular long-term objectives, planned activities and progress in its implementation, defined by means of metrics, financial and non-financial. Information on ESG strategies should, inter alia:

present the value of the pay equity ratio paid to its employees, calculated as a percentage of the difference between the average monthly pay (including bonuses, prizes and other allowances) of women and men for the last year, and present information on the actions taken to eliminate possible inequalities in this respect, together with a presentation of the risks involved and the time horizon over which equality is planned to be achieved.

Explanation: A detailed development of ESG issues covering the entire capital group is presented by the Company in the CSR reports published each year. CSR reports take into account environmental, social, employee and sustainable development issues, including, among others, measures and established goals, description of undertaken and planned actions in the ESG area.

Good practice - Systems and internal functions

Rule 3.3

"A company included in the WIG20, mWIG40 or sWIG80 index shall appoint an internal auditor heading the internal audit function, who shall act in accordance with internationally recognised standards of professional practice for internal auditing. In other companies where no internal auditor meeting the aforementioned requirements has been appointed, the audit committee (or the supervisory board if it performs the functions of an audit committee) shall annually assess whether there is a need to appoint such a person."

Explanation:

Given the size of the Company and the structure and nature of its business, the appointment of an internal auditor is not justified by the assessments carried out by the Management Board and the Supervisory Board. Audit functions responsible for auditing the various divisions of the operating companies have been established in the Company's group entities.

Rule 3 10

"At least every five years, a company included in the WIG20, mWIG40 or sWIG80 index shall have its internal audit function reviewed by an independent auditor selected with the participation of the audit committee."

Explanation:

Given the size of the Company and the structure and nature of its business, the Management Board, the Supervisory Board and the Audit Committee acting within it will consider the need for an independent audit in the future.

Best Practice - General Meeting and Relations with Shareholders

Rule 4.1

"The company should enable shareholders to participate in a general meeting using electronic means of communication (e-meeting) if this is justified by the expectations of shareholders communicated to the company, as long as it is able to provide the technical infrastructure necessary for holding such a general meeting."

Explanation:

Given the need for many technical and organisational steps and the associated costs and legal risks, the Company has not decided to hold an electronic general meeting at this time.

Rule 4 3

"The company shall provide a publicly available real-time broadcast of the general meeting."

Explanation:

Taking into account the costs and legal risks, the Company has not decided at this time to carry out a general broadcast of the General Meeting. The Company will consider this possibility in the future.

Internal control and risk management systems with reference to the development processes of financial statements

The Management Board of Arctic Paper S.A. is responsible for the internal control system in the Company and in the Group and for its efficiency in the development process of consolidated financial statements and interim reports, prepared and published in compliance with the rules of the Regulation of the Minister of Finance on current and periodical disclosure by issuers of securities and conditions to recognise as equivalent the information that is required by the law in Non-Member States of 29 March 2018. The Company's financial division headed by the Chief Financial Officer is responsible for the preparation of the Group's consolidated financial statements and interim reports. The Company prepares its financial statements and periodic reports on the basis of the procedures of making and publishing periodic reports and consolidated reports, in force at Arctic Paper S.A. The financial data underlying the Group's consolidated financial statements comes from monthly reporting packages and extended

quarterly packages sent to the Issuer by Group member companies. After closing of the books for each calendar month, top management of the Group member companies analyse the financial results of the companies versus their budgets and the results generated in the previous reporting period.

The Group performs an annual review of its strategy and development prospects. The budgeting process is supported by mediumand top-level management of the Group member companies. The budget drafted for the next year is accepted by the Company's Management Board and approved by the Supervisory Board. During the year, the Company's Management Board compares the generated financial results to the adopted budget.

The Company's Management Board systematically assesses the quality of internal control and risk management systems with reference to the preparation process of consolidated financial statements. On the basis of such review, the Company's Management Board found that as at 31 December 2022 there were no weaknesses that could materially affect the effectiveness of internal control with respect to financial reporting.

Shareholders that directly or indirectly hold significant packages of shares

Information on the shareholders that directly or indirectly hold large packages of shares is presented in the table below – the table presents the situation as of the publication date of the annual report.

	_				
20	∧f	28	U 3	20	172

Shareholder	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes
		[%]		[%]
Thomas Onstad	47 205 107	68.13%	47 205 107	68.13%
- indirectly via	40 981 449	59.15%	40 981 449	59.15%
Nemus Holding AB	40 381 449	58.28%	40 381 449	58.28%
other entity	600 000	0.87%	600 000	0.87%
- directly	6 223 658	8.98%	6 223 658	8.98%
Other	22 082 676	31.87%	22 082 676	31.87%
Total	69 287 783	100.00%	69 287 783	100.00%
Treasury shares	-	0.00%	-	0.00%
Total	69 287 783	100.00%	69 287 783	100.00%

Securities with special control rights

There are no securities in the Company with special control rights - in particular, no shares in the Company are privileged.

Information on major restrictions on transfer of title to the Issuer's securities and all restrictions concerning the exercising of voting rights

The Company's Articles of Association do not provide for any restrictions concerning transfer of title to the Issuer's securities. With the exception of restrictions on the transfer and acquisition of the Company's shares that arise under common law, there are no restrictions on the transfer of ownership of the Company's securities.

The Company's Articles of Association do not provide for any restrictions on the exercise of voting rights on Arctic Paper S.A. shares.

Description of the principles of amending the Issuer's Articles of Association

Changes to the Company's Articles of Association fall within the sole competences of the General Meeting.

Unless the Code of Commercial Companies or the Articles of Association of the Company provide otherwise, resolutions of the General Meeting require an absolute majority of votes;

Description of the functioning of the General Meeting

The rules of procedure of the General Meeting and its core competences result straight from applicable laws and are partly incorporated in the Company's Articles of Association.

The text of the "Best Practice of GPW Listed Companies 2021" is available at Warsaw Stock Exchange and Company's webpage: https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf https://www.arcticpapergroup.com/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/dpsn21_broszura_wersja_do_druku_en-2021.pdf

General Meetings are held in accordance with the following basic rules:

- General Meetings are held in the Company's offices or in Warsaw;
- General Meetings may be ordinary or extraordinary;
- Ordinary General Meetings shall be held within six months after the end of the financial year;
- General Meetings are opened by the Chairperson of the Supervisory Board or a person designated by him/her which is followed by election of the Chairperson of the General Meeting;
- Voting shall be open unless a Shareholder demands a secret ballot or a secret ballot is required by the provisions of the
 Code of Commercial Companies;
- Unless the Code of Commercial Companies or the Articles of Association of the Company provide otherwise, resolutions of the General Meeting require an absolute majority of votes;
- In compliance with the Company's Articles of Association, the following matters fall within the exclusive competences of the General Meeting:
- > review and approval of the Management Board's report from operations of the Company and financial statements of the Company for the previous financial year;
- > granting a vote of approval to members of the Management Board and members of the Supervisory Board for the performance of their duties;
- > decisions concerning distribution of profit or coverage of losses;
- > changes to the business objects of the Company;
- > changes to the Articles of Association of the Company;
- > increase or decrease in the Company's share capital;
- > merger of the Company with another company or other companies, split of the Company or transformation of the Company;
- > dissolution and liquidation of the Company;
- > issues of convertible bonds or pre-emption bonds and issues of subscription warrants;
-) purchase and sale of real properties;
- > disposal and lease of the entire enterprise or an organised part thereof or establishment of limited rights in rem thereon;
- > all other issues for which these Articles of Association or the Code of Commercial Companies require a resolution of the General Meeting.

General Meetings may approve resolutions in the attendance of minimum one half of the Company's share capital.

General Meetings approve resolutions with an absolute majority of votes unless the Articles of Association or applicable regulations require a qualified majority.

The shareholders' rights and the way to enforce them result explicitly from law that has been partly incorporated in the Company's Articles of Association.

Operation of the Issuer's managing and supervising bodies and its committees as well as information on the composition of those bodies

Management Board

Composition of the Management Board

- The Management Board is composed of one to five members, including President of the Management Board;
- The Management Board is appointed and dismissed by the Supervisory Board for a joint term of office;
- The term of office of members of the Management Board is 3 (three) years;
- When the Management Board is composed of more than one person, the Supervisory Board upon a proposal by the
 President may appoint up to three Deputy Presidents from among members of the Management Board. Deputy Presidents may be dismissed subject to a resolution of the Supervisory Board;
- A member of the Management Board may be dismissed by the Supervisory Board at any time;
- A member of the Management Board may be dismissed or suspended in their duties at any time by the General Meeting.

Core competences of the Management Board

- The Management Board directs the affairs of the Company and represents the Company;
- If the Management Board is composed of more than one person, declarations of intent on the Company's behalf shall be made by the President of the Management Board individually or two Members of the Management Board acting jointly or a Member of the Management Board acting jointly with a Proxy;
- The Management Board is obliged to exercise their duties with due diligence and comply with law, the Company's Articles of Association, approved regulations and resolutions of the Company's bodies; decisions shall be taken in line with reasonable economic risk with a view to the interests of the Company and its shareholders;
- The Management Board is obliged to manage the assets and business of the Company and perform its duties subject to due
 diligence required in business operations and subject to strict compliance with applicable laws, provisions of the Articles of
 Association and internal regulations as well as resolutions approved by the General Meeting and the Supervisory Board;
- The Company's Management Board shall not be entitled to take decisions on share issues and redemption.
- Each member of the Management Board shall be liable for any damage inflicted upon the Company as a result of their actions or omissions breaching the provisions of law or the Company's Articles of Association;
- The responsibilities of the Management Board include in compliance with the Code of Commercial Companies all affairs
 of the Company not reserved to the General Meeting of the Supervisory Board;
- Guided with the interests of the Company, the Management Board defines the strategy and core objectives of the Company's business;
- The Management Board shall comply with the regulations relating to confidential information within the meaning of the Act
 on Trading and to comply with all the duties resulting therefrom.

Otherwise, the individual members of the Management Board shall be responsible for their running of the affairs of the Company as resulting from the internal delegation of duties and functions approved by a decision of the Management Board.

The Management Board may approve resolutions at meetings or outside meetings in writing or with the use of direct means of remote telecommunications. The Management Board approves resolutions with a majority of votes cast. Resolutions shall be valid if minimum one half of members of the Management Board are present at the meeting. In case of equal number of votes, the President of the Management Board shall have the casting vote.

The detailed mode of operation of the Management Board is set forth in the Regulations of the Management Board with its updated version available at:

https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/corporate-documents/pl/regulamin-zarzadu-ap-sa.pdf

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

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

Supervisory Board

Composition and organisation of the Supervisory Board

- The Supervisory Board is composed of 5 (five) to 7 (seven) members elected by the General Meeting for a joint three-year term of office. A member of the Supervisory Board may be dismissed at any time;
- The Supervisory Board is composed of the Chairperson, Deputy Chairpersons and other members. The Chairperson of the Supervisory Board and Deputy Chairperson are elected by the Supervisory Board from among its members at the first meeting and – if so required – during the term of office in by-elections;
- Since the General Meeting approved resolutions on the first public issue of shares and having them listed, two members of the Supervisory Board have to be independent;
- When an independent member of the Supervisory Board is nominated, resolutions on the following matters require consent of minimum one independent member of the Supervisory Board:
- any benefits to be provided by the Company and any entity related to the Company for members of the Management Board;
- > consent to the Company or its subsidiary entity to enter into a material agreement with a member of the Supervisory Board or the Management Board and with their related entities, other than agreements concluded in the normal course of the Company's business subject to normal terms and conditions applied by the Company;
- > election of auditor to perform audits of the Company's financial statements;
- For the avoidance of doubt, it is assumed that loss of the independent status by a member of the Supervisory Board and failure to appoint an independent member of the Supervisory Board shall not invalidate the decisions approved by the Supervisory Board. Loss by an Independent Member of their independent status during the performance of their function of a member of the Supervisory Board shall not affect the validity or expiry of their mandate;
- In case of expiry of the mandate of a Member of the Supervisory Board before the term of office, the other Members of the Supervisory Board shall be entitled to co-opt a new Member of the Supervisory Board is such vacated position by way of a resolution approved with an absolute majority of the other Members of the Supervisory Board. The mandate of such co-opted Member of the Supervisory Board shall expire if the first Ordinary General Meeting to be held after such Member has been co-opted, fails to approve such Member. At any time, only two persons elected as Members of the Supervisory Board in the co-option procedure and who were not approved as candidates by the Ordinary General Meeting, may act as Members of the Supervisory Board. Expiry of the mandate of a co-opted Member of the Supervisory Board as a result of failure to approve such candidate by the Ordinary General Meeting may not be treated as finding any resolution approved with the participation of such Member as invalid or ineffective.
- Chairperson and Deputy Chairperson of the Supervisory Board:
- > maintain contact with the Company's Management Board;
- > manage the operations of the Supervisory Board;
- > represent the Supervisory Board in external contacts and in contacts with the other bodies of the Company, including in contacts with members of the Company's Management Board;
- approve the presentation of initiatives and proposals submitted for meetings of the Supervisory Board;
- > take other actions as specified in the Company's Regulations and Articles of Association;
- > Members of the Supervisory Board should not resign from their function during the term of office if that could prevent the operation of the Supervisory Board, in particular prevent timely approval of major resolutions;
- > Members of the Supervisory Board shall be loyal to the Company. Should a conflict of interests arise, members of the Supervisory Board shall report it to other members of the Supervisory Board and refrain from participating in discussions and from voting on the issue to which the conflict of interests is related;
- > Members of the Supervisory Board shall comply with law, the Company's Articles of Association and Regulations of the Supervisory Board.

Competences of the Supervisory Board:

- The Supervisory Board performs overall supervision over the business of the Company in all areas of its operation;
- The Supervisory Board approves resolutions, issues recommendations and opinions and submits proposals to the General Meeting;
- The Supervisory Board may not issue binding instructions to the Management Board concerning the management of the Company's affairs;
- Disputes between the Supervisory Board and the Management Board shall be resolved by the General Meeting;
- In order to exercise their rights, the Supervisory Board may review the business of the Company in any respect, request the
 presentation of any documents, reports and clarification from the Management Board and issue opinions on issues related to
 the Company and submit proposals and initiatives to the Management Board;
- Apart from other issues specified in law or in the Company's Articles of Association, the competences of the Supervisory Board include, inter alia:
- > review of the financial statements of the Company;
- > review of the Management Board's report from operations of the Company and proposals of the Management Board concerning profit distribution and coverage of losses;
- > submission to the General Meeting of an annual report from results of the above reviews;
- > appointment and dismissal of members of the Management Board, including the President and Deputy Presidents, and setting the remuneration of members of the Management Board;
-) appointment of the auditor of the Company;
- > suspension of Members of the Management Board in their functions for valid reasons;
- approval of annual financial plans for the capital group of which the Company and its subsidiary companies are members;
- > approving terms and conditions of bond issues by the Company (other than convertible bonds or bonds with priority rights, referred to in Article 393.5 of the Code of Commercial Companies) and issues of other debt securities, provision of consent to contract financial liabilities or taking actions resulting in contracting any financial liabilities, such as borrowings, loans, overdraft facilities, conclusion of factoring, forfaiting, lease contracts and other generating liabilities in excess of PLN 10,000,000;
- > approving the principles and amounts of remuneration of members of the Management Board and other persons in key management functions in the Company as well as approval of any incentive programme, including incentive programmes for members of the Management Board, persons in key management functions in the Company or any persons cooperating with or related to the Company, including incentive programmes for employees of the Company;
- Annually the Supervisory Board submits to the General Meeting a brief assessment of the Company's condition ensuring that
 it is made available to all shareholders at a time that they are able to review it before the Ordinary General Meeting;
- The Supervisory Board concludes contracts with members of the Management Board on behalf of the Company and represents the Company in disputes with members of the Management Board. The Supervisory Board may authorise by way of a resolution one or more of its members to perform such legal actions.

The Supervisory Board may approve resolutions in writing or with the use of direct means of remote telecommunications. Resolutions approved as specified above shall be valid if all members of the Supervisory Board were notified of the content of the draft resolution. The approval date of the resolution approved as above shall be equivalent to the date of signing by the last member of the Supervisory Board;

Resolutions of the Supervisory Board may be approved when all members have been notified by registered letter, fax or e-mail message, sent minimum 15 days in advance and the meeting is attended by a majority of members of the Supervisory Board. Resolutions may be approved without formal convening a meeting when all members of the Supervisory Board agreed to vote on the specific issue or to the content of the resolution to be approved;

Resolutions of the Supervisory Board require a simple majority of votes; in case of equal votes, the Chairperson of the Supervisory Board shall have the casting vote;

The detailed mode of operation of the Supervisory Board is set forth in the Regulations of the Supervisory Board with its updated version available at:

https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/corporate-documents/pl/1_11_2016_appendix-pl_ap-sa---regulamin-rady-nadzorczej_fin.pdf

The Supervisory Board of the Company as at the publication hereof was composed as follows:

- 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 (independent member);
- Anna Jakubowski Member of the Supervisory Board appointed on 22 June 2021 (independent member).

In 2022, the Supervisory Board held meetings on: 10 February, 20 April, 8 July, 8 September, 13 December.

Audit Committee

Composition and organisation of the Audit Committee

- The Audit Committee is composed of minimum three members of the Supervisory Board, including the Chairperson of the Committee, elected by the Supervisory Board from among its members in compliance with the Articles of Association and Regulations of the Supervisory Board.
- Members of the Audit Committee shall be appointed for three-year terms of office, however no longer than the term of office of the Supervisory Board;
- The Chairperson of the Audit Committee, elected with a majority of votes from among its members, shall be an independent member:
- The Audit Committee operates on the basis of the Act on Statutory Auditors, Best Practice of GPW Listed Companies,
 Regulations of the Supervisory Board and the Regulations of the Audit Committee;
- The Audit Committee performs advisory and consulting functions, operates as a collective body within the Company's Supervisory Board;
- The Audit Committee carries out its tasks by providing the Supervisory Board with its proposals, opinions and reports on its scope in the form of resolutions;
- At least one member of the audit committee shall have knowledge and skills in terms of accounting or auditing financial statements. The Supervisory Board is of the opinion that the requirement of competences in the sphere accounting and financial audit is recognised as satisfied if a member of the Audit Committee has a major experience in financial management in commercial partnerships, internal audit or audit of financial statements, and additionally:
-) has the title of a certified auditor or equivalent international certificate, or
- > has an academic degree in the field of accounting or financial audit, or
- > has long-term experience as a financial director in public companies or in working in an audit committee of such companies;
- Members of the Audit Committee shall have knowledge and skills relating to the industry in which the Issuer operates. This condition is recognised as satisfied if at least one member of the Audit Committee has knowledge and skills relating to that industry or individual members within specific scopes have knowledge and skills relating to the scope of that industry. The Supervisory Board is of the opinion that the requirement of competences relating to the industry is recognised as satisfied if a member of the Audit Committee has information on the characteristics of the sector, that allows him to obtain a complete picture of the sector's complexity or has knowledge on part of the chain of activities carried out by the Company.

Competences of the audit committee

- The basic task of the Audit Committee is advisory to the Supervisory Board on issues of proper implementation and control of the financial reporting processes in the Company, effectiveness of the internal control and risk management systems and cooperation with statutory auditors;
- The tasks of the Audit Committee resulting from supervising the Company's financial reporting process, ensuring the
 effectiveness of the Company's internal control systems and monitoring of internal audit operations, include in particular:

- > control if the financial information provided by the Company is correct, including the accuracy and consistency of the accounting principles applied in the Company and its Capital Group as well as the consolidation principles of financial statements;
- > assessment minimum once a year of the internal control and management systems in the Company and its Capital Group in order to ensure adequate recognition and management of the Company;
- > ensuring the effective functioning of internal control, in particular by providing recommendations to the Supervisory Board with respect to:
 - > strategic and operational internal audit plans and material modifications to such plans;
 - > internal audit policies, strategy and procedures, developed in compliance with the approved internal audit standards;
 - > audits of specific areas of the Company's operations;
- The tasks of the Audit Committee resulting from monitoring the independence of the statutory auditor and the entity authorised to audit financial statements, include in particular:
- > issue of recommendations to the Supervisory Board relating to the election, appointment and re-appointment and dismissal of the entity acting as the statutory auditor;
- > control of independence and impartiality of the statutory auditor, in particular with a view to replacing the statutory auditor, the level of its remuneration and other relationships with the Company;
- > verification of the effectiveness of the works performed by the statutory auditor;
- > review of reasons of resignation by the statutory auditor;
- The Audit Committee may resort to advisory services and assistance by external legal, accounting or other advisers if it finds
 it necessary to perform its duties;
- The Audit Committee is obliged to file annual reports from its operations to the Supervisory Board by 30 September in each calendar year.

Meetings of the Audit Committee shall be held minimum twice a year.

In 2022, the Audit Committee held 3 meetings on: 14 March and 3 August and 13 December.

As of 5 August 2021, the Audit Committee is composed of the following persons:

- Anna Jakubowski Chairperson of the Audit Committee. Member meeting the criteria for independence. According to the declaration submitted by Ms Anna Jakubowski, she meets the condition of knowledge and skills in accounting or auditing. Ms Anna Jakubowski has several years of experience as a member of the Audit Committee of financial institutions, including Bank Millennium.
- Zofia Dzik Member of the Audit Committee meeting the independence criteria. According to the declaration submitted by Ms Zofia Dzik, she meets the condition of knowledge and skills in accounting or auditing. Ms Zofia Dzik has several years of experience working for Arthur Andersen and Andersen Business Consulting, where she was responsible, among others, for the area of auditing financial statements and consulting in the area of finance.
- Roger Mattsson Member of the Audit Committee due to his long-standing experience as the financial controller of the Arctic Paper Group and his participation in the Audit Committee for more than three years, Mr Roger Mattsson fulfils the condition for the Audit Committee member to have knowledge and skills in the Company's business. Additionally, he has knowledge and skills in the sphere of accounting or auditing financial statements;

The detailed mode of operation of the Audit Committee is set forth in the Regulations of the Audit Committee.

Core assumptions underlying the policy of selecting an audit firm to conduct audits

- According to the regulations applicable to the Company, the Company's Supervisory Board shall select by way of a
 resolution and acting under a recommendation of the Audit Committee the auditor authorised to carry out the audit;
- The selection is made taking into account the principles of impartiality and independence of the audit firm and the analysis of
 the audit firm's work carried out in the Company which falls beyond the scope of the audit of financial statements, in order to
 avoid any conflict of interest (observance of impartiality and independence);
- A request for proposals concerning the selection of an audit firm for statutory audit of the Company's financial statements is developed by the Audit Committee in cooperation with the Company's Chief Financial Officer;

- After analysing the submitted offers, the Audit Committee shall develop a recommendation with conclusions from the selection procedure to be approved by the Audit Committee and shall submit a recommendation on the selection of the audit firm to the Supervisory Board within such time that will support a resolution on audit firm selection;
- The Supervisory Board shall select the audit firm on the basis of the submitted offers and after becoming acquainted with the Audit Committee's opinion and recommendation;
- If the Supervisory Board's decision differs from the recommendation of the Audit Committee, the Supervisory Board shall justify the reasons for its failure to comply with the Audit Committee's recommendation and shall submit such justification to the body approving the financial statements.
- The Company's Management Board shall enter into a contract with the selected audit firm for the audit of financial statements of the Company.
- The first contract is concluded for minimum 2 years and it may be extended for another two or three years. The duration of the cooperation shall be counted from the first financial year covered by the audit contract, in which the authorised auditor was appointed for the first time to carry out the consecutive statutory audits of the Company.
- After expiry of the maximum period of the cooperation, the authorised auditor or, where applicable, any member of its network, may not undertake a statutory audit of the Company's financial statements for further 4 years.
- The key statutory auditor may not perform a statutory audit in the Company for a period longer than 5 years. The key statutory auditor may conduct a statutory audit again after the expiry of 3 years.
- The maximum period of uninterrupted performance of statutory audits by the same audit firm or an audit firm related to that audit firm or any member of the network operating in the European Union of which the audit firms are members, may not exceed 5 years.

Core assumptions underlying the policy of the provision of permitted services other than audit services by the audit firm performing the audit, by entities related to the audit firm and by a member of the audit firm's network;

- The Audit Committee of Arctic Paper S.A. shall be responsible for the policy covering the provision of permitted services
 other than audit services by the audit firm performing the audit, by entities related to the audit firm and by a member of the
 audit firm's network;
- The Audit Committee of Arctic Paper S.A. controls and monitors the independence of the auditor and the audit firm, in particular if the audit firm provides other services than audit of statutory financial statements to Arctic Paper S.A.
- The Audit Committee of Arctic Paper S.A., when so requested by a competent body or person, approves the provision of permitted services by the auditor that are not an audit of Arctic Paper S.A.
- The prohibited services do not include:
- > carrying out due diligence procedures for economic and financial condition,
- > issue of letters of support,
- > attestation services related to pro forma financial information, forecast of results, or estimation of results, contained in the issue prospectus of the audited entity;
- > review of historic financial information for projects referred to in the Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisement;
- > verifying consolidation packages;
- > confirming the fulfilment of terms and conditions of concluded loan agreements on the basis of the analysis of financial information from the financial statements audited by the audit firm;
- > attestation services related to reporting on corporate governance, risk management, and corporate social responsibility;
- > services consisting in assessing the conformity of information disclosed by financial institutions and investment firms with requirements for disclosure of information on capital adequacy and variable remuneration components;
- > certifying financial statements or other financial information intended for supervisory authorities, supervisory board or other supervisory body of the Company or owners, which falls beyond the scope of statutory audit and helps these bodies to fulfil their statutory obligations.
- Provision of the above services is possible solely to the extent not related to the entity's tax policies after a review by the Audit Committee of hazards and mitigants of the audit firm's independence as referred to in Article 69-73 of the Act on Certified Auditors, Audit Firms and Public Supervision.

On 23 October 2019, the Supervisory Board of Arctic Paper S.A., by way of resolution, selected audit firm KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k. to audit the Company's financial statements for the financial years 2020-2022. The Supervisory Board selected the audit firm on the basis of a recommendation by the Audit Committee. The recommendation of the Audit Committee was issued as a result of the selection procedure in compliance with the "Policy and selection procedure of the audit firm to perform statutory and voluntary audit of consolidated and standalone financial statements of Arctic Paper S.A. with its registered office in Poznań".

KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., entities related to the audit firm and members of its audit firm network, in the period covered by the audit did not provide any permitted services to the issuer that are not a statutory audit. The audit firm and members of its team performing the audit comply with the requirements to make an impartial and independent report from the audit of the annual consolidated and standalone financial statements of the Arctic Paper Group and of the Company in compliance with the applicable regulations, professional standards and the rules of professional ethics. The recommendation of the Audit Committee was free of third party impact and was developed on the basis of the "Policy and selection procedure of the audit firm to perform statutory and voluntary audit of consolidated and standalone financial statements of Arctic Paper S.A."

On 22 February 2023 the Supervisory Board of the Company based on the recommendation of Audit Committee on selection of an audit firm conducting an audit of the financial statements, took a decision to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as an auditor for the Company and the Group for the period 2023-2024. The Audit Committee's recommendation was made pursuant to the selection procedure in line with the "Policy and procedure of selecting an audit firm to conduct a statutory and voluntary audit of consolidated and separate financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odrą".

Remuneration Committee

Composition and organisation of the Remuneration Committee

- The Remuneration Committee is composed of minimum two members of the Supervisory Board, including the Chairperson of the Committee, elected by the Supervisory Board from among its members in compliance with the Articles of Association and Regulations of the Supervisory Board;
- Members of the Remuneration Committee shall be appointed for three-year terms of office, however no longer than the term of office of the Supervisory Board;
- The Chairperson of the Remuneration Committee shall be elected with a majority of votes of its members;
- The Remuneration Committee operates pursuant to the Regulations of the Supervisory Board and the Regulations of the Remuneration Committee;
- The Remuneration Committee performs advisory and consulting functions, operates as a collective body within the Company's Supervisory Board;
- The Remuneration Committee carries out its tasks by providing the Supervisory Board with its proposals, opinions and reports in the form of resolutions.

Competences of the Remuneration Committee

- The basic task of the Remuneration Committee is advisory support to the Supervisory Board on issues related to remuneration policy, bonus policy and other issues related to the remuneration of the employees, members of the Company's authorities and the authorities of Capital Group companies;
- The tasks of the Remuneration Committee resulting from supervision over the Company's remuneration policy and ensuring the effective functioning of the Company's remuneration policy, is to provide recommendations to the Supervisory Board in particular with respect to:
- approval and changes to the remuneration principles of members of the Company's bodies;
- > the amount of total remuneration to members of the Company's Management Board;
- > legal disputes between the Company and Members of the Management Board with respect to the tasks of the Committee;
- > proposing remuneration and approving additional benefits to individual members of the Company's bodies, in particular under management option plans (convertible into shares of the Company);

- > strategy of the Company's remuneration and bonus policies and HR policies;
- The Remuneration Committee may resort to advisory services and assistance by external legal or other advisers if it finds it necessary to perform its duties;
- The Remuneration Committee is obliged to file annual reports from its operations to the Supervisory Board by 30 September in each calendar year.

On 31 August 2020, the General Meeting of the Company, bearing in mind Art. 90d.1 in connection with Art. 90c.2.1 of the Act of 29 July 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies (i.e. Journal of Laws of 2019, item 623 as amended) adopted the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Arctic Paper SA". Under the above-mentioned Acts of public companies, including the Company, were obliged to adopt, by resolution, the Remuneration Policy of Management Board and Supervisory Board Members, which is the rules for determining the remuneration of Members of the Management Board and Supervisory Board, by the General Meeting of Shareholders, and to publish a remuneration report. The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the adopted Policy. The policy prepared by the Company was drawn up in accordance with the principles set out in the above-mentioned Act and refers to the required elements related to remuneration and other terms of employment for Members of the Management Board and Members of the Supervisory Board. The policy received an opinion from the Remuneration Committee operating at the Supervisory Board, as well as by the Supervisory Board.

on 22 June 2022, the General Meeting of the Company gave a positive opinion on the remuneration report for 2021 prepared by the Supervisory Board. The resolution of the General Meeting on the aforementioned issue is advisory in nature. The report was reviewed by the auditor. The independent auditor's report on the performance of a service providing reasonable assurance regarding the assessment of the remuneration report was attached as Appendix 2 to current report No. 8/2022 – "Content of draft resolutions for the Annual General Meeting convened for 22 June 2022".

The Remuneration Committee held meetings on 3 February, 10 February and 7 July 2022.

Since 9 February 2017 the Remuneration Committee has been operating in the following composition:

- Per Lundeen Chairman of the Remuneration Committee
- Thomas Onstad Member of the Remuneration Committee
- Roger Mattsson Member of the Remuneration Committee

The detailed mode of operation of the Remuneration Committee is set forth in the Regulations of the Remuneration Committee.

Risk Committee

Composition and organisation of the Risk Committee

- The Risk Committee is composed of minimum three members of the Supervisory Board, including the Chairperson of the Committee, elected by the Supervisory Board from among its members. Minimum one member of the Risk Committee shall be independent and hold qualifications and experience in the sphere of finances;
- Members of the Risk Committee shall be appointed for three-year terms of office, however no longer than the term of office of the Supervisory Board;
- The Chairperson of the Risk Committee shall be elected with a majority of votes of its members;
- The Risk Committee operates on the basis of commonly accepted corporate risk management models (e.g. COSO-ERM);
- The Risk Committee performs advisory and consulting functions, operates as a collective body within the Company's Supervisory Board;
- The Risk Committee carries out its tasks by providing the Supervisory Board with its proposals, opinions and reports in the form of resolutions;

Competences of the Risk Committee

- The basic task of the Risk Committee is advisory support to the Supervisory Board on issues related to the proper identification, assessment and control of potential risks, i.e. opportunities and threats to realization of the Company's strategic goals, with particular consideration for financial risk, related to both external factors (such as volatility of exchange rates, interest rates, general international economic condition) and internal factors (such as cash flows, liquidity management, variation of budget and financial forecasts);
- The tasks of the Risk Committee resulting from the supervision over the risk management process, include in particular:
- > Supervision over correct identification, analysis and assigning priority to types of risk inherent in the operational strategy and business pursued;
- > Confirmation to the identified risk appetite of the Company;
- > Verification if actions used to mitigate risk are planned and implemented so that the risk is mitigated to a level acceptable by the Company;
- > Monitoring verifying correct risk assessment by the Management Board and the effectiveness of control tools;
- > Supervision over correct notification of stakeholders on the risks, risk strategies and control tools.
- The Risk Committee may resort to advisory services and assistance by external advisers if it finds it necessary to perform its duties:

Since 05 August 2021 the Risk Committee has been operating in the following composition:

- Per Lundeen Chairman of the Risk Committee
- Zofia Dzik Independent Member of the Risk Committee
- Roger Mattsson Member of the Risk Committee

The Risk Committee held a meeting on 08 September 2022.

Information compliant with the requirements of Swedish regulations concerning corporate governance.

Arctic Paper S.A. is a company registered in Poland which stock has been admitted to trading at the Warsaw Stock Exchange and at NASDAQ in Stockholm. The Company's primary market is in Warsaw with a parallel market in Stockholm. Companies not registered in Sweden which shares have been admitted to trading at NASDAQ in Stockholm are obliged to comply with:

- the corporate governance rules in force in the country of their registration or
- the corporate governance rules in force in the country where they have their primary trading market, or
- the Swedish corporate governance code (hereinafter the "Swedish Code").

Arctic Paper S.A. follows the principles set forth in the "Best Practice of GPW Listed Companies 2016" (hereinafter the "Best Practice") that may be applied by companies listed at the Warsaw Stock Exchange and not the Swedish Code. As a result, the conduct of Arctic Paper S.A. is different from the one set forth in the Swedish Code in the following material aspects.

General Meeting of Shareholders

The core documents related to General Meetings of Shareholders, such as notices, reports and approved resolutions, are made in Polish and in English instead of Swedish.

Appointment of governing bodies of the company

The Polish corporate governance model provides for a two-tier system of the Company's bodies which is composed of the Management Board being the executive body appointed by the Management Board which in turns supervises the Company's operations and is appointed by the General Meeting of Shareholders. Auditors are selected by the Supervisory Board.

Neither the Best practice, nor any other Polish regulations require the establishment of a commission in the Company to elect candidates and therefore such commission does not exist among the bodies of the Company. Each shareholder may propose candidates to the Supervisory Board. Appropriate information on candidates proposed to the Supervisory Board is published on the Company's website with appropriate advance so that all shareholders could take an informed decision when voting on the resolution appointing a new member of the Supervisory Board.

Tasks of the bodies of the Company

In compliance with the two-tier system of the Company's bodies, the tasks usually performed by the management of Swedish-registered companies are performed by the Management Board or the Supervisory Board of companies subject to Polish law.

In accordance with the Polish applicable regulations, members of the Management Board, including its General Director who is the President of the Management Board, may not get involved in competitive activities outside the Company. Pursuing of other business outside the Company is not regulated either in the Best Practice or other Polish regulations; however, certain restrictions are usually incorporated in individual employment contracts.

Size and composition of the Company's bodies

The composition of the Supervisory Board should reflect the independence criteria, just like those specified in the Swedish Code. However, the Management Board being the executive body is composed of persons in executive positions at Arctic Paper S.A., and these members may not be treated as independent of the Company. The terms of office of members of the Management Board – just like the members of the Supervisory Board – lasts three years.

Chairpersons of the bodies of the Company

It is the Supervisory Board and not the General Meeting that elects the chairperson and the deputy chairperson from its members.

Procedures of the bodies of the Company

The Regulations of the Management Board are approved by the Supervisory Board, and the Regulations of the Supervisory Board are approved by the Supervisory Board. The Regulations are not reviewed each year – they are reviewed and modified as need arises. The same principles apply to regulations of committees operating within the Supervisory Board that are approved by the Supervisory Board. The operation of the General Director is not regulated separately since he/she also acts as the president of the Management Board.

Remuneration of members of the bodies of the Company and management staff

The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the Remuneration Policy adopted by the General Meeting.

Information on corporate governance

The Polish Corporate Governance Rules do not require the same detail as to the disclosed information as required by the Swedish Code. However, information on members of the Company's bodies, company's Articles of Association, internal regulations and a summary of material differences between the Swedish and Polish approach to corporate governance and shareholders' rights is published on the Company's website.

Information by the Management Board of Arctic Paper S.A. on selection of the audit firm

On the basis of a statement made by the Supervisory Board of Arctic Paper S.A. on the selection of the audit firm to audit the annual consolidated financial statements of the Arctic Paper Group and standalone financial statements of the Company for the financial year ended on 31 December 2022 in compliance with applicable laws and on the basis of a statement received from KPMG Audyt spółka z ograniczoną odpowiedzialnością spółka komandytowa,

The Company's Management Board informs that the selection of the audit firm by the Supervisory Board was made pursuant to applicable laws and in line with the "Policy and procedure of selecting an audit firm to conduct a statutory and voluntary audit of consolidated and separate financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odrą".

Additionally, the Company's Management Board informs that the audit firm and members of its team performing the audit have complied with the requirements to make an impartial and independent report from the audit of the annual consolidated financial statements of the Arctic Paper Group and standalone financial statements of the Company for the financial year ended on 31 December 2022 in compliance with the applicable laws, professional standards and the rules of professional ethics.

The Management Board of the Company also informs that the applicable laws with regard to a change of the audit firm and the key statutory auditor, as well as mandatory periods of grace have been complied with. The Arctic Paper Group has a policy relating to the selection of the auditing company and a policy of the provision of services that are not an audit by the audit firm, entities related to the audit firm or a member of its group, including services that are not covered with the ban on being provided by audit firms.

Signatures of the Members of the Management Board

	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	28 March 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	28 March 2023	signed with a qualified electronic signature

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 financial statements of Arctic Paper S.A. for the year ended on 31 December 2022 and the comparable data were prepared in compliance with the applicable accounting principles and they reflect Company's economic and financial condition and its financial result for 2022 in a true, reliable and clear manner.
- The Management Board's Report from operations of Arctic Paper S.A. in 2022 contains a true image of the development, achievements and condition of Arctic Paper S.A., including a description of core hazards and risks.

Signatures of the Members of the Management Board

	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	28 March 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	28 March 2023	signed with a qualified electronic signature



Standalone financial statements

Standalone profit and loss account

	Note	Year ended on 31 December 2022	Year ended on 31 December 2021
Continuing operations			
Revenues from sales of services	24	12 754	22 402
Interest income on loans	24	2 290	2 710
Dividend income	24	57 416	38 724
Revenues	11	72 460	63 836
Interest expense to related entities and costs of sales of logistics services	12.5	(7 350)	(5 171)
Gross profit/(loss) on sales		65 109	58 664
Other operating income		1 928	488
Administrative expenses	12.4	(17 938)	(25 144)
Impairment allowances to assets	12.1	175 745	(996)
Other operating expenses		(381)	(92)
Operating profit/(loss)		224 463	32 920
Financial income	12.2	3 316	3 899
Financial expenses	12.3	(8 804)	(15 031)
Gross profit/(loss)		218 975	21 787
Income tax	13.1	3 931	-
Net profit/(loss) from continuing operations		222 906	21 787
Earnings/(loss) per share in PLN:			
basic earnings from the profit/(loss) for the period	14	3,22	0,31
 – diluted earnings from the profit/(loss) for the period 	14	3,22	0,31

Standalone statement of total comprehensive income

	Note	Year ended on 31 December 2022	Year ended on 31 December 2021
Net profit (loss) for the reporting period		222 906	21 787
Items which were reclassified to profit/loss in current reporting period: Measurement of financial instruments		-	2 574
Items to be reclassified to profit/loss in future reporting periods:			
Measurement of financial instruments	27.3	4 954	3 190
Deferred tax on measurement of financial instruments		(941)	(606)
FX differences on translation of foreign operations	19.2	707	306
Other total comprehensive income		4 720	5 464
Total comprehensive income		227 626	27 251

Standalone statement of financial position

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Fixed assets			
Fixed assets		451	797
Intangible assets		1 346	1 319
Shares in subsidiaries	16.1	854 898	678 635
Other financial assets	16.3	35 514	5 701
Deferred tax assets		1 865	-
Comment assets		894 074	686 451
Current assets	47	17 566	31 868
Trade and other receivables	17	1 430	35
Income tax receivables	40.0	12 728	121 104
Other financial assets	16.3	5 817	2 874
Other non-financial assets	16.4 18	213 272	14 966
Cash and cash equivalents	16	213 272	14 900
		250 814	170 848
TOTAL ASSETS	.	1 144 888	857 299
	Note	As at 31 December 2022	As at 31 December 2021
EQUITY AND LIABILITIES			
Equity			
Share capital	19.1	69 288	69 288
Reserve capital	19.3	427 502	427 502
Other reserves	19.4	106 725	124 500
FX differences on translation	19.2	1 463	756
Retained earnings / Accumulated losses		171 993	(44 986)
Total equity		776 970	577 059
Long-term liabilities			
Interest-bearing loans and borowings	20	73 022	101 546
Provisions	21	-	3 117
Other financial liabilities	22.2	10	128
Deferred tax liability	13.3	2 003	606
Short-term liabilities		75 036	105 398
Interest-bearing loans and borrowings	20	263 752	145 648
Trade payables	22.1	19 175	27 307
Other financial liabilities	22.2	49	111
Other short-term liabilities	22.1	1 383	1 776
Employee liabilities	22.1	6 895	-
Income tax liabilities		1 630	- 174 941
Tatal Baltillata		292 883	174 841
Total liabilities		367 919	280 239
TOTAL EQUITY AND LIABILITIES		1 144 888	857 299

Standalone statement of cash flow

		Year ended on 31 December 2022	Year ended on 31 December 2021
	Note		
Cash flows from operating activities			
Gross profit (loss)		218 975	21 787
Adjustments for:			
Depreciation/amortisation	12.6	228	389
Loss on exchange rate differences		1 421	7 749
Impairment of interests	12.2	(175 745)	-
Net interest and dividends		(54 595)	5 368
Profit / loss from investing activities		90	(264)
Increase / decrease in receivables and other non-financial assets		9 963	(1 902)
Increase / decrease in liabilities except for loans and borrowings and other financial liabilities		(4 058)	3 440
Change in provisions and prepayments		-	280
Income tax paid		2 722	-
Change to liabilities due to cash-pooling		214 745	(94 821)
Increase / decrease of loans granted to subsidiaries	16.3	3 342	42 464
Interests received		2 336	-
Interests paid		(1 506)	-
Other		2 537	190_
Net cash flows from operating activities		220 455	(15 320)
Cash flows from investing activities			
Increase of interests in subsidiaries		(50)	(2 498)
Net cash flows from investing activities		(50)	(2 498)
Cash flows from financing activities			
Repayment of leasing liabilities		(180)	(402)
Repayment of loan liabilities		(48 235)	(144 933)
Borrowings and bonds received	20	-	166 787
Dywidendy otrzymane		57 416	-
Interest paid		(3 384)	(5 445)
Dividend disbursed		(27 715)	(20 786)
Other financial expenses		-	(2 585)
Net cash flows from financing activities		(22 099)	(7 364)
Cash and cash equivalents at the beginning of the period	18	14 966	40 148
Change in cash and cash equivalents	. •	198 306	(25 182)
Cash and cash equivalents at the end of the period	18	213 272	14 966

Standalone statement of changes in equity

	Note	Share capital	Reserve capital	Translation reserve	Other reserves	Retained earnings	Total equity
As at 1 January 2022		69 288	427 502	756	124 500	(44 986)	577 059
Net profit / (loss) for the period		-	-	-	-	222 906	222 906
Other comprehensive income for the period		-	_	707	4 012	-	4 718
Total comprehensive income for the period		-	-	707	4 012	222 906	227 625
Dividend distribution		-	-	-	(21 787)	(5 928)	(27 715)
As at 31 December 2022	. , .	69 288	427 502	1 463	106 725	171 993	776 969

	Note	Share capital	Reserve capital	FX differences on translation of investments in foreign entities	Other reserves	Retained earnings/Accumulated losses	Total
As at 01 January 2021		69 288	427 502	450	136 741	(63 386)	570 594
Net profit/(loss) for the period		-	-	-	-	21 787	21 787
Other total comprehensive income for the period		-	-	306	5 158	-	5 464
Total comprehensive income for the period		-	-	306	5 158	21 787	27 251
Dividend distribution		-	-	-	(17 399)	(3 387)	(20 786)
As at 31 December 2021	<u> </u>	69 288	427 502	756	124 500	(44 986)	577 059

Accounting principles (policies) and additional explanatory notes

1. General information

The financial statements of Arctic Paper S.A cover the year ended on 31 December 2022 and contain comparative data for the year ended on 31 December 2021.

Arctic Paper S.A. (hereinafter: ("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 nad Odrą, ul. Fabryczna 1. The Company also has a foreign branch in Göteborg, Sweden.

The Company 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 Company holds statistical number REGON 080262255. The duration of the Company is indefinite.

The main area of the Company's business activity is holding activity for the benefit of the Arctic Paper Capital Group.

Nemus Holding AB is the direct Parent Entity to the Company. The ultimate parent entity of the Group that prepares the consolidated financial statements is Nemus Holding AB. The Ultimate Parent Entity is Thomas Onstad.

2. Identification of the consolidated financial statements

The Company prepared its consolidated financial statements for the year ended on 31 December 2022 which were approved for publishing on 28 March 2023.

3. Composition of the Company's Management Board

As at 31 December 2022, the Company's Management Board was composed of:

— Michał Jarczyński – President of the Management Board appointed on 10 December 2018, effective in 1 February 2019; Göran Eklund – Member of the Management Board appointed on 30 August 2017;

From 31 December 2022 until the publication date of the financial statements no other changes in the composition of the Management Board of the Company occurred.

4. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 28 March 2023.

5. Investments by the Company

The Company holds interests in the following subsidiary companies:

Unit	Registered office	Business activity	2022-12-31	2021-12-31
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%
Grycksbo Paper UK Limited	United Kingdom, 52 Hither Green Lane, Abbey Park, Redditch	Trading company	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%
Arctic Paper Benelux S.A.	Belgia, Interleuvenlaan 62 bus 14, B-3001 Heverlee	Trading company	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO- 0579 Oslo	Trading company	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. Z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of energy	100%	100%
Arctic Paper Investment GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	99.80%	99.80%
Arctic Paper Investment AB	Sweden, Box 383, 401 26 Göteborg	Paper production	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D- 20457 Hamburg	Trading company	100%	100%
Arctic Paper Finance AB (formerly Arctic Energy Sverige AB)	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%
Kostrzyn Packaging Sp. Z o.o.	Polska, Fabryczna 1 66-470 Kostrzyn nad Odrą	Packaging production	100%	0%
Rottneros AB	Sweden, Box 144, Sunne	Pulp production	51.27%	51.27%

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

6. Material values based on professional judgement and estimates

In the process of applying accounting policies to the areas presented below, professional judgement of the management staff had the most significant effect, apart from accounting estimations.

6.1. Impairment of assets in subsidiaries

As at 31 December 2022, an impairment test was held at Arctic Paper Grycksbo AB whose 100% are held by Arctic Paper Investment AB. The test was performed with the discounted cash flow method with reference to investments in both companies (note 16.2).

In connection with the test, the Company made a number of estimates, of which the forecast sales volume, sales prices, raw material purchase prices, energy prices, discount rate and growth rate in the residual period had the greatest impact on the values recognised in these standalone financial statements. Some of the assumptions used to determine the value in use of the investments in Arctic Paper Grycksbo AB and Arctic Paper Investment AB are based on unobservable inputs and are therefore subject to estimation uncertainty.

7. Basis of preparation of the financial statements

These financial statements have been prepared on a historical cost basis (except financial instruments).

These standalone financial statements are presented in Polish zloty ("PLN") and all values are disclosed in PLN '000 unless specified otherwise.

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

As at the publication date hereof, no circumstances were identified that would pose a threat to the Company continuing as a going concern.

7.1. Compliance statement

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), endorsed by the European Union. IFRS cover standards and interpretations approved by the International Accounting Standards Board (IASB).

7.2. Functional currency and presentation currency

The Polish zloty (PLN) is the functional currency and the presentation currency of the Company in these financial statements.

8. Changes in the applied accounting principles

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the Company's financial statements for the year ended 31 December 2021.

The Company 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 2022.

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

Standards, Interpretations and amendments to published Standards endorsed by the EU that have been adopted at the date of publication of these consolidated financial statements. but are not yet effective for annual periods beginning on 1 January 2023:

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality
 Judgments (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than significant accounting policies.

 Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Effective for annual periods beginning on or after 1 January 2023 Early application is permitted)

The amendments introduced a definition of 'accounting estimates' and included other amendments to IAS 8 clarifying how to distinguish changes in accounting policies from changes in estimates. The distinction is important as changes in accounting policies are generally applied retrospectively while changes in estimates are accounted for in the period in which the change occurs.

 Amendments to IAS 12 Income Taxes Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Effective for annual periods beginning on or after 1 January 2023. Early application is permitted)

The amendments narrow the scope of the initial recognition exemption (IRE) to exclude transactions that give rise to equal and offsetting temporary differences e.g. leases and decomissioning liabilities. For leases and decomissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

Standards and Interpretations awaiting EU approval as at 28 March 2023.

— Amendments to IFRS 10 and IAS 28 Sale or contribution of assets between an investor and its associate or joint venture (Effective date deferred indefinitely. Available for optional adoption in full IFRS financial statements. The European Commission decided to defer the endorsement indefinitely, it is unlikely that it will be endorsed by the EU in the foreseeable future)

The Amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognised when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognised when a transaction between an investor and its associate or joint venture involves
 assets that do not constitute a business, even if these assets are housed in a subsidiary

 Amendments to IAS 1 Presentation of Financial Statements Non-Current Liabilities with Covenants (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted. Specific transition requirements apply for companies that have early-adopted the previously issued but not yet effective 2020 amendments.)

Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendments, as issued in 2020, has removed the requirement for a right to be unconditional and instead requires that a right to defer settlement must exist at the reporting date and have substance (the classification of liabilities is unaffected by management's intentions or expectations about whether the company will exercise its right to defer settlement or will choose to settle early).

The amendments, as issued in 2022, further clarify that when the right to defer settlement is subject to a company complying with conditions (covenants) specified in a loan arrangement, only covenants with which the company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the company must comply after the reporting date do not affect a liability's classification at that date. However, the amendments require companies to disclose information about these future covenants to help users understand the risk that those liabilities could become repayable within 12 months after the reporting date. The amendments also clarify how a company classifies a liability that can be settled in its own shares (e.g. convertible debt).

 Amendments to IFRS 16 Leases Lease Liability in a Sale and Leaseback (Effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Early application is permitted)

Amendments to IFRS 16 Leases impact how a seller-lessee accounts for variable lease payments in a sale-and-leaseback transaction. The amendments introduce a new accounting model for variable payments and will require seller-lessees to reassess and potentially restate sale-and-leaseback transactions entered into since 2019.

The amendments confirm the following:

- on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction;
- after initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains.

A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement.

These amendments do not change the accounting for leases other than those arising in a sale and leaseback transaction.

As at the date of approval of these financial statements for publication, the Management Board does not expect material impact of the introduction of other standards and interpretations on the accounting principles (policy) applied by the Company with respect to the Company's operations or its financial results.

10. Significant accounting principles (policies)

10.1. Foreign currency translation

The presentation currency of the Company is Polish zloty, however, for the foreign branch the functional currency is Swedish crown. As at the balance sheet date, assets and liabilities of the branch are translated into the presentation currency of the Company using the FX rate prevailing on that date and its income statement is translated using a weighted average FX rate for the reporting period.

The FX differences arising from the translation are recognised in other total comprehensive income and accumulated in a separate item of equity – FX differences on translation.

Transactions denominated in currencies other than Polish zloty are translated to Polish zloty at the FX rate prevailing on the transaction date.

As at the balance sheet date, assets and monetary liabilities expressed in currencies other than Polish zloty are translated into Polish zloty using the National Bank of Poland's mean FX rate prevailing for the given currency as at the end of the reporting period.

FX differences resulting from translation are recognised under financial income (expenses), or – in cases defined in the accounting policies – are capitalised in assets. Non-monetary foreign currency assets and liabilities recognised at historical cost in foreign currency are translated at the historical FX rates prevailing on the transaction date. Non-monetary foreign currency assets and liabilities recognised at fair value in foreign currency are translated using the FX rates prevailing as at the date of fair value measurement.

The following exchange rates were used for book valuation purposes:

	31 December 2022	31 December 2021
USD	4.4018	4.0600
EUR	4.6899	4.5994
SEK	0.4213	0.4486
DKK	0.6307	0.6184
NOK	0.4461	0.4608
GBP	5.2957	5.4846
CHF	4.7679	4.4484

	01/01 - 31/12/2022	01/01 - 31/12/2021
USD	4.4615	3.8647
EUR	4.6876	4.5670
SEK	0.4411	0.4500
DKK	0.6301	0.6141
NOK	0.4643	0.4493
GBP	5.4989	5.3144
CHF	******	
	4.6700	4.2254

For translation of assets and liabilities of the foreign branch as at 31 December 2022, the exchange rate SEK/PLN of 0.4213 was applied (31 December 2021: 0.4486). For translation of the items of comprehensive income for the year ended on 31 December 2022, the exchange rate SEK/PLN of 0.4411 was applied (for the year ended on 31 December 2021: 0.4500) which is an arithmetic mean of NBP's mean exchange rates published by NBP in 2022.

Cashpooling is the Company's core business therefore the cash flow statement cashpooling is presented in operating activities section.

10.2. Impairment of non-financial fixed assets

An assessment is made at each reporting date to determine whether there is any indication that a component of non-financial fixed assets may be impaired. If such indications exist, or in case an annual impairment test is required, the Company makes an estimate of the recoverable amount of that asset or the cash generating unit that the asset is a part of.

The recoverable amount of an asset or a cash-generating unit is the fair value of such asset or cash-generating unit reduced by costs to sell or its value in use, whichever is higher. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment allowances of continuing operations are recognised in the expense categories consistent with the function of the impaired asset.

An assessment is made by the Group as at each balance sheet date as to whether there is any indication that previously recognised impairment allowances may no longer be required or may be reduced. If such indications exist, the Company makes an estimate of recoverable amount of the asset. A previously recognised impairment allowance is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment allowance was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined (net of depreciation or amortisation), had no impairment allowance been recognised for the asset in prior years.

Reversal of impairment allowance to assets is recognised immediately as income. After a reversal of an impairment allowance is recognised, the depreciation (amortisation) charge for the asset is adjusted in future periods to allocate the asset's carrying amount, reduced by its residual value (if any), on a systematic basis over its remaining useful life.

10.3. Shares in subsidiaries, affiliated entities and in joint ventures

Shares in subsidiaries, affiliated entities and joint ventures are presented at historical cost basis, subject to impairment allowances.

10.4. Financial assets

In compliance with IFRS 9, the Company classifies financial assets to one of the following categories:

- measured at amortised cost: To measure its financial assets measured at amortised cost, the Group applies the effective interest rate method; those are trade receivables, loans granted, other financial receivables and cash and cash equivalents. After initial recognition, trade receivables are measured at amortised cost with the effective interest rate method subject to impairment allowances' trade receivables due within 12 months of the day of their origin (without financing elements) and not forwarded to factoring, are not discounted and are measured at nominal value; interest income, exchange differences and impairment allowances are recognised in profit or loss; profits or losses on derecognition of a financial instrument are recognised in profit or loss for the period;
- measured at fair value through other income: profit and loss on a financial asset being a capital instrument which is subject to a measurement option via other income, are recognised in other income with the exception of dividend received;
- measured at fair value through financial results: profit or loss resulting from measurement of financial assets, classified as measured at fair value through profit and loss, are recognised in profit and loss account in the period in which it was generated; those are primarily derivative instruments not designated for hedge accounting. Profit or loss resulting from measurement of items measured at fair value through profit and loss account covers also interest and dividend income.
- hedging financial instruments: Hedging financial instruments are measured in accordance with hedge accounting principles recognised under IFRS 9.

The Company classifies debt financial assets to an appropriate category subject to the business model of managing financial assets and to the characteristics of contractual cash flows for each financial asset.

10.5. Impairment of financial assets

As at each balance sheet date, the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired.

In line with IFRS 9, financial assets are measured at amortised cost or at fair value through other comprehensive income (except for investments in equity and contract assets). The impairment model is based on the calculation of expected losses. Loans and trade receivables are the most important financial asset in the Company's financial statements that are subject to the new principles of calculating anticipated credit losses.

In accordance with IFRS 9, the Company measures allowances for expected credit losses in the amount equal to the 12-month expected credit losses or expected credit losses in the life of the financial instrument. In the case of trade receivables, the

Company applies a simplified approach and measures an allowance for expected credit losses at the amount equal to the expected credit losses over the whole life of the asset.

In the case of trade receivables, the Company classifies receivables into the following categories:

- group 1 includes trade receivables for which a simplified approach has been applied to the valuation of expected credit losses over the lifetime of receivables, except for receivables included in group 2;
- group 2 includes trade receivables identified individually as uncollectible.

The Company applies a simplified model to recognise impairment allowances to trade receivables. In the simplified model, the Group does not monitor changes to credit risk level over the life of the instrument and estimates anticipated credit losses over the horizon until the maturity of the instrument. In order to estimate the anticipated credit loss, the Company applies a provision matrix estimated on the basis of historic collectibility levels and recoveries from counterparties. The anticipated credit loss is calculated at the time the receivables are recognised in the statement of financial position and it is updated as at each closing of reporting periods, subject to the number of overdue dates.

10.6. Financial derivatives and hedges

The derivatives used by the Company to hedge its exposure to interest rate movements are primarily interest rate swap contracts (interest rate swaps). Such derivative financial instruments are measured at fair value. Such derivatives are stated as assets when the value is positive and as liabilities when the value is negative.

Any gains or losses arising from changes in the fair value of the derivatives that do not qualify for hedge accounting are recognised directly in the net profit or loss for the financial year.

The fair value of interest rate swap contracts is determined based on a valuation model which takes into account observable market data, particularly including current term interest rates.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability, or
- cash flow hedges when hedging exposure to variability in cash flows that is attributable to a particular risk inherent in the recognised asset or liability or a forecast transaction, or
- Hedges of interests in net assets in a foreign entity

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship as well as the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the assessment method of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Hedges are expected to be highly effective in offsetting the exposure to changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed on a regular basis to check if the hedge is highly effective throughout all reporting periods for which it was designated.

Cash flow hedge

Cash flow hedges are hedges securing for the risk of cash flow fluctuations which can be attributed to a particular kind of risk inherent in the given item of assets or liabilities or in a contemplated investment of high probability, and which could influence profit or loss. The part of profit or loss related to the hedging instrument which constitutes an effective hedge is recognised directly in other comprehensive income and the non-effective part is recognised in profit or loss.

If a hedged intended transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognised in other comprehensive income and accumulated in equity shall be reclassified to profit and loss account in the same period or periods in which the asset acquired or liability assumed affects profit or loss.

If a hedge of a intended transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge

accounting is applied, then gains and losses that were recognised in other comprehensive income are reclassified from equity to profit or loss in the same period or periods during which the asset acquired or liability assumed affects profit or loss.

For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are recognised directly to net financial result for the period.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or the hedge no longer qualifies for hedge accounting. At that point in time, any cumulative profit or loss on the hedging instrument that has been recognised directly in other comprehensive income and accumulated in equity, remains recognised in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the net cumulative profit or loss recognised in equity is recognised in net profit or loss for the period.

10.7. Trade and other receivables

Trade and other receivables are stated and recognised at original invoiced amount subject to an allowance for doubtful receivables. The allowance for receivables is estimated according to principles presented in note 10.5. The allowance for doubtful receivables is estimated when collection of the full amount of the receivable is no longer probable.

If the effect of the time value of money is material, the value of receivables is determined by discounting the estimated future cash flows to present value using a discount rate that reflects current market assessments of the time value of money. Where discounting is used, any increase in the balance due to the passage of time is recognised as financial income.

Budgetary receivables are presented within trade and other receivables, except for corporate income tax receivables that constitute a separate item in the statement of financial condition.

10.8. Cash and cash equivalents

Cash and short-term deposits in the statement of financial condition comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

10.9. Interest-bearing loans, borrowings and bonds

All bank loans, borrowings and bonds are initially recognised at fair value reduced by costs associated with obtaining the loan or borrowing.

After initial recognition, interest-bearing term loans, borrowings and bonds are subsequently measured at amortised cost using the effective interest rate method.

The amortised cost is calculated by taking into account any costs associated with obtaining the loan or borrowing, and any discount or premium received in relation to the liability.

Revenues and expenses are recognised in profit or loss when the liabilities are derecognised from the statement of financial condition or accounted for with the effective interest method.

10.10. Trade and other payables

In compliance with IFRS 9, the Company classifies financial liabilities to one of the following categories:

- measured at amortised cost: trade payables, loans, borrowings and bonds
- measured at fair value via the profit and loss account: liabilities under derivative instruments not designated to hedge accounting
- hedging financial instruments, assets and financial liabilities being derivative instruments hedging cash flows and hedging fair value

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as measured to fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of re-sale in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are determined to be effective hedging instruments.

Financial liabilities may be designated at initial recognition as measured at fair value through profit or loss if the following criteria are met:

- such qualification eliminates or significantly reduces the inconsistency of treatment, when both the valuation and the rules for recognizing losses or gains are subject to different regulations; or
- liabilities are part of a group of financial liabilities that are managed and assessed on the basis of fair value, in accordance with a documented risk management strategy; or
- financial liabilities contain embedded derivatives that should be separately recognised.

Financial liabilities measured at fair value through profit or loss are measured at fair value, reflecting their market value as at the balance sheet date without taking sales transaction costs into account. Changes in fair value of those instruments are recognised in the profit or loss as financial income or expenses.

As at 31 December 2022 and 31 December 2021, no financial liabilities were designated as measured at fair value through profit or loss

Financial liabilities other than financial instruments measured at fair value through profit or loss are measured at amortised cost with the effective interest rate method.

The Company excludes a financial liability from its report from financial activities when the liability has expired – that is, when the obligation specified in the contract has been fulfilled, cancelled or expired. Replacement of an existing debt instrument with an instrument with basically different conditions, made between the same entities, is recognised by the Company as expiry of the original financial liability and recognition of a new financial liability. Similarly, major changes to contractual terms and conditions related to an existing financial liability is recognised by the Company as expiry of the original and recognition of a new financial liability. The difference of the respective carrying amounts arising from the replacement is recognised in profit or loss.

Other short-term liabilities include in particular liabilities to tax authorities under personal income tax liability and liabilities to ZUS.

Other non-financial liabilities are recognised at the amount payable.

10.11. Offsetting financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is shown in the statement of financial position only if the Group has a valid legal title to set off and intends to settle these amounts net or to realize the asset and settle the liability at the same time.

10.12. Provisions

Provisions are created when the Group is charged with a (legal or customary) obligation relating to past events, and when it is likely that satisfaction of such obligation shall result in a necessity of an outflow of economic benefits and an amount of such obligation may be reliably estimated. Where the Group expects some or all of the provisioned costs to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account after the deduction of any reimbursement.

If the effect of the time value of money is material, provisions are determined by discounting the estimated future cash flows to their present value using a discount rate that reflects current market assessments of the time value of money and, where

appropriate, the risks inherent in the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as financial expenses.

10.13. Revenues

The International Financial Reporting 15 Revenue from Contracts with Customers ("IFRS 15") establishes a Five-Step Model to recognise revenues resulting from contracts with customers:

- Requirements applicable to identifying contracts with customers: contracts with customers meet the definition when all of the following criteria have been satisfied: the parties to the contract have concluded the contract and are obliged to perform their obligations; the Company is able to identify the rights of each party concerning the goods to be provided; the Company is able to identify the payment terms for the goods to be provided; the contract has economic content and it is likely that the Company will receive its remuneration due to it in exchange for the goods and services to be provided to the customer.
- Identification of obligations to perform the service: at contract conclusion the Group assesses the goods and services promised in the contract and identifies each promise as a liability for delivery to the customer: the goods or services (or a package of goods or services) that may be identified or a group of separate goods or services that are basically the same and when the delivery has the same nature.
- Identification of the transactional price: in order to determine the transactional price, the Company takes the contractual conditions into account as well as its customary commercial practices. The transactional price is the amount that as the Group expects will be due to it in exchange for the delivery of the promised goods or services to the customer, net of any amounts collected on behalf of third parties. The contractual remuneration may cover fixed amounts, variable amounts or both types; in order to estimate the variable remuneration, the Group has decided to apply the most probable value method.
- The allocation of the transactional price of each liability to perform: The Company allocates the transactional price to each obligation to perform (or for separate goods or separate services) in an amount that reflects the remuneration amount, in line with the Company's expectations it is due to the Company in exchange for the delivery of the promised goods or services to the customer.
- Revenue recognition when the obligation to perform is being executed: The Group recognises revenues at completion (or during completion) of its obligation to perform by delivery of the promised goods or services (an asset) to the customer (the customer acquires control over the asset). Revenues are recognised in the remuneration amount which as expected by the entity is due to it in exchange for the goods or services promised to customers.

The following criteria are also applicable to recognition of revenues.

Provision of services

Revenues are valued on the basis of the payment resulting from the contract concluded with the customer. The Company recognizes revenue when it transfers control over a good or service to the customer.

Revenue is recognised over time as services are provided. Since the Company is entitled to receive remuneration from customers in an amount that corresponds directly to the value to the customers of the service already rendered by the entity, the Company recognises revenue in the amount that it is entitled to invoice.

Interest

Interest income is recognised as interest accrues (using the effective interest rate method that is the rate that discounts the estimated future cash receipts over the anticipated life of the financial instrument) to the net carrying amount of the financial asset. In revenues of core business the Company recognizes only interests from related parties.

Dividend

Dividend is recognised when the shareholders' rights to receive dividend are established.

10.14. Taxes

Current tax

Current income tax liabilities and receivables for the current period and previous periods are measured at amounts projected to be paid to tax authorities (to be recovered from tax authorities) with tax rates and based on tax regulations legally or actually applicable as at the balance sheet date.

Deferred income tax

For financial reporting purposes, deferred income tax is recognised, using the liability method, regarding temporary differences as at the balance sheet date between the tax value of assets and liabilities and their carrying amount disclosed in the financial statements

Deferred tax provision is recognised for all positive temporary differences:

- except where the deferred income tax liability arises from the initial recognition of goodwill, an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss:
- in respect of positive differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income asset is recognised for all negative temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised:

- except where the deferred tax asset relating to the negative temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of negative temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, the deferred income tax asset is recognised in the statement of financial condition solely to the extent to which it is probable that in the foreseeable future the above differences will be reversed and sufficient taxable income to deduct such temporary negative differences.

The carrying amount of the deferred tax asset is reviewed as at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax asset is reassessed as at each balance sheet date and is recognised to the extent that it has become probable that future taxable profit will be available that will allow the deferred tax asset to be recovered.

Deferred tax asset and provisions are measured at the tax rates that are expected to apply in the period in which the asset is realised or the provision applied, based on tax rates (and tax laws) that have been enacted or substantively enacted as at the balance sheet date

Income tax relating to items recognised outside profit or loss is recognised outside profit or loss: in other comprehensive income in correlation items recognised in other comprehensive income or directly in equity with reference to items recognised directly in equity.

Deferred income tax asset and deferred income tax liability are offset, if a legally enforceable right exists to set off current income tax asset against current income tax liability and the deferred income tax relates to the same taxable entity and the same tax authority.

Value added tax

Revenues, expenses, assets and liabilities are recognised after the deduction of the amount of VAT, except:

- where VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case VAT is
 recognised as part of the cost of purchase of the asset or as part of the expense item as applicable and
- receivables and payables which are disclosed with the VAT amount inclusive.

The net amount of VAT recoverable from or payable to the tax authority is included in the statement of financial condition as part of receivables or payables.

10.15. Net profit per share

Net profit per share is calculated by dividing the net profit for the period by the weighted average number of shares during the reporting period. Diluted profit per share is calculated by dividing the net profit for the period by the diluted weighted average number of shares during the reporting period.

11. Revenues

Arctic Paper S.A. is a holding company, providing services to the Group companies.

The table below presents a geographical split of revenues from sales of services, revenues from contracts with customers as well as dividend and interest income in 2022-2021.

	Year ended on 31 December 2022	Year ended on 31 December 2021
Revenues from contracts with customers		
- Poland	3 274	8 878
- Sweden	9 480	13 523
- other	-	-
	12 754	22 402
Other income (dividends and interest)		
- Poland	35 797	21 187
- Sweden	23 450	18 404
- other	459	1 843
	59 706	41 434
Total	72 460	63 836

The above information about revenues is based on data regarding registered offices of subsidiaries of Arctic Paper S.A.

Service revenues (management, logistics services) constitute revenues recognised on a time basis since the underlying services are those provided for a specified time agreed in contracts with customers. The Company usually applied a 14 or 21 day payment term, and does not receive payments before services are completed.

12. Other revenues and expenses

12.1. Impairment allowances to assets

	Year ended on 31 December 2022	Year ended on 31 December 2021
Impairment allowance to financial assets (Arctic Paper Mochenwangen GmbH)	(468)	(996)
Reversal of impairment allowance to assets (Arctic Paper Sverige AB)	178 805	· · ·
Impairment allowance to financial assets (Arctic Paper Mochenwangen GmbH)	(2 592)	-
	175 745	(996)

12.2. Financial income

	Year ended on 31 December 2022	Year ended on 31 December 2021
Interest income on funds in bank accounts	985	191
Financial services	2 331	3 708
	3 316	3 899

12.3. Financial expenses

	Year ended on 31 December 2022	Year ended on 31 December 2021
Interest on loans and other liabilities	3 683	9 133
FX losses	1 875	1 459
Warranty costs	2 645	2 585
Other financial expenses	602	1 854
	8 804	15 031

12.4. Prime costs

	Year ended on 31 December 2022	Year ended on 31 December 2021
Depreciation/amortisation	228	389
Materials	134	113
Third party services	11 838	20 797
Taxes and charges	84	70
Wages and salaries	10 696	6 795
Employee benefits	1 233	1 043
Other prime costs	1 076	1 098
	25 289	30 304
Prime costs, of which:		
Items recognised as administrative expenses	17 938	25 144
Items recognised as costs of sales:	7 350	5 171

12.5. Depreciation/amortisation

	Year ended on 31 December 2022	Year ended on 31 December 2021
Depreciation of tangible fixed assets Amortisation of intangible assets	226 2	267 122
Attributable to:	229	389
- continuing operations	229	389

229 389

12.6. Employee benefit costs

	Year ended on 31 December 2022	Year ended on 31 December 2021
Wages and salaries	10 696	6 795
Social insurance premiums	1 233	1 043
Costs of retirement benefits	-	-
	11 929	7 838

13. Income tax

In 2022, Arctic Paper SA and Arctic Paper Kostrzyn SA established a tax capital group ("PGK"), therefore potential future losses incurred by the company may be used on an ongoing basis under the PGK. PGK was established for 3 years starting at 1 January 2023. Arctic Paper SA is a parent company and Arctic Paper Kostrzyn SA is a subsidiary.

13.1. Tax liability

The major components of income tax liabilities for the year ended on 31 December 2022 and on 31 December 2021 are as follows:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Current income tax liability	2 522	-
Amount of deferred income tax charge	1 409	-
Tax charge disclosed in the profit and loss account	3 931	

Current income tax liability amounts to PLN 2,522 thousand and relates to tax losses at Arctic Paper SA and is the Company's benefit due to utilisation of the tax loss in settlement of the result of PGK.

13.2. Recognition of effective tax rate

A reconciliation of income tax expense applicable to gross profit/(loss) before income tax at the statutory income tax rate, to income tax expense at the Company's effective income tax rate for the year ended on 31 December 2022 and 31 December 2021 is as follows:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Gross profit (loss) before tax	218 975	21 787
Tax at the statutory rate in Poland of 19%	41 605	4 140
Benefit from utilising tax loss in Tax Equity Group	2 522	-
Non-activated loss of the current year	-	1 844
Dividend income	(10 909)	(7 358)
Costs that are permanently non-tax deductible	550	1 428
Taxable costs being accounting costs in the year	(376)	-
Unrecognised other temporary income/expenses	-	(54)
Impairment allowances for interests and loans	(33 392)	-
Income tax (charge) recognised in profit or loss	3 931	_

13.3. Deferred income tax

Deferred income tax relates to the following items:

	Balance sheet		Profit a	nd loss
	31 December 2022	31 December 2021	Year ended on 31 December 2022	Year ended on 31 December 2021
Deferred income tax liability				
Accrued interest income	456	776	(320)	(92)
FX gains	-	-	-	(2 983)
Gross deferred income tax provision	456	776	(320)	
	Balance	e sheet	Profit a	nd loss
	31 December 2022	31 December 2021	Year ended on 31 December 2022	Year ended on 31 December 2021
Deferred income tax asset Uninvoiced liabilities and accrued vacations and wages	1 612	1 016	(595)	15
Interest accrued on loans received and bonds	-	-	-	-
FX losses	198	256	58	3 128
Other	55	134	79	(158)
Gross deferred income tax asset	1 865	1 407	(458)	
Deferred income tax charge	-	-	(778)	(91)
Deferred income tax assets, not recognised in the balance sheet	-	631	-	91
Net reserve for deferred tax captured in other total comprehensive income	31 December 2022	31 December 2021	Year ended on 31 December 2022	Year ended on 31 December 2021
of which:				
Measurement of financial instruments	941	606	941	606

Deferred income tax asset is recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profit is probable.

Deferred income tax asset has not been recognised for the following titles:

- in respect of tax losses and negative temporary differences as it is not probable that there will be sufficient taxable income, which would allow to deduct such differences.
- in respect of recognized impairment in subsidiaries as it is not probable that in the foreseeable future the above differences will be reversed and sufficient taxable income to deduct such temporary negative differences.

	2022	2022	2021	2021
	Gross value	Tax effect	Gross value	Tax effect
FX losses	-	-	624	119
Impairment allowances API Gmbh, APMW GmbH and API AB	319 069	60 623	996	189
Tax losses	34 076	6 474	47 060	8 941
	353 145	67 098	48 680	9 249

Tax losses for which deferred income tax have not been recognised expire in the years 2023-2027.

In 2022, the company has formed a tax equity group with Arctic Paper Kostrzyn SA, and therefore potential losses incurred by the company will be utilised on a regular basis.

14. Earnings/(loss) per share

Earnings per share is established by dividing the net profit for the reporting period attributable to the Company's ordinary shareholders by weighted average number of issued ordinary shares existing in the reporting period.

There are no instruments for profit dilution of the Company. All shares are ordinary shares. Shares are not privileged. All ordinary shares belong to the same class.

The information regarding profit and the number of shares which was the base for calculation of earnings per share and diluted earnings per share is presented below:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Net profit/(loss) for the reporting period	222 906	21 787
Number of ordinary shares – A series	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783
Weighted average diluted number of shares	69 287 783	69 287 783
Profit per share (in PLN)	3,22	0,31
Diluted profit per share (in PLN)	3,22	0,31

15. Dividend paid and proposed

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

As at the date of this report, the Company did not hold any preference shares in respect of dividends.

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.

On 15 February 2023, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for the year 2022, made a decision to recommend to the Annual General Meeting of the Company to pay a dividend from the Company's net profit for the financial year 2022, in the total amount of PLN 187,077,014.10 i.e. PLN 2.70 gross per share.

16. Other assets

16.1. Shares in subsidiaries

	Na dzień 31 grudnia 2022	Na dzień 31 grudnia 2021
Arctic Paper Kostrzyn S.A.	442 535	442 535
Arctic Paper Munkedals AB	88 175	88 175
Rottneros AB	101 616	101 616
Arctic Paper Investment AB, w tym:	205 584	26 779
Arctic Paper Investment AB (udziały)	307 858	307 858
Arctic Paper Investment AB (pożyczki)	82 709	82 709
Arctic Paper Investment AB (odpis z tytulu utraty wartości)	(184 983)	(363 788)
Arctic Paper Investment GmbH	-	-
Arctic Paper Investment GmbH (udziały)	120 031	120 031
Arctic Paper Investment GmbH (odpis z tytulu utraty wartości)	(120 031)	(120 031)
Arctic Paper Sverige AB	2 936	2 936
Arctic Paper Sverige AB (udziały)	11 721	11 721
Arctic Paper Sverige AB (odpis z tytulu utraty wartości)	(8 785)	(8 785)
Arctic Paper Danmark A/S	5 539	5 539
Arctic Paper Danmark A/S (odpis z tytułu utraty wartości)	(2 592)	-
Arctic Paper Deutschland GmbH	4 977	4 977
Arctic Paper Norge AS	516	516
Arctic Norge AS (udziały)	3 194	3 194
Arctic Paper Norge AS (odpis z tytulu utraty wartości)	(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. (poprzednio Arctic Paper East Sp. z o.o.)	2 602	2 602
Arctic Paper Baltic States SIA	64	64
Arctic Paper Schweiz AG	61	61
Kostrzyn Packaging Sp. z o.o.	50	-
Arctic Paper Finance AB	68	68
Razem	854 898	678 635

The value of investments in subsidiary companies was disclosed on the basis of historic costs. In 2022, there was a reversal of the write-down of shares in Arctic Paper Investment AB in the amount of PLN 178,805 thousand, a write-down for shares in Arctic Paper Danmark A/S in the amount of PLN 2,592 thousand and the acquisition of 100% of all newly created shares in Kostrzyn Packaging Sp. z o.o. in the amount of PLN 50 thousand.

16.2. Impairment test of investments in subsidiaries

As at 31 December 2022 and 31 December 2021 and earlier impairment tests were conducted at the cash generating unit of Arctic Paper Grycksbo with reference to tangible fixed assets and intangible assets.

As a result of the analysis, it was decided to carry out an impairment test of the investment in the subsidiary Arctic Paper Grycksbo AB (directly and solely controlled by Arctic Paper Investment AB, in which the Parent Company holds 100% of the shares). The impairment test as at 31 December 2022 at Arctic Paper Grycksbo was related to higher-than-expected results of the company realised as a result of market conditions such as macroeconomic factors, the impact of the COVID-19 pandemic and higher demand in the paper segment produced by Grycksbo.

As at 31 December 2022 the Company held impairment tests to the value of its holding in Arctic Paper Investment AB, which is a direct shareholder of Arctic Paper Grycksbo AB. The shares in Arctic Paper Grycksbo AB are the main component of the net assets of Arctic Paper Investment AB. The estimated value of the investment (recoverable amount) of the shares in Arctic Paper Investment AB was determined as the sum of the tax group settlement receivables in Arctic Paper Investment AB and the value in use of Arctic Paper Grycksbo AB determined by the discounted cash flow method as at 31 December 2022, which amounted to PLN 152,082 thousand. In addition, the value in use of Arctic Paper Grycksbo AB was reduced by financial liabilities (including the financial liabilities of Arctic Paper Grycksbo AB to the Parent Company) and increased by the cash held by Arctic Paper Grycksbo AB. The total value in use of the investment in shares in Arctic Paper Investment AB amounted to PLN 205,584 thousand as at the balance sheet date, while the carrying amount of the investment in Arctic Paper Investment AB as at 31 December 2022 was PLN 143,793 thousand.

As a result of the impairment test carried out as at 31 December 2022, it was decided to partially reverse the impairment allowances to the shares in Arctic Paper Investment AB recognised in previous years, amounting to PLN 61,791 thousand. As at 30 June 2022, an impairment allowance in the amount of PLN 117,014 thousand was reversed, so the total reversal of this allowance in 2022 amounted to PLN 178,805 thousand. The reversal of the impairment allowance is disclosed under Impairment allowances in the statement of profit and loss.

The total cumulative impairment allowance for Arctic Paper Grycksbo as at 31 December 2022 amounted to PLN 184,983 thousand (31 December 2021: PLN 363,788 thousand).

The key assumptions of the impairment test performed at 31 December 2022 are described below.

Key assumptions underlying the calculation of value in use

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

- Level of sales;
- Selling prices;
- Discount rate;
- Changes in commodity prices;
- Energy price developments;

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

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

Discount rate – reflects the assessment of risks inherent to the centre estimated by the management. This is the rate applied by the management to estimate the operational effectiveness (results) and future investment proposals. In the budgeted period the applied discount rate is 9.4% (the rate applied as at 31December 2021: 8.0%). The discount rate was determined on the basis of the following: Weighted average cost of capital (WACC).

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

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

The table below shows the main assumptions used to calculate the value in use at 31 December 2022. The individual values represent the Board's assessment of the future trends of each assumption and are based on historical data from both internal and external sources of the Paper Mill.

Main assumptions	2022
Approved projections based on	2023-2027
Weighted average cost of capital (WACC)	9,4%
Sales volune (tonnes)	210 000
Average annual change in selling prices in the forecast period	(1,8%)
Average annual change in pulp purhcase prices in the forecast period	(0,7)%
Average annual change in energy purchase prices in the forecast period	17,8%
Growth rate in the residual period	0,0%

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

The table below presents a sensitivity analysis of an impairment test held on 31 December 2022:

	Average annual change of the	Impact on the value of assets
Parameter	parameter by	in use
31 December 2022		
Weighted average cost of capital (WACC)	+0,1 p.p.	(673)
Growth rate in the residual period	+0,1 p.p.	401
Sales volume in the the forecast period	1%	63 853
Sales prices in the the forecast period	1%	87 068
Pulp purchase prices in the the forecast period	1%	(35 385)
Energy purchase prices in the the forecast period	10%	(93 710)
Weighted average cost of capital (WACC)	-0,1 p.p.	686
Growth rate in the residual period	-0,1 p.p.	(393)
Sales volume in the the forecast period	-1%	(55 300)
Sales prices in the the forecast period	-1%	(92 066)
Pulp purchase prices in the the forecast period	-1%	35 385
Energy purchase prices in the the forecast period	-10%	87 535

16.3. Other financial assets

	Maturity date	As at 31 December 2022	As at 31 December 2021
Short-term			
Loans granted to Arctic Paper Grycksbo AB (short-term part)	2021	-	5 167
- amount: EUR 2,014 thousand			
Loans granted to Paper Grycksbo AB - amount: EUR 8,400 thousand	2022	8 154	38 906
Loans granted to Arctic Paper Italy - amount: EUR 80 thousand	2023	375	-
Cashpooling Arctic Paper Grycksbo AB		-	77 032
Loans granted to Arctic Paper Mochenwangen GmbH - amount: EUR 6,163 thousand		27 567	27 099
Loan granted to Arctic Paper Investment GmbH		30 269	30 269
 amount: EUR 6,992 thousand Impairment allowances to assets applies to Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH 		(57 836)	(57 368)
Measurement of financial instruments		4 199	-
*possibility to repay upon request within 14 days		12 728	121 104
Long-term	Maturity date	As at 31 December 2022	As at 31 December 2021
Loan granted to Arctic Paper Grycksbo AB -amount EUR 8,400 thousand		31 516	-
Loan granted to Arctic Paper Investment GmbH - amount: EUR 990 thousand		4 286	4 286
Impairment allowances to assets - applies to Arctic Paper Investment GmbH Measurement of financial instruments		(4 286) 3 945	(4 286) 3 192
Employee fund		52	2 509
		35 514	5 701
Total other financial assets		48 242	126 805

^{*}may be repaid prematurely upon request

16.4. Other non-financial assets

	As at 31 December 2022	As at 31 December 2021
Insurance	76	99
VAT refundable	2 702	580
Accounting for costs related to new financing	2 078	1 716
Other	961	479
Total	5 817	2 874
- long-term	-	-
- short-term	5 817	2 874
	5 817	2 874

17. Trade and other receivables

	Note	As at 31 December 2022	As at 31 December 2021
Trade receivables from related entities	24	39 875	54 200
Trade receivables from other entities		223	200
Total (gross) receivables		40 097	54 399
Impairment allowances to receivables		(22 531)	(22 531)
Net receivables		17 566	31 868

The Company has no receivables payable after 12 months.

As at 31 December 2022, the cumulative value of short-term write-downs of receivables from AP Investment GmbH amounts to PLN 11,415 thousand and receivables from AP Mochenwangen GmbH: PLN 11,116 thousand)

Terms and conditions of transactions with related entities are presented in note 24.

Ageing of trade receivables as at 31 December 2022

		current	1-30	31-90	91-180	181-365	over 365
Trade receivables from related entities	17 344	14 670	0	0	0	0	2 674
Trade receivables from other entities	223	75	39	14	2	88	5
Net receivables	17 567	16 699	39	14	2	88	2 679

18. Cash and cash equivalents

Cash at bank earns interest at variable interest rates based on overnight bank deposit rates.

Short-term deposits are made for varying periods of between one day to one month depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. As at 31 December 2022 the Company had no short-term deposits.

The fair value of cash and cash equivalents at 31 December 2022 is PLN 213,272 thousand (31 December 2021: PLN 14,966 thousand).

The balance of cash and cash equivalents disclosed in the cash flow statement consisted of the following items:

	As at 31 December 2022	As at 31 December 2021	
Cash in bank and on hand	213 272	14 966	
	213 272	14 966	

19. Share capital and reserve capital/other reserves

19.1. Share capital

Share capital	As at 31 December 2022	As at 31 December 2021
Ordinary series A shares	50 000	50 000
Ordinary series B shares	44 253 500	44 253 500
Ordinary series C shares	8 100 000	8 100 000
Ordinary series E shares	3 000 000	3 000 000
Ordinary series F shares	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783
Value of share capital (in PLN)	69 287 783	69 287 783

Nominal value of shares

All outstanding shares currently have a nominal value of PLN 1 and have been fully paid.

Purchase of treasury shares

Until the day of these financial statements, the Management Board of Arctic Paper S.A. has not purchased any treasury shares of the Company.

Major shareholders

		As at 31 De	cember 2022	As at 31 December 2021			
		Share in the share capital	total number of		Share in the total number of votes		
Thomas C	nstad	68.13%	68.13%	68.13%	68.13%		
indirectly	via	59.15%	59.15%	59.15%	59.15%		
	Nemus Holding AB	58.28%	58.28%	58.28%	58.28%		
	other entity	0.87%	0.87%	0.87%	0.87%		
directly		8.98%	8.98%	8.98%	8.98%		
Other		31.87%	31.87%	31.87%	31.87%		

19.2. 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 presentation currency of the Group and its profit and loss account is 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.

As at 31 December 2022, FX differences on translation of the foreign branch recognised in capital amounted to PLN 1,463 thousand (as at 31 December 2021: PLN 756 thousand). The FX differences on translation of the foreign branch, recognised in the total comprehensive income statement, amounted to PLN 707 thousand in 2022 and PLN 306 thousand in 2021.

19.3. Reserve capital

The reserve capital was originally established from the issue premium in 2009 of PLN 35,985 thousand which was reduced by the costs of the issue recognised as a decrease of the reserve capital and was modified over the successive years as a result of subsequent share issues and allocations from profit.

As at 31 December 2022, the total value of the Company's reserve capital is PLN 427,502 thousand (31 December 2021: PLN 427,502 thousand).

19.4. Other reserves

As at 31 December 2022, the total value of the Company's other reserves is PLN 106.725 thousand (31 December 2021: PLN 124.500 thousand)

19.5. Retained profit/(loss) and restrictions to 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. Appropriation of the reserve capital and other reserves depends on the decision of the General Meeting; however, the reserve capital equivalent to one third of the share capital may be used solely for the absorption of losses disclosed in the financial statements and may not be used for any other purposes.

Dividend payment restrictions were described in note 15.

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

20. Interest-bearing loans and borrowings

	Repayment date		Interest rate	As at 31 December 2022	As at 31 December 2021
Short-term					
Long-term loan syndicate of banks (Santander Pekao BNP) PLN short-term part	2026	*	9.10%	14 828	16 064
Long-term loan syndicate of banks (Santander Pekao BNP) EUR short-term part	2026	*	3.75%	15 497	15 556
Revolving loan syndicate of banks (Santander Pekao BNP) PLN	2024	**	8.54%	-	11 793
Revolving loan syndicate of banks (Santander Pekao BNP) EUR	2024	**	3.09%	-	6 520
Cashpooling Arctic Paper Grycksbo AB				56 449	-
Cashpooling Arctic Paper Kostrzyn S.A.				164 163	53 704
Cashpooling Arctic Paper Munkedals AB				12 816	42 010
				263 752	145 648
	Repayment date		Interest rate	As at 31 December 2022	As at 31 December 2021
Long-term					
Long-term loan syndicate of banks (Santander Pekao BNP) PLN long-term part	2026	*	9.10%	36 044	50 968
Long-term loan syndicate of banks (Santander Pekao BNP) EUR long-term part	2026	*	3.75%	36 979	50 579
				73 022	101 546

^{*} The interest rate depends on the reference rates (WIBOR 3M, EURIBOR 3M) and on compliance with certain financial ratios

^{**} The interest rate depends on the reference rates (WIBOR 1M, EURIBOR 1M) and on compliance with certain financial ratios

20.1. Collateral to loans

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, in favour of Bank Santander Bank Polska S.A., acting as Security Agent, collateral was established for the above receivables and other claims, 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 (Arctic Paper Kostrzyn SA, Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB) 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 Company and 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 Company's and the Guarantors' bank accounts registered in Poland (the pledges relate to current and future bank accounts; in the event of an event of default, in the event that the pledged receivable or part thereof becomes due, the Company may not draw funds from the pledged receivable, nor may it instruct the bank maintaining the account to disburse the funds);
 - > 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.

21. Long-term employee liabilities

As at 31 December 2022, the Company has no long-term provisions.

22. Trade and other payables and other financial liabilities

22.1. Trade and other payables (short-term)

	Note	As at 31 December 2022	As at 31 December 2021
Trade payables			
Due to related entities	24	587	4 251
Due to other entities		18 587	23 055
		19 175	27 307
Other liabilities			
Liabilities due to employees		-	619
Liabilities towards the budget		569	441
Advisory services		232	259
Other liabilities		582	457
		1 383	1 776

The terms and conditions of financial liabilities presented above:

- Terms and conditions of transactions with related entities are presented in note 24.
- Other liabilities are interest free and the usual payment term is 30 days.
- There are no receivables payable after 12 months.

22.2. Other financial liabilities

	As at 31 December 2022	As at 31 December 2021
Other financial liabilities		
Measurement of financial instruments	-	-
Lease liabilities	59	239
	59	239
Other financial liabilities		
Long-term	10	128
Short-term	49	111
	59	239

23. Contingent liabilities

As at 31 December 2022, the Company had no contingent liabilities.

23.1. Tax settlements

Tax settlements and other areas of activity subject to specific regulations (like customs or FX matters) may be inspected by administrative bodies that are entitled to impose high penalties and sanctions.

No reference to stable legal regulations in Poland results in lack of clarity and consistency in the regulations. Frequent differences of opinion as to legal interpretation of tax regulations – both inside state authorities and between state authorities and enterprises – generate areas of uncertainty and conflicts. As a result, tax risks in Poland are much higher than in countries with a more developed tax system.

23.2. Uncertainties related to tax settlements

Regulations related to corporate income tax are subject to frequent changes. Those frequent changes 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.

Therefore, the amounts presented and disclosed in the financial statements may change in the future as a result of final decisions by tax inspection authorities.

The Company recognises and measures assets or liabilities applying the requirements of IAS 12 Income Taxes, on the basis of profit (tax loss), taxation base, carried forward tax losses, unutilised tax credits and applicable tax rates, and further subject to uncertainties related to tax settlements. When an uncertainty exists if and to what extent the tax authority accepts tax settlements to specific transactions, the Group recognises those settlements subject to uncertainty assessment.

Tax settlements may be subject to inspections for five years from the end of the year in which the tax was paid. Consequently, the Company may be subject to additional tax liabilities, which may arise as a result of additional tax audits.

In the opinion of the Management Board, such risk does not exist as at 31 December 2022 and therefore the Company has not established any provision for recognised and quantifiable tax risk.

24. Information on related entities

Related Entity		Sales to related entities	Purchases from related entities	Interest – operational income	Dividend received	Interest - financial expense	Guarantees obtained – other financial expenses	Receivables from related entities	including overdue	Loan receivables, including cashpooling	Liabilities to related entities	including overdue, after the payment date	Loans liabilities, including cashpooling
B 4 47													
<u>Parent entity:</u> Nemus Holding AB	2022	2						2 674					
Nemus Holding Ab	2022	1	801	_	-	-	-	3 194	-	-	347	-	-
-	2021	1	001					3 194			347		
<u>Subsidiaries</u>	2022	12 754	2 547	2 290	57 416	1 506	2 645	38 631	22 531	180 590	587	-	233 427
	2021	22 402	15 287	2 710	38 724	11	2 585	51 005	22 531	261 181	3 904	-	96 715
Total	2022	12 756	2 547	2 290	57 416	1 506	2 645	41 305	22 531	180 590	587	-	233 427
	impairment allowances	-	-	-	-	-	-	(22 531)	-	(57 836)	-	-	-
	presentation as interests in subsidiaries	-	-	-	-	-	-	-	-	(82 709)	-	-	-
2022 following im	pairment allowances and changes to presentation	12 756	2 547	2 290	57 416	1 506	2 645	21 448	22 531	40 045	587	-	233 427
				-	-								
	2021	22 403	16 088	2 710	38 724	11	2 585	54 200	22 531	261 181	4 251	-	95 715
	impairment allowances	-	-	-	-	-	-	(22 531)	-	(57 368)	-	-	-
	presentation as interests in subsidiaries	-	-	-	-	-	-	-	-	(82 709)	-	-	-
2020 following im	pairment allowances and changes to presentation	22,403	16 088	2 710	38 724	11	2 585	31 669	22 531	121 104	4 251	_	95 715

24.1. Transactions with parent entities

Transactions between the Company and Nemus Holding AB took place during the year ended on 31 December 2022 and 31 December 2021. They were disclosed in note 24.

24.2. Terms and conditions of transactions with related entities

Related entity transactions are made at arm's length.

The related entities Arctic Paper Kostrzyn SA, Arctic Paper Grycksbo AB and Arctic Paper Munkedals AB (the "Guarantors") have provided guarantees to the Company in connection with the term and revolving loan agreements concluded on 2 April 2021. The fees for the guarantees were confirmed on the basis of a benchmarking exercise carried out in accordance with the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. The guarantors issue invoices to the Company once a year for the guarantee fees, payable within 21 days.

Receivables from related entities (trade receivables and loans) are unsecured, their maturity is 14-21 days and they are settled by bank transfer.

24.3. Loan granted to members of the Management Board

In the period covered by these financial statements, the Company did not grant any loans to key management and did not grant any loans in the comparable period.

24.4. Remuneration of the Company's managerial staff

Key management staff of the Company as at 31 December 2022 comprised two persons: President of the Management Board and a Member of the Management Board.

The table below presents the total value of remuneration to the members of the Management Board and the members of the Supervisory Board for the current and previous year:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Management Board		
Short-term employee benefits	2 280	2 613
Post-employment payments	335	353
	2 615	2 966
Supervisory Board		
Short-term employee benefits	1 098	1 034
Total	3 378	4 000

Short-term employee benefits (PLN 2.280 thousand) include costs incurred by the Company for key management personnel services provided by a separate management unit in the amount of PLN 1,496 thousand.

In the period covered by these financial statements, the Company did not have any unsettled balances to key management.

25. Information on the remuneration of the statutory auditor or entity authorised to audit financial statements

The table below presents the remuneration of the statutory auditor, paid or payable for the year ended on 31 December 2022 and 31 December 2021 by category of services:

Service type	Year ended on 31 December 2022	Year ended on 31 December 2021
Statutory audit of the annual financial statements	307	195
Review of interim financial statements	98	83
Mandatory audit of the annual financial statements (branch) Tax consultancy services	-	-
Other services	42	-
Total	447	278

26. Financial risk management objectives and policies

The core financial instruments used by the Company include bank loans, cash on hand and loans granted and borrowings received within the Group. The main purpose of these financial instruments is to raise finance for the Company's and Group's operations. The Group has various other financial instruments such as trade receivables and payables which arise directly from its operations.

The principle used by the Company currently and throughout the whole period covered with these financial statements is not to trade in financial instruments.

The core risks arising from the Company's financial instruments include: interest rate risk, liquidity risk, FX risk and credit risk.

The Management Board verifies and approves the management principles of each type of risk – the principles are concisely presented here below. The Company has also been monitoring the risk of market prices of holdings of financial instruments.

26.1. Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to financial liabilities and granted variable interest loans.

Interest rate risk – sensitivity to fluctuations

The following table shows financial instruments broken down into fixed and floating rates

	31.12.2022	31.12.2021
Financial instruments:	carrying amount	carrying amount
- with a fixed interest rate		
Trade receivables	17 566	31 868
Loans granted	40 045	44 073
Financial liabilities	8 144	3 192
Cash and cash equivalents	213 272	14 966
Trade liabilities	(19 175)	(27 307)
	259 852	66 792
SWAP effect	(103 348)	(151 479)
	156 504	(84 687)
- with a variable interest rate		
Loans granted – cashpooling	-	77 032
Loans received – cashpooling	(233 427)	(95 715)
Interest-bearing loans, borrowings and debt	(103 348)	(151 479)
Lease liabilities	(10)	(128)
	(336 785)	(170 290)
SWAP effect	103 348	151 479
	(233 437)	(18 811)

The following table shows the sensitivity of gross profit/(loss) to reasonably possible changes in interest rates assuming other factors remain constant. No impact on equity or total comprehensive income has been presented.

	Gross financial effect	Gross financial effect 2022		21	
	+ 1 p.p.	-1 p.p.	+ 1 p.p.	-1 p.p.	
Variable interest rate financial instruments	(3 368)	3 368	(1 703)	1 703	
SWAP effect	1 033	(1 033)	1 515	(1 515)	
	(2 334)	2 334	(188)	188	

26.2. FX risk

The Company is exposed to transactional FX risk. Such risks arise mainly from the Company's receipt of dividends from subsidiaries and the granting and receiving of loans in currencies, and to a lesser extent from purchase transactions in currencies other than its valuation currency.

The following table demonstrates the sensitivity of gross profit/(loss) (due to changes in the fair value of monetary assets and liabilities) and the Company's equity to reasonably possible change of FX rates with all other variables held constant.

31.12.2022

	PLN	EUR	SEK	Inne
Trade receivables	8 648	2 276	5 904	739
Loans granted	-	40 045	-	-
Cash and cash equivalents	81 120	122 961	8 757	434
Employee fund	-	-	52	-
Interest-bearing loans	50 872	52 476	-	-
Trade and other payables	10 310	3 466	5 041	357
Net exposure	28 586	109 340	9 672	815

31.12.2021

	PLN	EUR	SEK	Inne
Trade receivables	17 076	4 868	8 670	1 254
Loans granted	44 745	76 359	-	-
Cash and cash equivalents	745	10 326	3 164	731
Interest-bearing loans	-	-	2 509	-
Trade and other payables	73 552	77 927	-	-
Borrowings received	12 082	4 431	10 060	734
Net exposure	(23 067)	9 195	4 283	1 251

	Growth/drop of FX rates	Impact on gross profit or loss	Impact on total comprehensive income
31 December 2022 – SEK	+1%	97	-
	-1%	(97)	-
31 December 2022 – EUR	+1%	1 093	-
	-1%	(1 093)	-
31 December 2022 - other	+1%	8	-
	-1%	(8)	-

	Growth/drop of FX rates	Impact on gross profit or loss	Impact on total comprehensive income
31 December 2021 – SEK	+1%	43	-
	-1%	(43)	-
31 December 2021 – EUR	+1%	92	-
	-1%	(92)	-
31 December 2021 - other	+1%	13	-
	-1%	(13)	<u>-</u>

26.3. Credit risk

With respect to the Company's other financial assets such as cash and cash equivalents, the Company's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of those instruments.

	2022-12-31	2021-12-31
Other financial assets	48 242	126 805
Trade receivables	17 566	31 868
Cash and cash equivalents	213 272	14 966
Total	279 080	173 640

There are no significant concentrations of credit risk in the Company with the exception of Group entities, in particular relating to loans to Arctic Paper Grycksbo AB (other financial assets) and cash resulting from Group companies' participation in the cash-pool system.

The table below presents information on credit risk exposure for trade receivables and other financial assets (loans and cash pooling) as at 31 December 2022 and 31 December 2021:

	2022-12-31		2021-12-	31
	Group 1	Group 2	Group 1	Group 2
Trade receivables – gross value	17 566	22 531	31 868	22 531
Impairment allowances	-	22 531	-	22 531
Trade receivables – carrying amount	17 566	-	31 868	-
Other financial assets – gross value	48 242	57 836	126 805	57 368
Impairment allowances	-	57 836	-	57 368
Other financial assets – carrying amount	48 242	-	126 805	-

The company only works with group entities. Credit risk is assessed taking into account the individual characteristics of each of the Company's counterparties. Group 2 assets were fully covered by an impairment allowance. For group 1, the default rates calculated for the previous 3 years are zero, therefore the Company did not recognize expected credit losses on these assets as at 31 December 2022 and 31 December 2021.

The Company recognises impairment allowances that correspond to the estimated values of expected credit losses. The core component of such allowances is the part covering specific losses due to exposure to a single material risk.

26.4. Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tool considers the maturity of both its financial investments and financial assets (e.g. receivables, other financial assets) and projected cash flows from guaranteed bank loans.

The table below presents the maturity profile of the Company's financial liabilities at 31 December 2022 based on maturities of contractual undiscounted payments.

31 December 2022	Unon	Upon request		Less than 3 3 to 12		> 5 vears	Total
	<u> </u>	request	months	months	1 to 5 years	> 5 years	TOTAL
Interest-bearing loans and borrowings	336 775	-	233 427	32 292	77 739	-	343 458
Other liabilities	19 175	-	19 187	37	10	-	19 234
		-	252 614	32 328	77 749	-	362 692

34 December 2024	Una	Less that Upon request		3 to 12	1 to 5 veers	> F vooro	Tatal
31 December 2021		n request	months	months	1 to 5 years	> 5 years	Total
Interest-bearing loans, borrowings	247 194	-	114 028	30 294	108 205	-	252 527
Other liabilities	27 307		27 335	83	128	<u></u>	27 546
		_	141 363	30 377	108 333	_	280 073

Financial liabilities with a maturity period of less than 3 months include, among others, cash-pooling liabilities towards related entities, as at 31 December 2022 they amounted to PLN 233,427 thousand.

As at 31 December 2022, the Company held no contingent liabilities.

27. 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.

27.1. Fair value of each class of financial instruments

Due to the fact that the carrying amounts of the financial instruments held by the Group do not materially differ from their fair value (except those listed in the table below), the table below presents all financial instruments by their carrying amounts, split into classes and categories of assets and liabilities.

Book value

	Category in compliance with IFRS 9	31 December 2022	31 December 2021
Financial assets	·		
Other (long-term) financial assets	WwZK	31 568	2 509
Trade and other receivables	WwZK	17 566	31 868
Cash and cash equivalents	WwZK	213 272	14 966
Derivative instruments	IRZ	8 145	3 192
Other (short-term) financial assets	WwZK	8 529	121 104
Total		279 080	173 640
Financial liabilities			
Interest-bearing loans, borrowings and bonds	WwZK	336 775	247 194
Trade payables	WwZK	19 175	27 307
Leasing liabilities/other liabilities	WwZK	59	239
Total		356 008	274 740

<u>Abbreviations</u>

used:

WwZK - Financial assets/liabilities measured at amortised cost

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

IRZ- hedging instruments

Loans with the book value of PLN 336,775 thousand as at 31 December 2022 have fair value of PLN 338,782 thousand.

As at 31 December 2022 and as at 31 December 2021, financial instruments as at the measurement hierarchy are qualified to level 2 in case of derivative instruments.

27.2. Changes to liabilities resulting from financing activity

Year ended on 31 December 2022	Note	As at 1 January 2022	Changes from financing cash flows	Effect of changes in foreign exchange rates	Changes in fair values	Other changes	As at 31 December 2022
Interest-bearing loans and borrowings	20	(151 479)	48 235	(162)		59	(103 347)
Finance lease liabilities	22.2	(239)	180	-	-	-	(59)
Derivative financial instruments	27.3	3 192	2 016	-	2 936	-	8 144
Total liabilities from financing activities		(148 527)	46 399	(162)	2 936	59	(95 262)

27.3. Collateral

In connection with interest rate risk as detailed in note 26.1, the Company hedges its future cash flows that may fluctuate as a result of the risk. As at 31 December 2022, the Company held loans and debt securities for PLN 103,348 thousand with a variable interest rate that were hedged with SWAP derivative instruments (PLN 133,166 thousand as at 31 December 2021).

The effectiveness of the hedging instruments is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, particularly with regard to the denominations and dates of the cash flows, the interest rate underlying the calculation of these flows, and the interest accrual conventions. The company assesses whether the derivative designated in each hedging relationship will effectively offset changes in the cash flows of the hedged item using the notional derivative method.

Cash flow hedge

As at 31 December 2022, the Company used cash flow hedge accounting for the following hedging items:

- he Company designated SWAP derivatives to hedge accounting to hedge interest payments in EUR on a bank loan in EUR,
- the Company designated SWAP derivatives to hedge accounting to hedge interest payments in PLN on a bank loan in PLN,

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

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

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Currency	Date	Loan amount PLN as of 31.12.2022
EUR	2021-04-02 - 2026-04-02	20 928 327
EUR	2021-04-02 - 2026-04-02	15 773 612
EUR	2021-04-02 - 2026-04-02	15 773 612
		52 475 552
PLN	2021-04-02 - 2026-04-02	20 287 316
PLN	2021-04-02 - 2026-04-02	15 292 412
PLN	2021-04-02 – 2026-04-02	15 292 412
		50 872 140
The total value of loans is seco	ured with an interest rate swap	103 347 692

The fixed interest rate on the EUR flow hedge is: 0.11%, and for flows in PLN it is: 1.21%.

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

	Status as at 31 De	Status as at 31 December 2022		cember 2021	
	Assets	Equity and liabilities	Assets	Equity and liabilities	
SWAP	8 144	-	3 192		
Total hedging derivative instruments	-	_	3 192	_	

The table below shows the nominal value of the amounts associated with the positions designated as hedging instruments at 31 December 2022:

	Up to 1 year	1 to 5 years	Over 5 years	Total
interest rate SWAP				
principal repayment (in PLN '000)	30 325	73 022	-	103 348

The table below presents the amounts related to cash flow hedge accounting that were recognised in 2022 by the Company in the income statement and in the total comprehensive income statement:

	Year ended on 31 December 2022
Revaluation reserve as at 31 December 2022 – changes of fair value measurement of hedging derivative instruments due to the hedged risk, corresponding to effective hedging, less the tax effect	4 013
Ineffective part of the change in fair value measurement due to the hedged risk, recognised in financial income or expenses	-
The period of the anticipated hedged flows	1 January 2022 – 02 April 2026

The table below presents changes to revaluation reserve due to cash flow hedge accounting in 2022:

	Year ended on 31 December 2022
Revaluation reserve as at 01 January 2022	2 584
Deferral to changes of fair value measurement of the hedging derivative instruments due to the hedged risk, corresponding to the effective hedge, less the tax effect	4 013
The amount of the changes of fair value measurement of the hedging derivative instruments due to the hedged risk, removed from the revaluation reserve and transferred to financial income or expenses	-
Revaluation reserve as at 31 December 2022	6 597

28. Capital management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. Credit ratings and capital ratios depend on current market conditions and the Group's situation therefore there is no established adequate level by the Company.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended on 31 December 2022 and 31 December 2021.

	As at 31 December 2022	As at 31 December 2021
Interest-bearing borrowings	336 834	247 433
Trade and other payables	20 558	29 083
Minus cash and cash equivalents	(213 272)	(14 966)
Net debt	144 119	261 550
Equity	776 970	577 059
Equity and net debt	921 089	838 609
Leverage ratio	0.16	0.31

The Company monitors its equity using a leverage ratio, which is net debt divided by total equity plus net debt. The Company's net debt includes interest-bearing loans and borrowings, trade payables and other liabilities, less cash and cash equivalents.

29. Employment structure

The average headcount in the Company in the year ended on 31 December 2022 and 31 December 2021 was as follows:

	As at 31 December 2022	As at 31 December 2021
Management Board*	2	2
Finances	4	4
Logistics	26	26
Administration	2	2
IT	1	-
Total	35	34

^{*} Members appointed to the Management Board

30. Material events after the balance sheet date

30.1. Joint investment of Arctic Paper and Rottneros - conclusion of a joint-venture agreement

On February 17th, 2023 the Company and Rottneros AB ("Rottneros") concluded an agreement to establish a joint-venture ("Joint-Venture Agreement") and a joint-venture agreement under the name of Kostrzyn Packaging Sp. z o. o. ("Joint Venture").

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

The subject of the Joint-Venture's business will be: (i) production of packaging from molded cellulose fibre, (ii) sale of finished packaging, (iii) conducting development research and technical analysis of manufactured products.

The source of financing the Joint-Venture's activities will be shareholders' own contributions and bank loans.

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

The conditions for the granted income tax exemption are: the minimum value of the investment (PLN 97.2 million), the creation and maintenance of an appropriate number of jobs in the production plant and the investment completion date – no later than by December 31, 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 the quality criteria (including the criterion of sustainable economic and social development) within 5 years from the date of completion of the investment.

The purpose of the Joint-Venture is to build a moulded cellulose fiber packaging factory in Kostrzyn nad Odrą in Poland, which is scheduled to be launched at the end of 2023. The estimated value of the investment will amount to PLN 100 million, including the Issuer's share of 50%. According to the Issuer's estimates, the investment will generate an annual revenue of approximately PLN 60 million.

The joint venture of the Company and Rottneros AB will enable the synergy of Rottneros Packaging AB's know-how in the field of commercialization of biodegradable packaging production technology, operational experience and the advantageous location of the Joint-Venture in Kostrzyn nad Odrą. The expansion of the Arctic Paper Group's product portfolio will allow it to strengthen its position on the fast-growing market of ecological packaging and is an important element of the implementation of the Arctic Paper 4P strategy.

From the balance sheet date until the day of publishing of these consolidated financial statements, there were no other events which might have a material impact on the Company's financial and capital position.

Signatures of the Members of the Management Board

	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	28 March 2023	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Göran Eklund	28 March 2023	signed with a qualified electronic signature