



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 consolidated annual financial statement 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 consolidated annual financial statement of Arctic Paper Capital Group has been prepared solely only for the convenience of digital reading.

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

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Information on the report

These Consolidated Financial Statements, which are a component of the Consolidated Annual Report for 2022 were prepared in accordance with the Regulation of the Minister of Finance of 19 February 2009 on the current and periodic information provided by securities issuers and on the conditions for recognizing information required by the law of a non-member state as equivalent information (Journal of Laws of 2009, No. 33, item 259, as amended) and in accordance with International Financial Reporting Standards (IFRS), approved by the EU (IFRS, EU).

As at the approval date of these Consolidated Financial Statements for publication, in light of the current process of IFRS endorsement in the European Union and the nature of the Group's activities, there is no difference between the effective IFRS standards and the IFRS standards endorsed by the European Union. IFRS cover standards and interpretations approved by the International Accounting Standards Board (IASB).

These Consolidated Financial Statements present data in PLN, and all figures, unless otherwise specified, are disclosed in PLN '000.

Definitions and abbreviations

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

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

Arctic Paper, Company, Issuer, Parent Entity, AP	Arctic Paper Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Capital Group, Group, Arctic Paper Group, AP Group	Capital Group comprised of Arctic Paper Spółka Akcyjna and its subsidiaries as well as joint ventures
Arctic Paper Kostrzyn, AP Kostrzyn, APK	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą, Poland
Arctic Paper Munkedals, AP Munkedals, APM	Arctic Paper Munkedals AB with its registered office in Munkedal Municipality, Västra Götaland County, Sweden
Arctic Paper Mochenwangen, AP Mochenwangen, APMW	Arctic Paper Mochenwangen GmbH with its registered office in Mochenwangen, Germany
Arctic Paper Grycksbo, AP Grycksbo, APG	Arctic Paper Grycksbo AB with its registered office in Kungsvagen, Grycksbo, Sweden
Paper Mills	Arctic Paper Kostrzyn, Arctic Paper Munkedals, Arctic Paper Grycksbo
Arctic Paper Investment AB, API AB	Arctic Paper Investment AB with its registered office in Göteborg, Sweden
Arctic Paper Investment GmbH, API GmbH	Arctic Paper Investment GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Verwaltungs	Arctic Paper Verwaltungs GmbH with its registered office in Wolpertswende, Germany
Arctic Paper Immobilienverwaltungs	Arctic Paper Immobilienverwaltungs GmbH & Co. KG with its registered office in Wolpertswende, Germany
Kostrzyn Group	Arctic Paper Kostrzyn Spółka Akcyjna with its registered office in Kostrzyn nad Odrą and EC Kostrzyn Sp. z o.o. with its registered office in Kostrzyn nad Odrą
Mochenwangen Group	Arctic Paper Investment GmbH, Arctic Paper Mochenwangen GmbH, Arctic Paper Verwaltungs GmbH, Arctic Paper Immobilienverwaltungs GmbH & Co.KG
Grycksbo Group	Arctic Paper Grycksbo AB and Arctic Paper Investment AB
Sales Offices	Arctic Paper Papierhandels GmbH with its registered office in Vienna (Austria)
	Arctic Paper Benelux SA with its registered office in Oud-Haverlee (Belgium)
	Arctic Paper Danmark A/S with its registered office in Greve (Denmark)

	Arctic Paper France SA with its registered office in Paris (France)
	Arctic Paper Deutschland GmbH with its registered office in Hamburg, (Germany)
	Arctic Paper Italia Srl with its registered office in Milan (Italy)
	Arctic Paper Baltic States SIA with its registered office in Riga (Latvia)
	Arctic Paper Norge AS with its registered office in Oslo (Norway)
	Arctic Paper Polska Sp. z o.o. with its registered office in Warsaw (Poland)
	Arctic Paper España SL with its registered office in Barcelona (Spain)
	Arctic Paper Finance AB with its registered office in Munkedal (Sweden)
	Arctic Paper Schweiz AG with its registered office in Derendingen (Switzerland)
	Arctic Paper UK Ltd with its registered office in London (UK)
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	Arctic Power Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Kostrzyn Packaging Sp. z o.o.	Kostrzyn Packaging Sp. z o.o. with its registered office in Kostrzyn nad Odrą (Poland)
Arctic Paper Finance AB	Arctic Paper Finance AB with its registered office in Göteborg, Sweden
Rottneros, Rottneros AB	Rottneros AB with its registered office in Sunne (Sweden)
Rottneros Group, Rottneros AB Group	Rottneros AB with its registered office in Söderhamn, Sweden; Rottneros Bruk AB with its registered office in Rottneros, Sweden; Utansjo Bruk AB with its registered office in Söderhamn, Sweden, Vallviks Bruk AB with its registered office in Vallvik, Sweden; Rottneros Packaging AB with its registered office in Sunne, Sweden; SIA Rottneros Baltic with its registered office in Kuldiga, Latvia; since 1 January 2020 – Nykvist Skogs AB with its registered office in Gräsmark, Sweden
Pulp Mills	Rottneros Bruk AB with its registered office in Rottneros, Sweden; Vallviks Bruk AB with its registered office in Vallvik, Sweden
Rottneros Purchasing Office	SIA Rottneros Baltic with its registered office in Kuldiga, Latvia
Office Kalltorp	Kalltorp Kraft Handelsbolaget with its registered office in Trollhattan, Sweden
Nemus Holding AB	Nemus Holding AB with its registered office in Göteborg, Sweden
Thomas Onstad	The Issuer's core shareholder, holding directly and indirectly over 50% of shares in Arctic Paper S.A.; a member of the Issuer's Supervisory Board

Management Board, Issuer's Management Board, Company's Management Board, Group's Management Board	Management Board of Arctic Paper S.A.
Supervisory Board, Issuer's Supervisory Board, Company's Supervisory Board, Group's Supervisory Board, SB	Supervisory Board of Arctic Paper S.A.
AGM, GM, Issuer's General Meeting, Company's General Meeting	Annual General Meeting of Arctic Paper S.A.
EGM, Extraordinary General Meeting, Issuer's Extraordinary General Meeting, Company's Extraordinary General Meeting	Extraordinary General Meeting of Arctic Paper S.A.
Articles of Association, Issuer's Articles of Association, Company's Articles of Association	Articles of Association of Arctic Paper S.A.
SEZ	Kostrzyńsko-Słubicka Special Economic Zone
District Court	District Court in Zielona Góra
Warsaw Stock Exchange, WSE	Giełda Papierów Wartościowych w Warszawie Spółka Akcyjna
KDPW, Depository	Krajowy Depozyt Papierów Wartościowych Spółka Akcyjna with its registered office in Warsaw
PFSA	Polish Financial Supervision Authority
SFSA	Swedish Financial Supervisory Authority, equivalent to PFSA
NASDAQ in Stockholm, Nasdaq	Stock Exchange in Stockholm, Sweden
CEPI	Confederation of European Paper Industries
EURO-GRAPH	The European Association of Graphic Paper Producers
Eurostat	European Statistical Office
GUS	Central Statistical Office of Poland
NBSK	Northern Bleached Softwood Kraft
ВНКР	Bleached Hardwood Kraft Pulp

Definitions of selected terms abbreviations of currencies

FY	Financial year
Q1	1st quarter of the financial year
Q2	2nd quarter of the financial year
Q3	3rd quarter of the financial year
Q4	4th quarter of the financial year
H1	First half of the financial year

H2	Second half of the financial year	
YTD	Year-to-date	
Like-for-like, LFL	Analogous, with respect to operating result.	
p.p.	Percentage point, difference between two amounts of one item given in percentage	
PLN, zł, złoty	Monetary unit of the Republic of Poland	
gr	grosz – 1/100 of one zloty (the monetary unit of the Republic of Poland)	
Euro, EUR	Monetary unit of the European Union	
GBP	Pound sterling, monetary unit of the United Kingdom	
SEK	Swedish Krona – monetary unit of the Kingdom of Sweden	
USD	United States dollar, the legal tender in the United States of America	
IAS	International Accounting Standards	
IFRS	International Financial Reporting Standards	
IFRS EU	International Financial Reporting Standards endorsed by the European Union	
GDP	Gross Domestic Product	



Consolidated statement of profit and loss

	Note	Year ended on 31 December 2022	Year ended on 31 December 2021
Continuing operations			
Revenues from sales of paper and pulp	10.1	4 894 276	3 412 576
Sales revenues		4 894 276	3 412 576
Costs of sales	11.5	(3 483 519)	(2 704 647)
Profit/(loss) on sales		1 410 757	707 929
Selling and distribution costs	11.5	(445 197)	(381 287)
Administrative expenses	11.5	(138 766)	(103 080)
Other operating income	11.1	85 778	73 749
Other operating expenses	11.2	(69 593)	(52 741)
Profit/(loss) on operations		842 979	244 570
Financial income	11.3	92 767	3 435
Financial expenses	11.4	(8 169)	(24 890)
Gross profit/(loss)		927 577	223 115
Income tax	13	(170 755)	(47 208)
Net profit / (loss) on continuing operations		756 822	175 907
Net profit/(loss) for the financial year		756 822	175 907
Attributable to:			
The shareholders of the Parent Entity		631 001	127 154
To the non-controlling shareholder		125 821	48 753
Earnings per share:			
 basic earnings from the profit/(loss) attributable to the shareholders of the Parent Entity 	14	9,11	1,84
 diluted earnings from the profit attributable to the shareholders of the Parent Entity 	14	9,11	1,84

Consolidated 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		756 822	175 907
Items of other comprehensive income to be reclassified to profit or loss, before taxation		141 734	84 489
FX differences on translation of foreign operations	26.2	(71 265)	(15 038)
Measurement of financial instruments		212 999	99 527
Measurement of financial instruments (items to be reclassified in future periods)	12	466 958	103 065
Measurement of financial instruments (items reclassified in the period)	12	(253 959)	(3 538)
Items of other comprehensive income not to be reclassified to profit or loss, before taxation		1 935	6 251
Actuarial profit/(loss) for defined benefit plans	27.2	1 935	6 251
Other comprehensive income before tax		143 669	90 740
Income tax relating to items of other comprehensive income that will be reclassified to profit or loss		(43 940)	(20 305)
Deferred income tax on the measurement of financial instruments	13.1	(43 940)	(20 305)
Deferred income tax on the measurement of financial instruments (on items to be reclassified in future periods)		(96 332)	(21 027)
Deferred income tax on the measurement of financial instruments (on items reclassified in the period)		52 392	722
Income tax relating to items of other comprehensive income not to be reclassified to profit or loss		438	(415)
Deferred income tax on actuarial profit/(loss) relating to defined benefit plans	13.1	438	(415)
Other comprehensive income (net)		100 167	70 020
Total comprehensive income for the period		856 989	245 927
Total comprehensive income attributable to:			
The shareholders of the Parent Entity		703 197	182 946
Non-controlling shareholders		153 792	62 981
		100 102	32 301

Consolidated statement of financial position

	Note	As at 31 December 2022	As at 31 December 2021
ASSETS			
Fixed assets			
Tangible fixed assets	16	1 125 004	1 155 280
Investment properties	18	1 763	2 978
Intangible assets	19	63 899	56 667
Goodwill	19	8 847	9 421
Interests in joint ventures	20.3	4 264	2 943
Other financial assets	20.1	162 617	59 858
Other non-financial assets	20.2	277	300
Deferred income tax asset	13.3	5 196	14 303
TOTAL FIXED ASSETS		1 371 867	1 301 750
Current assets			
Inventories	22	601 205	402 868
Trade and other receivables	23	503 391	402 530
Corporate income tax receivables		633	8 409
Other non-financial assets	20.2	12 048	8 424
Other financial assets	20.1	283 411	97 358
Cash and cash equivalents	24	481 930	167 927
TOTAL CURRENT ASSETS		1 882 618	1 087 516
TOTAL ASSETS		3 254 485	2 389 266

Note As at 31 December 2022 As at 31 December 202

EQUITY AND LIABILITIES			
Equity			
Equity (attributable to the shareholders of the Parent Entity)			
Share capital	25.1	69 288	69 288
Reserve capital	25.3	407 976	407 976
Other reserves	25.4	312 447	201 226
FX differences on translation	25.2	(39 794)	7 534
Retained earnings/Accumulated losses	25.5	837 702	226 113
		1 587 619	912 137
Non-controlling interests	25.6	464 563	330 859
TOTAL EQUITY		2 052 182	1 242 996
Long-term liabilities			
Interest-bearing loans, bonds and borrowings	26	139 166	161 210
Provisions	28	1 264	1 346
Employee liabilities	27	43 547	111 993
Other financial liabilities	26	23 158	29 153
Deferred income tax liability	13.3	177 750	106 633
Grants and deferred income	29.2	10 512	13 870
		395 397	424 205
Short-term liabilities			
Interest-bearing loans, bonds and borrowings	26	35 387	84 489
Provisions	28	9 202	494
Other financial liabilities	26	8 055	12 170
Trade and other payables	29.1	551 211	506 812
Employee liabilities	27	133 165	107 028
Income tax liability		55 043	3 914
Grants and deferred income	29.2	14 843 806 906	7 158 722 065
		000 900	122 065
TOTAL LIABILITIES		1 202 303	1 146 270
TOTAL EQUITY AND LIABILITIES		3 254 485	2 389 266

Consolidated statement of cash flow

	Note	12-month period ended on 31 December 2022	12-month period ended on 31 December 2021
Cash flows from operating activities			
Gross profit/(loss)		927 577	223 115
Adjustments for:		(255 264)	46 256
Depreciation/amortisation	11.6	130 994	114 672
Impairment of non-financial assets		-	(31 486)
FX gains/(loss)		7 371	3 200
Interest, net		3 315	17 804
Profit/(loss) on investing activities		1 714	647
(Increase)/decrease in trade and other receivables		(124 010)	(114 759)
(Increase)/decrease in inventories		(223 436)	(44 459)
Increase/(decrease) in liabilities except loans, borrowings, bonds and other financial liabilities		89 375	139 265
Change in non-financial assets		(4 569)	(7 506)
Change in provisions		(8 888)	1 295
Change in pension provisions and employee liabilities		(26 663)	(5 707)
Change in grants and deferred income		4 868	1 040
Co-generation certificates and CO2 emission rights		(11 746)	(8 658)
Change in settlement of realised forward contracts that meet hedge accounting rules		(20 913)	(18 811)
Change in accounting for unrealized forward contracts not meeting hedge accounting rules		(72 340)	-
Other		(336)	(281)
Total flows from operations		672 313	269 371
Income tax paid		(64 930)	(31 178)
Net cash flows from operating activities		607 383	238 193
Cash flows from investing activities			
Disposal of tangible fixed assets and intangible assets		-	911
Purchase of tangible fixed assets and intangible assets		(154 879)	(159 874)
Other capital outflows / inflows		(1 000)	(550)
Net cash flows from investing activities		(155 879)	(159 513)
Cash flows from financing activities			
Change to overdraft facilities		(18 313)	18 332
Repayment of leasing liabilities		(6 790)	(12 179)
Repayment of other financial liabilities		1	1
Inflows under contracted loans and borrowings		-	214 642
Repayment of loans and borrowings	15	(48 049)	(328 976)
Dividend paid to shareholders of AP SA	25.6	(27 715)	(20 786)
Dividend paid to non-controlling shareholders	20.0	(20 088)	(15 178)
Interest paid		(3 634)	(17 924)
Net cash flows from financing activities		(124 588)	(162 068)
Increase (decrease) in cash and cash equivalents		326 916	(83 388)
Net FX differences		(12 913)	(4 248)
Increase (decrease) in cash and cash equivalents after effects of exchange rate changes		314 003	(87 636)
Cash and cash equivalents at the beginning of the period		167 927	255 563
Cash and cash equivalents at the end of the period	24	481 930	167 927

Consolidated statement of changes in equity

Attributable to the shareholders of the Parent Entity

	Note	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2022		69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996
Net profit/(loss) for the period		-	-	-	-	631 001	631 001	125 821	756 822
Other net comprehensive income for the period		-	-	(47 328)	117 149	2 375	72 196	27 971	100 167
Total comprehensive income for the period		-	-	(47 328)	117 149	633 376	703 197	153 792	856 989
Payment of dividend to shareholders of AP SA	15	-	-	-	(5 928)	(21 787)	(27 715)	(20 088)	(47 803)
Increase/decrease in equity		-	-	(47 328)	111 221	611 589	675 482	133 704	809 186
As at 31 December 2022		69 288	407 976	(39 794)	312 447	837 702	1 587 619	464 563	2 052 182

Attributable to the shareholders of the Parent Entity

	Note	Share capital	Reserve capital	FX differences on translation of foreign operations	Other reserves	Retained earnings/Accumulated losses	Total	Equity attributable to non-controlling shareholders	Total equity
As at 01 January 2021		69 288	407 976	15 827	160 376	96 510	749 977	283 056	1 033 033
Net profit/(loss) for the period		-	-	-	-	127 154	127 154	48 753	175 907
Other net comprehensive income for the period				(8 293)	58 249	5 836	55 792	14 228	70 020
Total comprehensive income for the period		-	-	(8 293)	58 249	132 990	182 946	62 981	245 927
Financial profit distribution	25.5	-	-	-	(17 399)	(3 387)	(20 786)	(15 178)	(35 964)
Increase/decrease in equity		=	-	(8 293)	40 850	129 603	162 160	47 803	209 963
As at 31 December 2021		69 288	407 976	7 534	201 226	226 113	912 137	330 859	1 242 996

Accounting principles (policies) and additional explanatory notes

1. General information

The Arctic Paper Group is a paper and pulp producer. We offer voluminous book paper and a wide range of products in this segment, as well as high-grade graphic paper. The Group produces numerous types of uncoated and coated wood-free paper as well as wood-containing uncoated paper for printing houses, paper distributors, book and magazine publishing houses and the advertising industry. As at 31 December 2022, the Arctic Paper Group employs over 1,500 people in its Paper Mills, companies involved in sale of paper and in pulp producing companies, procurement office and a company producing food packaging. Our Paper Mills are located in Poland and in Sweden. Pulp Mills are located in Sweden. As at 31 December 2022, the Group had 13 Sales Offices ensuring access to all European markets, including Central and Eastern Europe. Our consolidated sales revenues for 12 months of 2022 amounted to PLN 4.895 million.

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

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

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

1.1. Business objects

The principal business of the Arctic Paper Group is the production of paper and pulp.

The Group's additional business, subordinate to paper and pulp production, covers:

- Generation of electricity,
- Transmission of electricity,
- Electricity distribution,
- Heat production,
- Heat distribution,
- Logistics services,
- Paper and pulp distribution.

1.2. Shareholding structure

as at 31.12.2022 as at 31.12.2021

Total	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%
Treasury shares	-	0,00%	-	0,00%	-	0,00%	-	0,00%
Total	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%	69 287 783	100,00%
Other	22 082 676	31,87%	22 082 676	31,87%	22 082 676	31,87%	22 082 676	31,87%
- directly	6 223 658	8,98%	6 223 658	8,98%	6 223 658	8,98%	6 223 658	8,98%
other entity	600 000	0,87%	600 000	0,87%	600 000	0,87%	600 000	0,87%
Nemus Holding AB	40 381 449	58,28%	40 381 449	58,28%	40 381 449	58,28%	40 381 449	58,28%
- indirectly via	40 981 449	59,15%	40 981 449	59,15%	40 981 449	59,15%	40 981 449	59,15%
Thomas Onstad	47 205 107	68,13%	47 205 107	68,13%	47 205 107	68,13%	47 205 107	68,13%
Shareholder	Silales	[70]	Voles	[70]	Silaies	[70]	votes	[%]
Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes	Number of shares	Share in the share capital	Number of votes	Share in the total number of votes

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% (31 December 2021: 68.13%) and has not changed until the date hereof.

The ultimate parent entity of the Group that prepares the consolidated financial statements is Nemus Holding AB. The top owner of the Group is Mr. Thomas Onstad.

2. Composition of the Group

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

Unit	Registered office Bu			nterest in the	
			28 March 2023	31 December 2022	31 December 2021
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Paper production	100%	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%	100%
Arctic Paper Mochenwangen GmbH	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Non-operating company, formerly paper production	99.74%	99.74%	99.74%
Arctic Paper Grycksbo AB	Sweden, Box 1, SE 790 20 Grycksbo	Paper production	100%	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 72, D-20457 Hamburg	Trading company	100%	100%	100%
Arctic Paper Benelux S.A.	Belgium, Ophemstraat 24, B-3050 Oud-Heverlee	Trading company	100%	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%	100%
Arctic Paper Italia srl	Italy, Via Cavriana 7, 20 134 Milan	Trading company	100%	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskildelund 6 DK-2670 Greve	Trading company	100%	100%	100%
Arctic Paper France SAS	France, 43 rue de la Breche aux Loups, 75012 Paris	Trading company	100%	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Wien	Trading company	100%	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%	100%
Arctic Power Sp.z o.o. (formerly Arctic Paper East Sp. z o.o.)	Poland, Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of energy	100%	100%	100%
Arctic Paper Investment GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%
Arctic Paper Verwaltungs GmbH *	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	100%	100%	100%
Arctic Paper Immobilienverwaltung GmbH&Co. KG*	Germany, Fabrikstrasse 62, DE-882, 84 Wolpertswende	Activities of holding companies	94.90%	94.90%	94.90%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%	100%

Unit	Registered office	Business activity	Group's interest in the equ subsidiary entities as		
			28 March 2023	31 December 2022	31 December 2021
EC Kostrzyn Sp. z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Rental of properties and machines and equipment	100%	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%	100%
Kostrzyn Packaging Sp z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	100%	100%	n.a.
Rottneros AB	Sweden, Söderhamn	Activities of holding companies	51.27%	51.27%	51.27%
Rottneros Bruk AB	Sweden, Rottneros	Pulp production	51.27%	51.27%	51.27%
Utansjo Bruk AB	Sweden, Söderhamn	Non-operating company	51.27%	51.27%	51.27%
Vallviks Bruk AB	Sweden, Vallvik	Pulp production	51.27%	51.27%	51.27%
Nykvist Skogs AB	Sweden, Gräsmark	Company grouping forest owners	51.27%	51.27%	51.27%
Rottneros Packaging AB	Sweden, Sunne	Production of food packaging	51.27%	51.27%	51.27%
SIA Rottneros Baltic	Latvia, Kuldiga	Procurement bureau	51.27%	51.27%	51.27%

^{* -} companies established for the purpose of the acquisition of Arctic Paper Mochenwangen GmbH

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

As at 31 December 2022, and as well as on the day hereof, the percentage of voting rights held by the Group in its subsidiaries corresponded to the percentage held in the share capital of those entities. All subsidiaries within the Group are consolidated under the full method from the day of obtaining control by the Group and cease to be consolidated from the day the control has been transferred out of the Group.

3. Management and supervisory bodies

3.1. Management Board of the Parent Entity

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

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

Up to the date of publication of these annual consolidated financial statements, there have been no changes in the composition of the Parent Entity's Management Board.

3.2. Supervisory Board of the Parent Entity

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

^{** -} company established to acquire Grycksbo Paper Holding AB (closed in 2015) and indirectly Arctic Paper Grycksbo AB

- 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.

3.3. Audit Committee of the Parent Entity

As at 31 December 2022, the Parent Entity's Audit Committee was composed of:

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

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

4. Approval of the financial statements

These Consolidated Financial Statements were approved for publication by the Management Board on 28 March 2023.

Material values based on professional judgement and estimates

5.1. Professional judgement

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

Identification of control over the acquired entities and joint ventures

If interests in other entities are acquired, the Management Board of the Parent Entity makes a professional judgement if it exercises full control or co-control thereof and with respect to the recognition method of the transaction in the consolidated financial statements pursuant to the guidelines set forth in IFRS 10, IFRS 3 and IFRS 11. In particular, this applies to the moment of taking control, taking into account the de facto control analysis. For more information, see Note 9.1.

Liabilities under leases - the Group as the lessee

The Group has lease contracts which it recognizes in accordance with IFRS 16. IFRS 16 introduces a uniform lessee accounting model and requires the lessee to recognize the assets and liabilities arising from each lease. On the lease commencement date, the lessee recognizes an asset with respect to the right to use the underlying asset and a lease liability that reflects the lessee's obligation to make lease payments. The Management Board of the Parent Entity makes professional judgment, inter alia whether a given contract meets the conditions of the lease and in terms of determining the lease term in the event of an option to extend the term of the contract and makes an estimate when determining the marginal interest rate for lease based on the requirements of IFRS 16. For more information, see Note 17.

5.2. Uncertainty of estimates

The basic estimates for the future and other key sources of uncertainties as at the balance sheet date that affect the risk of major adjustments in the carrying amount of assets and liabilities in the next financial year are presented below.

Impairment of tangible and intangible fixed assets in Arctic Paper Grycksbo

Due to the high demand for paper and the strong financial performance of Arctic Paper Grycksbo, following the annual assessment of the impairment rationale for property, plant and equipment and intangible assets, the Management Board identified the need to test the non-financial fixed assets for impairment for the Paper Mill in order to update impairment allowances recognised in previous years.

In connection with the test, the Company makes a number of estimates, of which the forecast sales volumes, selling prices, raw material purchase prices, energy prices, discount rate and the growth rate over the residual period have the greatest impact on the value in use of the assets. Some of the assumptions used to determine the value in use of assets are based on unobservable inputs and are therefore subject to estimation uncertainty.

The results of the test as at 31 December 2022 were presented in note 21.2. The test performed as at 31 December 2021 resulted in the reversal of part of the impairment allowance.

Impairment of unamortised intangible assets and goodwill

As at 31 December 2022, in accordance with the requirements of IFRS EU, Rottneros conducted an impairment test for trademarks and goodwill arising in connection with the acquisition of a subsidiary in January 2020. The test did not show the need to make an impairment allowance for this asset. The results of the test as at 31 December 2022 are presented in note 21.1.

Retirement benefits and other post-employment benefits

The costs of retirement post-employment benefits are determined with actuarial techniques. The estimates were presented in note 27.2. Actuarial measurements require certain assumptions as to the applicable discount rates, anticipated salary increases, mortality ratio and projected growth of retirement benefits. Due to the long-term nature of the programmes, the estimates are subject to certain uncertainties. For more information, see Note 27.2.

Deferred income tax asset

The Group recognises a deferred income tax asset assuming that taxable profit will be generated in the future to utilise the asset. Material deterioration of the generated taxable profit in the future could render this assumption unjustified. The calculation of the deferred income tax asset is presented in note 13.3.

Fair value of financial instruments

Fair value of financial instruments for which there is no active market is measured using the appropriate valuation techniques. The Group uses professional judgement to select adequate methods and to make assumptions. The fair value of financial instruments is presented in note 35.1.

Depreciation/amortisation rates

Depreciation/amortisation rates are determined on the basis of the anticipated useful lives of tangible fixed assets and intangible assets. Every year, the Group reviews the approved economic useful lives on the basis of current estimates. The approved economic useful lives for each tangible fixed asset are presented in note 9.5 and for intangible assets in note 9.7.

Uncertainties related to tax settlements

Regulations related to VAT, corporate income tax and charges related to social insurance 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.

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 Group recognises and measures current and deferred income tax 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.

Impairment allowances to inventories and receivables

The Group estimates its impairment allowance to receivables in the amount of anticipated credit losses over the whole life of the receivables since the initial recognition. The amount of impairment for receivables is the difference between the carrying amount of the receivables and the estimated probable collectible amount.

Impairment allowances for inventories are made when the carrying amount of a specific assortment is lower than its net realisable price. The net sales price is estimated as the realisable price of the assortment net of selling and distribution costs.

More information on impairment allowances on inventories is included in note 22, and impairment allowances on receivables in note 23.

Restructuring reserve

Following the decision to cease production of one of the mechanical pulp grades, wood pulp, at the Rottneros plant, a restructuring provision was set up for the costs of closing the line. The Company has made estimates related to these costs. The description was presented in note 28.

6. Basis of preparation of the consolidated financial statements

These Consolidated Financial Statements have been made in accordance with the historical cost convention, with the exception of investment properties and derivative financial instruments that are measured at fair value. Financial instruments measured at fair value through comprehensive income include FX contracts for the purchase of electricity, contracts for the sale of pulp, floor options and interest rate SWAPs (note 35).

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

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

6.1. Compliance statement

These Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), endorsed by the European Union ("EU IFRS").

IFRS cover standards and interpretations approved by the International Accounting Standards Board (IASB).

Certain subsidiaries of the Group maintain their books of account in compliance with the accounting policies (principles) as set forth in the Accounting Act of 29 September 1994 ("Act") as amended, and the regulations issued pursuant thereto ("Polish accounting standards") or in compliance with other local accounting standards applicable to foreign operations. The consolidated financial statements contain adjustments that are not incorporated in the books of account of the Group entities, implemented to make the financial data of those entities compliant with EU IFRS.

6.2. Currency of the financial statements and functional currencies

The Group's consolidated financial statements are presented in PLN which is also the functional currency of the Parent Entity. A functional currency is determined for each subsidiary and the assets and liabilities of each entity are measured in its relevant functional currency. The functional currencies of the Group companies included in these consolidated financial statements are as follows: Polish zloty (PLN), Swedish krona (SEK), euro (EUR), Norwegian krone (NOK), Danish krone (DKK), pound sterling (GBP) and Swiss franc (CHF).

7. Changes to the applied accounting principles and data comparability

7.1. Modifications to the existing accounting principles

The accounting principles (policies) applied to prepare the these consolidated financial statements are compliant with those applied to the consolidated financial statements of the Group for the year ended on 31 December 2021.

The Group did not decide to adopt earlier any other standards, interpretations or amendments that were issued but are not yet effective for periods commencing on 1 January 2022.

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 Classification of Liabilities as Current or Non-current (Effective for annual periods beginning on or after 1 January 2024 Early application is permitted)

And

 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.

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

8.1. Implementation of new standards

As at the date of approval of these Consolidated 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 Group with respect to the Group's operations or its financial results.

9. Major accounting policies

9.1. Consolidation principles

These Consolidated Financial Statements cover financial statements of Arctic Paper S.A. and its subsidiaries for the year ended on 31 December 2022. The financial statements of subsidiary entities, subject to adjustments to achieve compliance with EU IFRS, are made for the same reporting period as the financial statements of the patent entity relying on consistent accounting principles, applied to similar transactions and economic events. In order to eliminate any discrepancies in the applied accounting standards, adjustments are made. All material balances and transactions among Group entities, including unrealised profit on transactions within the Group, have been fully eliminated. Unrealised losses are eliminated unless they evidence impairment.

The subsidiaries are consolidated from the day of obtaining control by the Group and cease to be consolidated from the day the control discontinues. Control is exercised by the Parent Entity when:

- it exercises power over the entity,
- it is exposed to variable return or is entitled to variable return as a result of its involvement in the entity,
- it is able to exercise its power to affect the level of generated return.

The Company verifies its effective control over other entities if a situation occurs that may indicate a change to one or more of the above requirements for control to be effective.

When the Company holds less than a majority of votes in an entity but the held voting rights are sufficient to unilaterally direct the essential matters of the entity, this means that control is exercised. When assessing if the voting rights in an entity are sufficient to ensure power, the Company analyses all material circumstances, such as:

- the volume of the package of voting rights versus the volumes of other packages and distribution of voting rights held by other shareholders;
- potential voting rights held by the Company, other shareholders or other parties;
- rights resulting from contractual arrangements; and
- additional circumstances that may prove if the Company is or is not able to direct material operations when decisions are taken, including voting schemes observed at earlier general meetings.

Change to the holdings by the Parent Entity that do not result in loss of control over subsidiary entities, are recognised as capital transactions. In such instances, in order to reflect the changes in relative interests in subsidiary entities, the Group adjusts the carrying amount of controlling interests and non-controlling interests. All differences between the adjustment amounts to non-controlling interests and the fair value of the amount paid or received, are recognised to equity and attributed to the owners of the Parent Entity.

9.2. Involvement in joint ventures

Joint ventures are contractual arrangements pursuant to which two or more parties take up economic operations that is subject to joint control.

The Group's investments in joint ventures are recognised in the consolidated financial statements with the equity method. In accordance with the equity method, investments in joint ventures are initially recognised at cost and afterwards adjusted to reflect the Group's share in the financial result and other comprehensive income of the joint venture. If the Group's share in losses of a joint venture exceeds the value of its interest in the entity, the Group discontinues to disclose its share in further losses.

Additional losses are recognised solely to the extent corresponding to legal or customary obligations assumed by the Group or payments made on behalf of the joint venture.

Investments in joint ventures are disclosed with the equity method since the day the entity has obtained the status of a joint venture. On the day the investment is made in a joint venture, the amount by which the investment costs exceed the Group's interest in the net fair value of identifiable assets and liabilities of the entity, is recognised as goodwill and included in the carrying amount of the investment. The amount by which the Group's interest in the net fair value of identifiable assets and liabilities exceeds the costs of the investment, is recognised directly in profit and loss of the period in which the investment was made

If necessary, the entire carrying amount of the investment is tested for impairment in compliance with IAS 36 Impairment of Assets as a single asset and its realisable value is compared to the carrying amount. Such recognised impaired value constitutes a part of the carrying amount of the investment. Such impairment is reversed in compliance with IAS 36 to the extent corresponding to a subsequent increase in the realisable value of the investment.

The Group discontinues to apply the equity method on the day the investment stops being a joint venture and when it is reclassified to assets available for sale. The difference between the carrying amount of a joint venture as at the day the equity method is no longer applied and the fair value of retained interests and proceeds from the sale of certain interests in the entity, is taken into account when calculating the profit or loss on disposal of such joint venture.

If the Group decreases its interests in a joint venture and continues to account for it with the equity method, in its financial result it recognises the part of profit or loss previously recognised in other comprehensive income corresponding to the reduced interest if such profit or loss is subject to re-classification to financial result at disposal of the related assets or liabilities.

Gains/losses on measurement of interests in joint ventures are recognised as other financial income/expenses.

9.3. Fair value measurement

The Group measures financial instruments such as derivative instruments and non-financial assets such as investment properties at fair value as at each balance sheet date. Additionally, the fair value of financial instruments measured at amortised cost is disclosed in note 35.1.

The fair value is understood as the price that could be received for the sale of an asset or paid as a result of transfer of a liability subject to ordinary sale of such asset between market players as at the measurement date at the prevailing market conditions. Fair value measurement is based on an assumption that the sale transaction of an asset or transfer of a liability is executed either:

- in the main market for such asset or liability,
- if no main market exists, in the most advantageous market for such asset or liability.

Both the main and most advantageous market must be accessible to the Group.

The fair value of an asset or liability is measured subject to an assumption that market players act in their best economic interests when setting the price of such asset or liability.

The measurement of the fair value of a non-financial asset provides for the possibility of a market player to generate economic benefits as a result of most intensive and best use of the asset or sale thereof to another market player that would ensure the most intensive and best use of such asset.

The Group applies measurement techniques that are adequate to the circumstances at hand and when adequate data is available to measure the fair value with maximum use of adequate observable input data and minimum use of non-observable input data.

All assets and liabilities that are measured at fair value or their fair value is disclosed in the financial statements, are classified in the hierarchy of fair value in the way described below to the lowest level of input data which is material for the measurement at fair value treated as a whole:

- Level 1 Listed (unadjusted) market prices in an active market for identical assets or liabilities,
- Level 2 Measurement techniques for which the lowest level of input data that is material for the measurement at fair value as a whole is observable or indirectly observable,
- Level 3 Measurement techniques for which the lowest level of input data that is material for the measurement at fair value as a whole is not observable,

As at each balance sheet date, for assets and liabilities occurring as at each balance sheet date in the financial statements, the Group assesses if there have been transfers between the hierarchy levels by re-assessment of the classification to each level, following the materiality of the input data from the lowest level which is material for measurement at fair value treated as a whole.

Summary of material accounting principles relating to measurement at fair value.

The management boards of subsidiary companies or the Management Board of Arctic Paper S.A. determine the principles and procedures relating both to systematic measurement at fair value, e.g. of investment properties and unlisted financial assets, as well as one-off measurements.

Independent appraisers are retained to measure material assets such as properties as at the end of each financial year.

Measurement at fair value of financial instruments is performed by independent financial institutions specialised in the measurement of such instruments

For the disclosure of results of such measurement at fair value, the Group has defined classes of assets and liabilities on the basis of the type, features and risks related to individual assets and liabilities and the level in the hierarchy of fair value, as described above.

9.4. Foreign currency translation

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

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

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

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

The following exchange rates were used for book valuation purposes:

	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

Mean FX rates for the reporting periods are as follows:

	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

9.5. Tangible fixed assets

Tangible fixed assets are measured at purchase price or construction cost reduced by accumulated depreciation and all impairment allowances. The initial value of fixed assets comprises their purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. The cost also comprises the expenses for replacement of fixed asset components when incurred, if the recognition criteria are met. Subsequent expenditures, such as repair or maintenance costs, are expensed in profit and loss account in the reporting period in which they were incurred.

Upon purchase, fixed assets are divided into components which represent items with a significant value that can be allocated a separate economic useful life. Overhauls also represent asset components.

Property, plant and equipment are depreciated using the straight-line method over their estimated useful lives as follows:

Туре	Period
Buildings and structures	25-50 years
Plant and machinery	5-20 years
Office equipment	3-10 years
Motor vehicles	5-10 years
Computers	1-10 years

Residual values, useful lives and depreciation methods of asset components are reviewed annually and, if necessary, adjusted retrospectively i.e. with effect from the beginning of the financial year that has just ended.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its further use. Any profit or loss arising on derecognition of an asset (calculated as the difference between the potential net disposal proceeds and the carrying amount of the asset) is recognised in the profit and loss account for the period in which such derecognition took place.

Assets under construction (construction in progress) include assets in the course of construction or assembly and are recognised at purchase price or cost of construction less any impairment allowances. Assets under construction are not depreciated until completed and brought into use.

9.5.1. Right-of-use assets and leasing

In accordance with IFRS 16, the Group applies a uniform lessee accounting model, which requires the lessee to recognize assets and liabilities resulting from each lease. On the lease commencement date, the lessee recognizes an asset with respect to the right to use the underlying asset and a lease liability that reflects the lessee's obligation to make lease payments.

The lessee separately recognizes depreciation of an asset with respect to the right of use and interest on the lease liability.

The lessee updates the measurement of the lease liability after the occurrence of certain events (e.g. changes in the lease period, changes in future lease payments resulting from a change in the index or the rate used to determine such payments). In such instances, the lessee recognises the revaluation of the lease liability as an adjustment to the value of the asset with respect to the right of use.

As at 1 January 2019, the Group applied IFRS 16 for the first time and introduced a prospectively uniform lessee accounting model, accounting for a lease agreement with a period exceeding 12 months, in accordance with the standard, unless the underlying asset had a value not greater than EUR 5,000

The Group is a lessee primarily in case of perpetual usufruct right of land, rental contracts for office space, lease of motor vehicles and machines and equipment.

9.6. Investment properties

The initial recognition of investment properties is at the purchase price, including transactional costs. The carrying amount of an asset covers the replacement cost of the component of the investment property when incurred as long as the recognition criteria are satisfied, and it does not include the current maintenance costs of such properties.

After initial recognition, investment properties are disclosed at fair value. Gains or losses resulting from changes to the fair value are recognised in the profit or loss in the period they arose, subject to the related impact on deferred income tax.

Investment properties are derecognised from the balance sheet when they are sold or when they are permanently abandoned, when no future benefits from sale thereof are anticipated. Any profit or loss arising on derecognition of an investment property from the balance sheet are recognised as profit or loss in the period when such derecognition occurred.

Assets are transferred to investment properties only when a change of their use takes place, confirmed with the end of use of such asset by the owner or conclusion of an operational lease contract. If an asset is used by the owner – the Group, it becomes an investment property when the Group applies the principles described in the section Tangible fixed assets (note 9.5) until the date the use of the property is changed. When an asset is transferred from inventories to investment properties, the difference between the fair value of the property set as at the transfer date and its previous carrying amount is recognised in profit or loss.

When an investment property is transferred to assets used by the owner or to inventories, the alleged cost of such asset to be applied to recognise it in another category, shall be equal to the fair value of the property determined as at the date its mode of use was changed.

9.7. Intangible assets and goodwill

9.7.1. Intangible assets

Intangible assets acquired separately or constructed (if they meet the recognition criteria for development costs) are measured on initial recognition at cost or construction costs. The cost of intangible assets acquired in a business combination is equal to their fair value as at the date of combination. Following initial recognition, intangible assets are recognised at purchase cost or construction cost reduced by any accumulated amortisation and impairment allowances. Expenditures incurred for internally generated intangible assets, excluding capitalised development costs, are not capitalised and are charged to the costs in the period in which they were incurred.

The useful lives of intangible assets are assessed by the Group to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with limited useful live is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives include goodwill and those intangible assets for which the Group is unable to determine the economic life on the basis of historical data or experience. Intangible assets with indefinite useful lives and those that are not in use are tested for impairment annually either individually or at the cash generating unit level.

Useful lives are reviewed on an annual basis and, if necessary, are adjusted with effect from the beginning of the financial year that has just ended.

A summary of the principles applied to the Group's intangible assets is as follows:

	Relations with customers	Trademarks	Software
Useful life	10 years	Unspecified	2-5 years
Depreciation method	10 years with the straight-line method	Is not depreciated	2-5 years with the straight- line method
Internally generated or acquired	Acquired	Acquired	Acquired
Impairment test	Annual assessment of any impairment indications	Annual verification and in case of any impairment indications	Annual assessment of any impairment indications

After analysing the relevant factors, for trademarks the Group does not define any time limit of their useful life. The intention of the Group is to operate for an indefinite period under the same trademark and it is believed that it will not become impaired. Consequently, and in accordance with IAS 38, the Group does not amortise intangible assets with indefinite useful lives. Useful life of such resources should be reviewed in each reporting period, in order to determine whether events and circumstances continue to confirm the assumption of the indefinite useful life of such asset.

Profit or loss arising from derecognition of an intangible asset are measured as the difference between the net sales proceeds and the book value of the asset and are recognised in the income statement when the asset is derecognised.

9.7.2. Goodwill

Goodwill resulting from acquisition of an entity is initially recognised at the purchase prices being the amount of surplus:

- of the sum of:
-) payment transferred,
-) amount of all non-controlling interests in the acquired entity, and
-) in case of a combination of entities carried out in stages, the fair value as at the acquisition of an interest in the capital of the acquired entity held previously by the acquiring entity.
- over the fair value determined as at the acquisition date of the acquired identifiable acquired assets and liabilities.

After initial recognition, the goodwill is recognised at the purchase cost reduced by all accumulated impairment allowances. An impairment test is held annually or more often if required. Goodwill is not amortised.

As at the acquisition date, goodwill is allocated to all cash generating centres that may benefit from combination synergies. Each centre or group of centres to which goodwill has been attributed:

- corresponds to the lowest level in the Group at which goodwill is monitored for internal management purposes, and
- is not larger than one operational segment determined in compliance with IFRS 8 Operating Segments.

Impairment allowances are determined on the basis of an estimated value of each cash generating centre to which the goodwill was allocated. When the recoverable value of a cash generating centre is lower than its carrying amount, an impairment allowance is recognised. When the goodwill constitutes a part of a cash generating centre and a part of the business within the centre is sold, the goodwill related to such sold operations is included in its carrying amount to determine profit or losses on the sale. Under the circumstances, the sold goodwill is determined on the basis of a relative value of the sold operation and the value of the retained part of the cash generating centre.

9.7.3. Emission rights

The Group owns a heat and power plant and as a result holds rights to emissions generated in its operations. The Group discloses its rights to emit greenhouse gases in a net amount. This means that the rights acquired free of charge are recognised in the balance sheet at "zero" while the provision related to the obligation to redeem the relevant number of rights is established when a deficit of such rights arises. When emission rights to greenhouse gases are acquired to cover a future deficit, at acquisition the rights are recognised as intangible assets. The provision for a deficit of emission rights is then measured at the value of the acquired intangible assets. The provision is recognised in the amount relying on the annual limit of emission rights.

9.7.4. Certificates in cogeneration

As an entity generating electricity in cogeneration, the Group receives certificates of origin ("certificates"). Revenues from the certificates are recognised as a cost reduction at the time of production and measured at the prevailing market price provided the market for such certificates is active. Otherwise, the revenues are recognised at sale of the certificates. Material rights resulting

from the measurement are disclosed in intangible assets. The details of the certificates received in the current year are disclosed in note 38.

9.8. Impairment of non-financial fixed assets

An assessment is made by the Group as at each balance sheet 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 Group makes an estimate of the recoverable value of the 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 Group makes an estimate of the 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

9.9. External borrowing costs

Borrowing costs are capitalised as part of the cost of the manufacturing of fixed assets, investment properties and intangible assets. External borrowing costs include interest calculated using the effective interest rate method, finance charges in respect of finance leases and foreign exchange differences incurred in connection with the external financing to the extent that they are regarded as an adjustment to interest expense.

9.10. Financial assets

In compliance with IFRS 9, the Group 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 total comprehensive income: profit and loss on a financial asset being a capital
 instrument which is subject to a measurement option via other comprehensive income, are recognised in other total
 comprehensive 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 IAS 39.

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.

9.11. Impairment of financial assets

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

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 case of trade receivables, the Company applies a simplified approach and estimates allowances for anticipated credit loss equal to anticipated credit loss over the life of the receivables which does not exceed 12 months.

Trade receivables are the most important financial asset in the Group's financial statements that are subject to the principles of calculating anticipated credit losses.

The Group 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 Group 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.

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Group considers reasonable and documentable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative analysis, based on the Group's historical experience and credit assessment. The Group assumes that the credit risk of a financial asset has increased significantly if it is more than 60 days past due.

Indications of increased credit risk can be (among other things):

- Late instalment or interest payment of 60 days or more
- Significant deterioration in the borrower's financial situation (profitability, indebtedness, liquidity ratios)
- · Commencement of a formal restructuring, bankruptcy or liquidation process
- No possibility to obtain financial information about the entity, etc.

The Group considers a financial asset to be past due when it is more than 90 days past due.

The Group considers financial instruments to have low credit risk if the instrument's rating is within an investment grade – depending on the rating agency.

The Group divides trade receivables into insurance receivables and uninsured receivables, and on the basis of historical data and taking into account expected future factors, it calculates the percentage of expected loss for each aging range of trade receivables. The receivables aging ranges are as follows: maturity range, up to 30 days, up to 60 days, up to 90 days, up to 120 days, up to 360 days and over 360 days.

9.12. Financial derivatives and hedges

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge the risks associated with interest rate and foreign FX rates fluctuation. 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 forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. 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

Hedges of foreign currency risk in an unrecognised firm commitment are accounted for as cash flow hedges.

When a hedge is established, the Group formally identifies and documents the hedging relationship, as well as the objective of risk management and the hedging strategy. 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.

9.12.1. 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.

9.13. Inventories

Inventories are valued at the lower of purchase price/construction cost and realisable net selling price. Purchase price or construction cost of every item of inventories includes all purchase expenses, transformation expenses and other costs incurred in bringing each inventory item to its present location and conditions are accounted for as follows for both the current and previous year:

Materials	at purchase cost, disposal at average weighted cost
Finished products and work in progress	cost of direct materials and labour and an appropriate surcharge of indirect production costs determined with an assumption of normal use of production capacities with the exclusion of external financing costs
Goods	at purchase cost, disposal at average weighted cost

Net realisable value is the estimated selling price in the ordinary course of economic activity, reduced by estimated costs of necessary to finish the items and to finalise the sale.

9.14. Budgetary receivables

Receivables from the state budget are presented under other receivables, except for corporate income tax receivables, which constitute a separate item in the balance sheet.

9.15. Cash and cash equivalents

Cash and short-term deposits in the balance sheet 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.

9.16. 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 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 balance sheet or accounted for with the effective interest method.

9.17. Financial liabilities

Financial liabilities are classified as measured at fair value through profit or loss or at amortised cost.

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, derivative instruments and financial liabilities initially classified as at 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.

Other financial liabilities other than financial instruments at fair value through profit or loss are measured at amortised cost using the effective interest rate method. Interest costs and FX gains / (loss) are recognised in profit or loss. Any gains or losses arising from exclusion from the balance sheet are also recognised in profit or loss.

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. Upon derecognition of a financial liability from the balance sheet, the difference between the carrying amount of the expiring liability and the value of the payment (including all non-cash assets transferred or liabilities assumed) is recognised in the profit and loss account. Similarly, major changes to the terms of an agreement relating to an existing financial liability are recognised by the Company as the expiry of the original and the recognition of a new financial liability measured at fair value. The difference of the respective carrying amounts arising from the replacement is recognised in profit or loss.

Other non-financial liabilities include, in particular, liabilities to the tax office due to tax on goods and services and liabilities due to received advance payments, which will be settled by the delivery of goods. Other non-financial liabilities are recognised at the amount payable.

Modification of financial liabilities

If the contractual terms of a financial liability are modified and the existing liability is not derecognised, the profit or loss is recognised immediately in profit or loss. The profit or loss is calculated as the difference between the present value of the modified and original cash flows, discounted using the original effective interest rate of the liability.

9.18. 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.

9.19. Offset of 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 realise the asset and settle the liability at the same time.

9.20. Retirement allowance

In accordance with the Group's remuneration principles, the employees of the Group are entitled to a retirement allowance. It is a one-off payment due to employees upon their retirement. The amount of retirement allowance depends on the seniority and the average salary of the employee. The Group sets up a provision for future retirement allowance liabilities in order to allocate the costs to the relevant periods. In accordance with IAS 19, retirement allowances are defined post-employment benefit plans. The present value of the liabilities is calculated by an independent actuary as at each balance sheet date. The accrued liability is equal to discounted payments to be made in the future subject to staff rotation and applies to the period until the balance sheet date. Demographic information and information on staff rotation is based on historical data.

On the basis of measurements performed by professional actuarial companies, the Group recognises a provision for future employee benefits.

Re-measurement of employee benefits related to defined benefit plans, covering actuarial gains and losses, is recognised in other comprehensive income and is not later re-classified to profit or loss.

The Group recognises the following changes to its net liabilities relating to defined benefit plans within costs of sales, administrative expenses, selling and distribution costs and financial costs, composed of:

- service costs (including, inter alia, the current service costs, future service costs)
- net interest on the net liability under the defined benefit plans.

9.21. Revenue from contracts with customers and other income

9.21.1. Revenue from contracts with customers

Revenue is recognised if control of the good or product is transferred to another entity.

Pursuant to IFRS 15, the Group applies a five-step model to recognise revenues 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 Group is able to identify the rights of each party concerning the goods and services to be provided; the Group is able to identify the payment terms for the goods and services to be provided; the contract has economic content and it is likely that the Group 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 Group 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 Group 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 Group's expectations it is due to the Group 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.

9.21.2. 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

9.21.3. Dividend

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

9.21.4. Rental revenues

Rental revenues from investment properties are recognised with the straight-line method throughout the lease term for all open contracts.

9.21.5. Grants

If it is certain that a grant will be obtained and all the related conditions will be satisfied, then public grants are recognised at fair value.

If the grant applies solely to a specific cost item, then it is recognised as revenues commensurate to the costs that the grant is to compensate. If the grant applies to an asset, then its fair value is recognised in the account of deferred income and then gradually – in equal annual charges – it is recognised in profit or loss over the estimated useful life of the asset.

9.22. Taxes

9.22.1. 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.

9.22.2. 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 provision 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; and

— 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 balance sheet 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.

9.22.3. 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 as part of receivables or payables in the balance sheet.

9.22.4. Excise tax

The amount of excise tax payable on the generated electricity is recognised in the profit and loss account in the same period as the energy sales revenues and as a liability.

Excise tax on the energy used for internal purposes is recognised as costs of sales in the profit and loss account.

9.23. Net profit per share

Net earnings per share are calculated by dividing the net profit and the net profit on continuing operations for the period, attributable to the shareholders of the Parent Entity, by the weighted average number of shares outstanding in the reporting

period. Diluted earnings per share are calculated by dividing the net profit and the net profit on continuing operations for the period, attributable to the shareholders of the Parent Entity, by the diluted weighted average number of shares outstanding in the reporting period.

10. Operational segments

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

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

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

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

- the Pulp Mill in Rottneros (Sweden) produces mainly two types of mechanical pulp: groundwood and chemo-thermo mechanical pulp (CTMP);
- the Pulp Mill in Vallvik (Sweden) produces two types of long-fibre sulphate pulp: fully bleached sulphate pulp and unbleached sulphate pulp. The most of Vallvik Pulp Mill production is known as NBSK pulp.

The Group identifies the following business segments:

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

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

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

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

Every month, on the basis of internal reports received from companies (apart from companies of the Rottneros Group), the results in each operating segment are analysed by the management of the Group. The financial results of companies in the Rottneros Groups are analysed on the basis of quarterly financial results published on the websites of Rottneros AB. Arctic Paper Kostrzyn SA and Arctic Paper Munkedals AB constituting separate operating segments, are considered by the Group as one reporting segment.

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

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

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

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

	Uncoated	Coated	Pulp	Total	Eliminations	Continuing opetations
Revenues						
Sales to external customers	2 495 842	1 083 960	1 314 473	4 894 276	-	4 894 276
Sales between segments	(21)	2 398	-	2 377	(2 377)	
Total segment revenues	2 495 821	1 086 358	1 314 473	4 896 653	(2 377)	4 894 276
Result of the segment						
EBITDA	479 412	217 640	288 478	985 530	(11 557)	973 973
Depreciation/amortisation	(69 217)	(10 604)	(50 945)	(130 766)	(228)	(130 994)
Operating profit (loss)	410 195	207 036	237 534	854 764	(11 785)	842 979
Interest income	1 194	497	1 764	3 455	(588)	2 867
Interest expense	(2 383)	(2 326)	(2 205)	(6 914)	269	(6 646)
FX gains and other financial income	2 550	567	89 102	92 218	(2 318)	89 900
FX losses and other financial expenses	361	(571)	-	(210)	(1 313)	(1 523)
Gross profit	411 917	205 202	326 194	943 314	(15 736)	927 578
Assets of the segment	1 464 156	464 264	1 414 303	3 342 723	(97 697)	3 245 026
Liabilities of the segment	625 292	248 415	348 415	1 222 122	(197 570)	1 024 552
Capital expenditures	(82 504)	(17 426)	(54 815)	(154 745)	(134)	(154 879)
Interests in joint ventures	4 264	-	-	4 264	-	4 264

- Revenues from intercompany transactions are eliminated on consolidation.
- Segment results do not include financial income (PLN 92.767 thousand of which PLN 2.867 thousand is interest income) and financial expenses (PLN 8,169 thousand of which PLN 6,486 thousand is interest expense), depreciation/amortisation (PLN 130,994 thousand) as well as income tax cost (PLN 170,756 thousand).
- Segment assets do not include deferred tax (PLN 5,196 thousand), as this item is managed at Group level and interests in
 joint ventures (PLN 4,264 thousand). Segment liabilities do not include deferred tax (PLN 177,750 thousand), as this item
 is managed at Group level.

The table below presents data concerning revenues and profit as well as certain assets and liabilities under continuing operations, split by segments of the Group for the period of 12 months ended on 31 December 2021 and as at 31 December 2021.

Twelve-month period ended on 31 December 2021 and as at 31 December 2021

	Uncoated	Coated	Pulp	Total	Eliminations	Continuing opetations
Revenues						
Sales to external customers	1 714 196	694 126	1 004 246	3 412 576	-	3 412 576
Sales between segments	-	21 461	32 135	53 596	(53 596)	-
Total segment revenues	1 714 196	715 586	1 036 381	3 466 172	(53 596)	3 412 576
Result of the segment						
EBITDA	153 301	12 818	167 375	333 494	(5 738)	327 756
Depreciation/amortisation	(66 972)	(5 687)	(41 624)	(114 283)	(389)	(114 672)
Operating profit (loss)	86 329	7 131	125 751	219 211	(6 127)	213 084
Interest income	473	59	-	533	182	715
Interest expense	(1 573)	(3 447)	(9 900)	(14 921)	(3 901)	(18 822)
FX gains and other financial income	2 013	587	8 550	11 150	(8 430)	2 720
FX losses and other financial expenses	(5 051)	(4 126)	-	(9 177)	3 109	(6 068)
Gross profit (loss)	82 191	204	124 401	206 796	(15 167)	191 629
Assets of the segment	1 133 871	327 938	1 037 384	2 499 193	(159 409)	2 339 784
Liabilities of the segment	620 273	361 341	291 590	1 273 204	(233 567)	1 039 637
Capital expenditures	(94 533)	(12 551)	(52 700)	(159 784)	(90)	(159 874)
Interests in joint ventures	2 943	-	-	2 943	-	2 943

- The results of the segments do not cover financial income (PLN 3,435 thousand, of which PLN 715 thousand is interest income) and financial expenses (PLN 24,890 thousand of which PLN 18,822 thousand is interest expense), depreciation/amortisation (PLN 114,672 thousand), impairment of non-financial assets, reversal (PLN +31.486 thousand) and income tax liability (PLN 47,207 thousand).
- Segment assets do not include deferred tax (PLN 14,304 thousand) because this item is managed at Group level and interests in joint ventures (PLN 2,943 thousand). Segment liabilities do not include deferred tax (PLN 106,633 thousand) as this item is managed at Group level.

10.1. Revenues from contracts with customers

The table below presents the Group's revenues from sales of paper and pulp to external customers in each segment, split by countries and regions, in 2022 and 2021:

Geographical information

Year ended on 31 December 2022

Revenues from sales of paper and pulp from external customers by segment:	Uncoated	Coated	Pulp	Total
Germany	527 048	195 034	199 682	921 764
France	254 766	78 846	15 303	348 915
UK	218 407	163 543	24 814	406 764
Scandinavia	157 058	136 486	370 515	664 060
Western Europe (other countries)	487 238	39 162	277 687	804 087
Poland	459 739	135 348	2 717	597 804
Central and Eastern Europe (other than Poland)	352 335	305 602	37 495	695 432
Outside Europe	39 252	29 938	386 261	455 451
Total segment revenues	2 495 843	1 083 960	1 314 473	4 894 276

Geographical information

Year ended on 31 December 2021

Revenues from sales of paper and pulp from external customers by segment:	Uncoated	Coated	Pulp	Total
Germany	368 362	143 852	158 033	670 247
France	170 083	45 555	10 798	226 436
UK	160 579	109 076	19 204	288 858
Scandinavia	125 020	97 218	229 936	452 174
Western Europe (other countries)	278 638	20 633	217 106	516 377
Poland	313 950	60 644	1 367	375 961
Central and Eastern Europe (other than Poland)	250 175	200 686	34 534	485 395
Outside Europe	47 398	16 462	333 268	397 127
Total segment revenues	1 714 204	694 126	1 004 246	3 412 576

Sales revenues related to the item "Western Europe" cover mainly sales in Belgium, the Netherlands, Austria, Switzerland, Italy and Spain. Sales revenues related to the item "Central and Eastern Europe" cover mainly sales in Ukraine, the Czech Republic, Slovakia, Hungary and Bulgaria. Sales revenues related to the item "Outside Europe" cover mainly sales in China and the USA. Sales to no buyer exceed 10% of total revenues.

10.2. Fixed assets by countries and regions

The table below presents the Group's fixed assets reduced by deferred income tax asset split by country and region, as at 31 December 2022 and 31 December 2021:

Geographical information Fixed assets:	As at 31 December 2022	As at 31 December 2021
Germany	3 295	4 176
France	405	990
Scandinavia	930 972	859 348
Western Europe (other countries)	344	493
Poland	435 711	422 234
Central and Eastern Europe (other than Poland)	144	205
Total fixed assets	1 370 870	1 287 447

The increase in the Group's non-current assets is primarily due to capital expenditure on property, plant and equipment made at the Paper and Pulp Mills during 2022 and an increase in other financial assets comprising the positive valuation of derivatives, mainly power forwards.

11. Income and costs

11.1. Other operating income

	Year ended on 31 December 2022	Year ended on 31 December 2021
Reversal of provisions	3	-
Damages received	33	11 768
Rental income	2 613	2 512
Sales of services	1 342	3 710
Grants	163	513
Sale of utilities	37 502	20 773
Sale of materials	10 703	12 378
Profit on disposal of tangible fixed assets	173	24
Profit on sale of CO2 emission rights	17 629	6 915
Compensation of R&D projects from the National Centre for Research and Development	8 590	7 653
Other	7 027	7 501
Total	85 778	73 749

11.2. Other operating expenses

	Year ended on 31 December 2022	Year ended on 31 December 2021
Real estate tax	(803)	(743)
Costs of sales of utilities	(31 162)	(20 953)
Costs of sales of materials	(10 093)	(11 927)
Reorganisation costs in subsidiary entity	(288)	(538)
Loss on disposal/liquidation of tangible fixed assets	(3 868)	(394)
Decreasing the value of real estate investments	(1 215)	(108)
Costs of R&D projects from the National Centre for Research and Development	(16 708)	(14 734)
Humanitarian aid for Ukraine	(581)	-
Other	(4 875)	(3 345)
Total	(69 593)	(52 741)

11.3. Financial income

	Year ended on 31 December 2022	Year ended on 31 December 2021
Interest income on funds in bank accounts	2 781	673
Interest income on receivables	44	(239)
Other interest income	42	281
FX gains	16 650	2 268
Profit on interests in joint ventures	459	450
Other financial income	9	2
Profit on forward contracts not meeting hedge accounting rules valued at fair value through profit or		
loss	45 433	-
Profit on other forward contracts	27 348	
Total	92 767	3 435

Gains on forward contracts regard the forward contracts that do not comply with hedge accounting rules and other forward power purchase contracts due to the discontinuation of production of one of the mechanical pulp grades, wood pulp, at the Rottneros mill, due to the lack of further prospects for long-term and sustainable profitability.

11.4. Financial expenses

	Year ended on 31 December 2022	Year ended on 31 December 2021
Interest on bank loans measured at amortised cost	(3 735)	(13 763)
Interest on other financial liabilities	(2 243)	(3 046)
Interest on actuarial provisions	(508)	(1 032)
Financial expenses under finance lease agreements	(634)	(981)
Bank charges	(401)	(775)
Charges to PRI (pension fund)	-	(610)
Measurement effect of the adjusted purchase price	(601)	(2 510)
Other financial expenses	(46)	(2 173)
Total	(8 169)	(24 890)

11.5. Prime costs

	Year ended on 31 December 2022	Year ended on 31 December 2021
Depreciation/amortisation	(130 994)	(114 672)
Consumption of materials and energy	(2,839,460)	(2 073 770)
Third party services	(616 137)	(523 526)
Taxes and charges	(15 818)	(8 506)
Employee benefit costs	(502 861)	(433 727)
Other prime costs	(96 864)	(80 639)
Value of goods sold	(11 432)	(9 444)
Prime costs	(4 213 566)	(3 244 283)
Impairment allowances to non-financial assets (reversal)	-	31 486
Changes in product inventories	145 336	19
Change to impairment allowances to receivables	748	23 765
TOTAL of which:	(4 067 482)	(3 189 013)
Items recognised as costs of sales:	(3 483 519)	(2 704 647)
Items recognised as selling and distribution costs:	(445 197)	(381 287)
Items recognised as administrative expenses	(138 766)	(103 080)

11.6. Depreciation/amortisation expense and impairment allowances recognised in profit or loss

	Year ended on 31 December 2022	Year ended on 31 December 2021
Items recognised as costs of sales:		
Depreciation of fixed assets and amortisation of intangible assets	(125 687)	(108 827)
Impairment of tangible fixed assets (reversal)	-	22 703
Impairment of intangible assets (reversal)	-	8 783
Items recognised as costs of sales: Depreciation of fixed assets and amortisation of intangible assets Impairment of tangible fixed assets Impairment of intangible assets	(3 094) - -	(3 344) - -
Items recognised as administrative expenses:		
Depreciation of fixed assets and amortisation of intangible assets	(2 212)	(2 501)
Impairment of tangible fixed assets	-	-
Impairment of intangible assets	-	<u>-</u>

11.7. Employee benefit costs

	Note	Year ended on 31 December 2022	Year ended on 31 December 2021
Salary costs		(414 079)	(336 612)
Social insurance premiums		(86 494)	(86 705)
Costs of retirement benefits	27.2	(351)	(4 159)
Total costs of employee benefits,		(500 925)	(427 476)
of which: Items recognised as costs of sales:		(363 740)	(323 638)
Items recognised as selling and distribution costs:		(57 532)	(45 609)
Items recognised as administrative expenses		(81 588)	(64 480)
Items recognised as other comprehensive income		1 935	6 251

12. Items of other comprehensive income

The components of other total comprehensive income for the year ended on 31 December 2022 and 31 December 2021 that are re-classified to profit or loss, are as follows:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Cash flow hedges		
Profit (loss) for the period resulting from contracts settled during the reporting period	(324 640)	(3 538)
Profit (loss) for the period resulting from contracts not settled as the reporting date	466 588	103 065
Adjustments resulting from re-classification to profit (loss)	72 782	<u>-</u>
Total other comprehensive income	212 999	99 527

The adjustments resulting from the reclassification to profit (loss) relate to the measurement of power purchase forwards due to the cessation of production of one of the mechanical pulp grades, wood pulp, at the Rottneros mill. For this reason, some of the contracts concluded in previous years no longer meet the criteria of hedge accounting.

Cash flow hedges are described in detail in note 35.4 to this report.

13. Income tax

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
Consolidated profit and loss account		
Current income tax		
Current income tax liability	(126 695)	(20 735)
Adjustments related to current income tax from previous years	(515)	(64)
Deferred income tax Resulting from the establishment and reversal of temporary differences	(43 545)	(26 408)
Tax credit/(liability) disclosed in the consolidated income statement	(170 756)	(47 207)
Consolidated statement of changes in equity		
Current income tax	-	-
Tax effects of the costs of increase of share capital	-	<u> </u>
Tax benefit (tax liability) recognised in equity	-	-

Consolidated statement of total comprehensive income

Deferred income tax

Deferred income tax on the measurement of hedging instruments	(43 940)	(20 305)
Deferred income tax on actuarial profit/loss	438	(414)
Tax benefit (tax liability) recognised in other comprehensive income	(43 502)	(20 719)

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 Group'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	007.570	000.445
Gross profit (loss) before tax	927 578	223 115
Tax at the statutory rate prevailing in Poland in		
2008-2022, of 19%	(176 240)	(42 392)
Tax adjustments from previous years, recognised in the current income tax	(515)	(64)
Difference resulting from income tax rates in force in other countries	(10 008)	(3 330)
Tax loss not incorporated in deferred income tax assets calculation	-	(5 104)
Use of tax expenses on which no deferred tax has been recognised	9 251	<u>-</u>
Non-taxable revenues	3 164	1 461
Costs that are not tax deductible	(3 599)	(3 306)
Effects of the tax group in Sweden	4 335	5 527
Effects of the tax group in Poland	2 856	
Tax at the effective tax rate of 18% (2021: 21%)		
Tax at the effective tax fate of 10% (2021, 21%)	(170 755)	(47 208)
Income tax (charge) stated in the consolidated income statement	(170 755)	(47 208)

The amount of unrecognised deferred income tax asset relates mainly to tax losses that are expected to be time barred before realised, as well as those temporary differences that in the Group's opinion may not be used for tax purposes.

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.

The Polish tax system provides for restrictions in cumulating tax losses by legal persons that remain under joint control which is the case for Group member companies. Therefore, each subsidiary of the Group in Poland may utilise solely their own tax losses in order to reduce taxable income in subsequent years.

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.

The amounts and expiry dates of tax losses for which deferred tax assets were not recognised are as follows:

	2022	Expiry date	2021	Expiry date
Expiring tax losses	34 076	2023-2026	47 060	2022-2026
Tax losses and temporary differences without time limit	-		2 842	
TOTAL	34 076		49 902	

The potential tax effect of non-activated tax losses and temporary differences amounts to PLN 6,475 thousand and relates to tax losses at AP S.A. incurred prior to the establishment of the tax group in Poland.

13.3. Deferred income tax

Deferred income tax relates to the following items:

	Consolidated balance sheet as at		Consolidated income statement the year ended		
	31 December 2022	31 December 2021	31 December 2022	31 December 2021	
Deferred income tax liability					
Fixed assets	115 360	100 210	(15 151)	(22 938)	
Hedging instruments	78 273	21 747	(56 526)	(19 851)	
Gross deferred income tax provision	193 634	121 956	(71 677)	(42 788)	
	Consolidate	Consolidated balance sheet		Consolidated profit and loss account for the year ended	
	31 December 2022	as at 31 December 2021	31 December 2022	31 December 2021	
Deferred income tax asset					
Post-employment payments	2 516	5 443	(2 927)	(3 806)	
Uninvoiced liabilities	10 637	7 964	2 673	4 025	
Inventories	899	1 487	(588)	(539)	
Trade receivables	7 028	4 265	2 763	704	
Losses deductible from future taxable income	-	10 469	(10 469)	(3 592)	
Gross deferred income tax asset	21 079	29 627	(8 548)	(3 210)	
FX differences			(6 824)	(1 130)	
Total, of which			(87 049)	(47 127)	
Changes to deferred income tax recognised in other comprehensive income			(48 333)	(20 719)	
Changes to deferred income tax recognised in profit and loss account			(43 545)	(26 408)	

Net deferred income tax asset/provision of which:

- Adjustment to presentation	(15 884)	(15 323)
- Deferred income tax asset	5 196	14 304
- Deferred income tax liability	177 750	106 633

The table shows the sum of the positive and negative temporary differences for each Group company, without offsetting at entity level. The presentation adjustment offsets assets and provision at the individual company level.

The Management Board made an assessment of recoverability of the deferred income tax asset related to tax losses and determined the asset was recoverable, inter alia, due to the fact that AP Grycksbo and AP Munkedals are part of a tax group in Sweden, and tax regulations in Sweden do not temporarily limit the use of tax losses incurred in previous years.

The Group did not recognise any deferred income tax asset on the tax losses suffered by Arctic Paper SA due to the limited period of applying the losses in the coming years when the Company does not expect to generate taxable income to be offset against the losses.

The decision to create or not create an asset is dictated by the recoverability of the asset at the entity level.

14. Earnings per share

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

The information regarding profit (loss) and the number of shares which constituted the base to calculate earnings per share and diluted earnings (loss) per share is presented below (all shares are ordinary shares and belong to the same class):

	Year ended on 31 December 2022	Year ended on 31 December 2021
Net profit/(loss) attributable to the shareholders of the Parent Entity	631 001	127 154
Total number of shares Weighted average number of shares Diluted weighted average number of ordinary shares	69 287 783 69 287 783 69 287 783	69 287 783 69 287 783 69 287 783
Profit/(loss) per share (in PLN) - basic earnings from the profit (loss) for the period	03 201 100	03 201 103
attributable to the shareholders of the Parent Entity Diluted profit/(loss) per share (in PLN)	9,11	1,84
 from the profit/(loss) for the period attributable to the shareholders of the Parent Entity 	9,11	1,84

In the period between the balance sheet date and the date hereof there were no transactions related to ordinary shares.

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the annual report for 2022.

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

On 22 June 2022, the General Meeting of the Company, having considered the Management Board's proposal on dividend payment, resolved to allocate the Company's net profit for the financial year 2021 and a part of net profits from previous years accumulated on the Company's reserve capital, in the total amount of PLN 27,715,113.20 for dividend payment to the Company's shareholders. Dividend per share was PLN 0.40 gross. Pursuant to the resolution of the AGM, on 08 July 2022, the Company paid a dividend as recommended by the Management Board and the Supervisory Board.

Dividend payment restrictions are described in note 25.5.

The table below provides a summary of dividend amounts in 2022:

Type of dividend	amount
Dividends recognised as distributions to owners per share (PLN)	0,40
Dividends proposed or enacted up to the date the financial statements were authorised for issue but not recognised as distributed to shareholders (in PLN '000).	187 077
Dividends proposed or enacted by the date the financial statements were authorised for issue but not recognised as distributed to holders of shares, per share (PLN)	2,70

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

16. Tangible fixed assets

Tangible fixed assets include property, plant and equipment excluding right-of-use assets and right-of-use assets.

	As at 31 December 2022	As at 31 December 2021
Tangible fixed assets without assets with the right of use	1 095 320	1 115 425
Right-of-use assets	29 684	39 854
TOTAL	1 125 004	1 155 280

16.1. Tangible fixed assets without assets with the right of use

Increase due to purchase 6 436 73 418 83 494 163 346 Increase due to transfer of tangible fised assets under construction 9 468 24 889 (34 357) (300 0) (300 0) (300 0) (300 0) (300 0) (300 0) (300 0) (34 0) (497) (351 0) (351		Land and buildings	Plant and machinery	Fixed assets under construction	Total
Increase due to purchase 6.456 73.418 83.494 163.345 167.5346 167.5346 167.5346 167.5346 167.5346 167.5356 1	Net carrying amount as at 01 January 2021	242 898	762 773	42 300	1 047 972
Decreases due to disposal - (900) (900 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 100 (900 (900 100 (900		6 436	73 418	83 494	163 348
Decreased due to fluidation (54) (477) (551	Increase due to transfer of tangible fixed assets under construction	9 468	24 889	(34 357)	_
Depreciation allowance for the period (16 347) (85 158) . (101 205 Impairment 9 291 13 412 . 22,700 122 122,700 123	Decreases due to disposal	-	(900)	· · · · · -	(900)
Impairment	Decreases due to liquidation	(54)	(497)	-	(551)
Change to presentation within groups	Depreciation allowance for the period	(16 347)	(85 158)	-	(101 505)
Net carrying amount as at 31 December 2021 267 632 757 261 90 532 1.115 422	Impairment	9 291	13 412	-	22,703
Net carrying amount as at 31 December 2021 Net carrying amount as at 01 January 2022 267 632 757 262 90 532 1115 428 Increase due to transfer of tangible fixed assets under construction 7 940 70 309 78 248) Corceases due to liquidation 1 940 Pocreases due to liquidation due to liqu	Change to presentation within groups	19 183	(19 305)	-	(122)
Net carrying amount as at 01 January 2022 267 632 757 262 90 532 1115 426 Increase due to purchase 12 729 52 444 79 100 144 775 Increase due to purchase 12 729 52 446 79 100 144 775 Increase due to Intransfer of tangible fixed assets under construction 79 40 70 309 (78 248) 0 C 165 10 10 10 10 10 10 10 10 10 10 10 10 10	FX differences on translation	(3 243)	(11 371)	(906)	(15 519)
Increase due to purchase 12 729 52 944 79 100 144 773 Increase due to transfer of tangible fixed assets under construction 7 940 70 309 (78 248) 0 Decreases due to disposal - (165) - (165) - (165 Decreases due to liquidation - (1432) - (1432 Depreciation allowance for the period (17 493) (96 689) - (114 143 Impairment - (14 411) - (24 14 14 14 14 14 14 14 14 14 14 14 14 14	Net carrying amount as at 31 December 2021	267 632	757 261	90 532	1 115 425
Increase due to purchase 12 729 52 944 79 100 144 773 Increase due to transfer of tangible fixed assets under construction 7 940 70 309 (78 248) 0 Decreases due to disposal - (165) - (165) - (165 Decreases due to liquidation - (1432) - (1432 Depreciation allowance for the period (17 493) (96 689) - (114 143 Impairment - (14 411) - (24 14 14 14 14 14 14 14 14 14 14 14 14 14	Net carrying amount as at 01 January 2022	267 632	757 262	90 532	1 115 425
Increase due to transfer of tangible fixed assets under construction		12 729	52 944	79 100	144 773
Decreases due to disposal - (165) - (165) - (165) Decreases due to liquidation - (142) - (1432) Depreciation allowance for the period (1743) (96688) - (114183) Impairment - (4411) - (44111) Change to presentation within assets - (241) - (241	·				0
Decreases due to liquidation - (432) (432) (432) (432) (432) (432) (432) (432) (4432) (4432) (4432) (441) (411) (411) (411) (411) (411) (411) (411) (422) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432) (432)	-	-		(.02.0)	
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Change to presentation within assets - (241) - (241) EX differences on translation (10 989) (29 866) (4 591) (45 466) Net carrying amount as at 31 December 2022 259 818 748 709 86 793 1 095 322 Balance as at 01 January 2021 355 708 2 335 094 42 300 2 933 102 Depreciation/amortisation and impairment allowances (312 810) (1 572 320) - (1 885 130) Net carrying amount 242 898 762 773 42 300 1 047 972 Balance as at 31 December 2021 358 677 2 181 612 90 532 2 855 821 Opereciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395) Net carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances 583 677 2 181 612 90 532 2 855 821 Balance as at 01 January 2022 358 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351)		(17 400)		_	
Ex differences on translation (10 989) (29 866) (4 591) (45 446)	·	_		_	
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Balance as at 01 January 2021 Gross carrying amount 555 708 2 335 094 42 300 2 933 102 Depreciation/amortisation and impairment allowances (312 810) (1 572 320) - (1 885 130 Net carrying amount 242 898 762 773 42 300 1 047 972 Balance as at 31 December 2021 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395 Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396 Net carrying amount 580 673 2 181 612 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	FA differences on translation	(10 969)	(29 866)	(4 591)	(45 446)
Gross carrying amount 555 708 2 335 094 42 300 2 933 102 Depreciation/amortisation and impairment allowances (312 810) (1 572 320) - (1 885 130) Net carrying amount 242 898 762 773 42 300 1 047 972 Balance as at 31 December 2021 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395) Net carrying amount 267 632 757 261 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Balance as at 31 December 2022 367 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 367 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 367 632	Net carrying amount as at 31 December 2022	259 818	748 709	86 793	1 095 320
Depreciation/amortisation and impairment allowances (312 810) (1 572 320) - (1 885 130) Net carrying amount 242 898 762 773 42 300 1 047 972 Balance as at 31 December 2021 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1740 395) Net carrying amount 267 632 757 261 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1740 396) Net carrying amount 267 632 757 261 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 30 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Balance as at 01 January 2021				
Net carrying amount 242 898 762 773 42 300 1 047 972 Balance as at 31 December 2021 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395 Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396 Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 757 261 90 532 1 115 425 Gross carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128	Gross carrying amount	555 708	2 335 094	42 300	2 933 102
Balance as at 31 December 2021 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Depreciation/amortisation and impairment allowances	(312 810)	(1 572 320)	-	(1 885 130)
Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Net carrying amount	242 898	762 773	42 300	1 047 972
Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 395) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 446 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Balance as at 31 December 2021				
Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Gross carrying amount	583 677	2 181 612	90 532	2 855 821
Balance as at 01 January 2022 Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Depreciation/amortisation and impairment allowances	(316 045)	(1 424 351)	-	(1 740 395)
Gross carrying amount 583 677 2 181 612 90 532 2 855 821 Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Net carrying amount	267 632	757 261	90 532	1 115 425
Depreciation/amortisation and impairment allowances (316 045) (1 424 351) - (1 740 396) Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 446 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Balance as at 01 January 2022				
Net carrying amount 267 632 757 261 90 532 1 115 425 Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 445 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Gross carrying amount	583 677	2 181 612	90 532	2 855 821
Balance as at 31 December 2022 Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Depreciation/amortisation and impairment allowances	(316 045)	(1 424 351)	-	(1 740 396)
Gross carrying amount 580 482 2 146 173 86 793 2 813 448 Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Net carrying amount	267 632	757 261	90 532	1 115 425
Depreciation/amortisation and impairment allowances (320 664) (1 397 463) - (1 718 128)	Balance as at 31 December 2022				
	Gross carrying amount	580 482	2 146 173	86 793	2 813 448
Net carrying amount 259 818 748 709 86 793 1 095 320	Depreciation/amortisation and impairment allowances	(320 664)	(1 397 463)	-	(1 718 128)
	Net carrying amount	259 818	748 709	86 793	1 095 320

Impairment of tangible fixed assets for the year ended on 31 December 2022 was PLN 0 thousand (in the year ended on 31 December 2021: PLN +22,703 thousand, reversal).

Property, plant and equipment excluding rights-of-use assets with a carrying amount of PLN 718,891 thousand (as at 31 December 2021: PLN 720,498 thousand are subject to mortgage to secure the bank loans (note 26.2).

The amount of capitalised external funding costs and FX gains/losses in the year ended on 31 December 2022 was PLN 0 thousand (in the year ended on 31 December 2021: PLN 2 thousand).

The value of depreciation for 2022 for additions to property, plant and equipment made during 2022 amounted to PLN 5,936 thousand and related mainly to machinery and equipment (2021: PLN 4,588 thousand).

16.2. Right-of-use assets

Right-of-use assets with a carrying amount of PLN 4,255 thousand as at 31 December 2022 (PLN 7,399 thousand as at 31 December 2021) are covered by mortgages/pledges established to secure lease liabilities.

	Land and buildings	Plant and machinery	Total
Net carrying amount as at 01 January 2021	27 532	9 618	37 150
Increase due to purchase	12 274	1 702	13 976
Decreases due to disposal	(437)	-	(437)
Decreases due to liquidation	-	-	-
Depreciation allowance for the period	(6 685)	(3 714)	(10 399)
FX differences on translation	(228)	(208)	(436)
Net carrying amount as at 31 December 2021	32 455	7 399	39 854
Net carrying amount as at 01 January 2022	32 455	7 399	39 854
Increase due to purchase	4 654	4 174	8 829
Decreases due to disposal	-	(3 797)	(3 797)
Decreases due to liquidation	(3 823)	(79)	(3 902)
Depreciation allowance for the period	(7 213)	(3 094)	(10 307)
FX differences on translation	(646)	(348)	(994)
Net carrying amount as at 31 December 2022	25 429	4 255	29 684
Balance as at 01 January 2021			
Gross carrying amount	40 584	16 887	57 471
Depreciation/amortisation and impairment allowances	(13,052)	(7 269)	(20 321)
Net carrying amount	27 532	9 618	37 150
Balance as at 31 December 2021			
Gross carrying amount	52 436	16 360	68 795
Depreciation/amortisation and impairment allowances	(19,980)	(8 961)	(28 941)
Net carrying amount	32 455	7 399	39 854
Balance as at 01 January 2022			
Gross carrying amount	52 436	16 360	68 795
Depreciation/amortisation and impairment allowances	(19,980)	(8 961)	(28 941)
Net carrying amount	32 455	7 399	39 854

Net carrying amount	25 429	4 255	29 684
Depreciation/amortisation and impairment allowances	(23,950)	(6 069)	(30 019)
Gross carrying amount	49 379	10 325	59 703

16.3. Investment plans

As at 31 December 2022, the Group plans to make expenditures on tangible fixed assets in 2023 of minimum PLN 180 million. These amounts will be allocated to the purchase of new machinery and equipment.

As at 31 December 2021, the Group planned expenditures on tangible fixed assets of no less than PLN 130 million in 2022.

17. Leases

The Group entered into lease contracts covering selected motor vehicles, technical equipment, offices and warehouses and perpetual usufruct right of land.

As at 31 December 2022 and 31 December 2021 the future minimum lease fees and the present value of minimum net lease fees were as follows:

As at 31 December 2022

As at 31 December 2021

	As at 31 December 2022		As at 31 December 2021	
	Minimum fees	Present value of the fees	Minimum fees	Present value of the fees
In 1 year In 1 to 5 years	8 537 14 316	7 881 11 254	9 438 17 225	8 845 15 753
Over 5 years	46 137	11 061	47 824	12 503
Total minimum lease fees Minus financial expenses	68 989 (38 792)	30 197	74 488 (37 387)	37 101
Value of present minimum lease fees, of which: - short-term - long-term	30 197	30 197 7 881 22 315	37 101	37 101 8 845 28 256

The Group applies leasing simplifications for leases of low value and a term of 12 months or less. In 2022, the value of leases for low-value assets amounted to PLN 26 thousand (2021: PLN 21 thousand). In 2022 and 2021, the Group did not enter into leases of 12 months or less.

18. Investment properties

	Year ended on 31 December 2022	Year ended on 31 December 2021
Opening balance as at 01 January	2 978	3 086
Increases (subsequent expenditures)	-	-
Sale of properties	-	-
Profit/(loss) on fair value measurement	(1 215)	(108)
Closing balance as at 31 December	1 763	2 978

Investment properties include undeveloped plots of land in Warsaw.

Investment properties were disclosed at fair value as a result of an appraisal by an accredited appraiser. The appraisal was made with a comparative approach, the adjusted average price method.

The property appraiser holds a license in property appraising granted by the President of the Housing and City Development Office. The market value of a property is the most likely price that may be realised in the market, determined with reference to transactional prices and subject to the following assumptions:

- the parties to the transaction were independent of each other, were not forced to act and were willing to enter into the transaction,
- sufficient time has expired to expose the property to the market and to negotiate contractual terms and conditions.

The market value for the current method of use (WRU) was appraised subject to:

- purpose of the appraisal,
- type and location of the property,
- function in the local development plan,
- existence of technical infrastructure,
- condition of the property,
- available data on prices of similar properties.

The current costs incurred in 2022 included real estate tax of PLN 11 thousand (2021: PLN 11 thousand).

19. Intangible assets and goodwill

Status as at 31 December 2022

		Relations with		Co-generation certificates and CO2 emission		
	Goodwill	customers	Trademarks	rights	Other*	Total
Net value as at 01 January 2022	9 421	-	42 302	11 752	2 613	66 088
Increases	-	-	-	21 782	127	21 910
Decreases	-	-	-	(10 038)	-	(10 038)
Depreciation for the period	-	-	-	-	(2 093)	(2 093)
Impairment (reversal)	-	-	-	-	-	-
FX differences on translation	(573)	-	(2 494)	67	(120)	(3 120)
Net value as at 31 December 2022	8 847	-	39 808	23 563	527	72 746
As at 01 January 2022	-					
Gross value	9 421	35 115	89 502	11 752	41 739	187 528
Depreciation/amortisation and impairment allowances	-	(35 115)	(47 200)	-	(39 126)	(121 440)
Net value	9 421	-	42 302	11 752	2 613	66 088
As at 31 December 2022	-					
Gross value	8 847	35 115	84 136	23 563	40 576	192 237
Depreciation/amortisation and impairment allowances	-	(35 115)	(44 327)	-	(40 049)	(119 491)
Net value	8 847	-	39 808	23 563	527	72 746

Status as at 31 December 2021

	certificates ar			Co-generation certificates and			
	Goodwill	Relations with	Tue de me entre	CO2 emission	Other*	Tatal	
	Goodwiii	customers	Trademarks	rights	Otner"	Total	
Net value as at 01 January 2021	9 656	-	34 768	3 118	5 365	52 907	
Increases	-	-	-	11 676	89	11 765	
Decreases	-	-	-	(3 042)	-	(3 042)	
Depreciation for the period	-	-	-	-	(2 768)	(2 768)	
Impairment (reversal)	-	-	8 783		-	8 783	
FX differences on translation	(235)	-	(1 249)	-	(73)	(1 557)	
Net value as at 31 December 2021	9 421	-	42 302	11 752	2 613	66 088	
As at 01 January 2021							
Gross value	9 656	35 115	91 704	3 118	42 717	182 309	
Depreciation/amortisation and impairment allowances	-	(35 115)	(56 936)	-	(37 352)	(129 402)	
Net value	9 656	-	34 768	3 118	5 365	52 907	
As at 31 December 2021							
Gross value	9 421	35 115	89 502	11 752	41 739	187 528	
Depreciation/amortisation and impairment allowances	-	(35 115)	(47 200)	-	(39 126)	(121 440)	
Net value	9 421	-	42 302	11 752	2 613	66 088	

^{* -} The item Other contains mainly computer software.

At 31 December 2022 and 31 December 2021, trademarks include Arctic Paper's trademarks (net value at 31 December 2022 and 31 December 2021: PLN 1,319 thousand), AP Grycksbo (net value at 31 December 2022: PLN 7,841 thousand, net value at 31 December 2021: PLN 8,349 thousand) and Rottneros (net worth at 31 December 2022: PLN 30,648 thousand and 31 December 2021: PLN 32,634 thousand). The Arctic Paper and Rottneros trademarks are not impaired. The trademark in AP Grycksbo as at 31 December 2022 is subject to an impairment allowance of PL 44,327 thousand (as at 31 December 2021: PLN 47,200 thousand). The issue of the reversal of the impairment of the AP Grycksbo trademark as at 31 December 2021 is further discussed in note 21.2.

Impairment of intangible assets recognised in the year ended 31 December 2022 amounted to PLN 0 thousand (recognised in the year ended 31 December 2021: PLN +8,783 thousand, reversal).

The carrying amount of the Rottneros Group's non-current assets, intangible assets and goodwill adopted for consolidation of the Arctic Paper Group in these consolidated financial statements is measured at comparable amounts to those presented in the Rottneros Group's consolidated financial statements. For this reason, the impairment analysis of the assets allocated to the Rottneros Group cash generating unit was based on the impairment analysis prepared by the Rottneros Group. The unit is allocated goodwill and a trademark with an indefinite useful life. At 31 December 2022, the recoverable amount of the centre was determined on the basis of value in use using the discounted cash flow method. A discount rate (WACC) in the range of 11%-12% and a forecast period from 2023 to a maximum of 2030 were used to calculate the value in use of the net assets attributable to the cash-generating unit. The projected flows included a residual period of more than 5 years due to the Group's strategy of operating the centre indefinitely. For Rottneros Packaging, the forecasted cash flows covered a period of 8 years and a residual period, as it was considered that due to the nature of its operations, adopting a shorter period would not allow for proper recognition of the target cash flows in the test. As at 31 December 2022, the total net assets tested for impairment amounted to PLN 629,843 thousand (including goodwill of PLN 8,847 thousand and trademark of PLN 30,648 thousand).

As the performance of this cash generating unit for 2021 was better than expected and the analysis of events and circumstances since the date of the last test indicated a low probability of a recoverable amount lower than the carrying amount of the net assets constituting the cash generating unit, the Rottneros Group assessed that there was no risk of impairment for their non-current and intangible assets as at 31 December 2021 and, in accordance with IAS 36.24, waived the test as at 31 December 2021, relying instead on the test performed as at 31 December 2020. At 31 December 2020, the recoverable amount of the centre was determined on the basis of value in use using the discounted cash flow method. A discount rate (WACC) in the range of 10%-11% and a forecast period from 2022 to a maximum of 2028 were used to calculate the value in use of the net assets attributable to the cash-generating unit. The projected flows included a period of 5 years and a residual period due to the Group's strategy of operating the centre indefinitely. As at 31 December 2021, the total net assets attributable to the Rottneros Group amounted to PLN 656,972 thousand (including goodwill of PLN 9,421 thousand and trademark of PLN 32,634 thousand).

The recoverable amount of the net assets allocated to the cash-generating units was higher than the carrying amount of these assets and therefore the test did not indicate an impairment of the Rottneros Group's property, plant and equipment, intangible assets and goodwill recognised in these consolidated financial statements as at 31 December 2022 and 31 December 2021.

Intangible assets with a carrying amount of PLN 33,250 thousand (as at 31 December 2021: PLN 22,239 thousand) are used as collateral for bank loans (Note 26.2).

20. Other assets

20.1. Other financial assets

	Note	Year ended on 31 December 2022	Year ended on 31 December 2021
Hedging instruments	35.4.2.	309 754	109 344
Derivatives valued ar fair value through profit or loss		72 781	-
Investments in equity instruments		3 370	3 589
Receivables from realised forward contracts		37 641	18 811
Receivables from pension fund		22 829	25 472
Total		446 028	- 157 216
- short-term - long-term		283 411 162 617	97 358 59 858

20.2. Other non-financial assets

	Year ended on 31 December 2022	
Insurance costs	573	771
Lease fees	131	35
Advance payments for services	8 488	4 121
Rent	1 521	631
Other	1 612	3 166
		-
Total	12 325	8 723
- short-term	12 048	8 423
- long-term	277	300

20.3. Joint ventures

Interests in joint ventures include shares in three energy companies. The purpose of acquiring the shares was to implement the strategy of increasing its own energy capacity.

21. Impairment test for tangible fixed assets and intangible assets

21.1. Goodwill

As at 31 December 2022 and 31 December 2021, the Rottneros Group performed impairment tests for goodwill using the discounted cash flow method. Tests showed no need to write down goodwill at this date.

The performance of the cash flow generating unit attributable to goodwill for 2022 and 2021 was better than expected. On the basis of the impairment test regarding property, plant and equipment and intangible assets (note 19), the Rottneros Group has assessed that there is no risk of impairment for goodwill as at 31 December 2022 and 31 December 2021.

21.2. Arctic Paper Grycksbo

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.

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. The recoverable amount of the cash-generating unit as at 31 December 2022 was determined as its value in use and amounted to PLN 152,082 thousand. The test did not result in a change in the impairment allowance as at 31 December 2022.

The total cumulative impairment allowance for Arctic Paper Grycksbo as at 31 December 2022 amounted to PLN 267,164 thousand (31 December 2021: PLN 284,477 thousand). The difference in the impairment allowance was due to the measurement of the impairment allowance from previous years denominated in SEK to the presentation currency – PLN.

The value of the weighted average cost of capital (WACC) at 31 December 2022 was 9.4% (at 31 December 2021 8.0%).

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:

Parameter	Average annual change of the parameter by	Impact on the value of assets 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

22. Inventories

	As at 31 December 2022	As at 31 December 2021
Materials (at purchase prices)	258 076	184 410
Production in progress (at manufacturing costs)	9 170	10 470
Finished products, of which:		
At purchase price / manufacturing costs	333 922	201 266
At net realisable price	-	6 706
Advance payments for deliveries	37	16
Total inventories, at the lower of:		
purchase price / manufacturing costs or net realisable price	601 205	402 868
Impairment allowance to inventories	9 703	10 451
Total inventories before impairment allowance	610 909	413 320

Goods amounted to PLN 327 thousand at 31 December 2022 (31 December 2021: PLN 487 thousand).

The value of inventories recognised in 2022 costs is PLN 2,389 thousand (2021: PLN 1,824 thousand). In the year ended 31 December 2022, the Group reduced inventory write-downs by a net amount of PLN 748 thousand (2021: net reduction of PLN 23,765 thousand). The reduction in the allowance was mainly due to the sale or scrapping of spare parts. At the same time, the group created a write-down on inventories in the amount of PLN 3,792 thousand. PLN related to the discontinued production line in Sweden.

The difference in the impairment allowances is referred to costs of sales in the profit and loss account. The impairment allowance is related to finished products and slowly (including spare parts) rotating materials and exposed to the risk of damage, obsolescence or non-use for internal needs.

During the financial year ended 31 December 2022, the Group had a pledge agreement on all movable assets, understood as inventory, trade receivables and cash, in the amount of PLN 952,687 thousand, SEK 135 thousand, NOK 58 thousand.

In the financial year ended on 31 December 2021 the Group had a pledge agreement on its entire movable assets understood as inventories, trade receivables and cash for PLN 556,087 thousand, NOK 58 thousand,

418 485

23. Trade and other receivables

Gross receivables

	As at 31 December 2022	As at 31 December 2021
Trade receivables	457 032	359 163
VAT receivables	38 442	33 010
Other third party receivables	5 201	7 118
Other receivables from related entities	2 716	3 239
		-
Total (net) receivables	503 391	402 530
Impairment allowances to receivables	5 482	15 954

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

508 873

The terms and conditions of transactions with related entities are presented in note 32.

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

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

As at 31 December 2022, trade receivables of PLN 5,482 thousand (as at 31 December 2021: PLN 15,954 thousand) were deemed uncollectible and therefore written off.

The changes to impairment allowances to receivables were as follows:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Impairment allowance as at 01 January	15 954	18 680
Increase	(209)	1,396
Utilisation	(10 484)	(3,052)
Release of unused allowance	(7)	(1 531)
FX differences on translation of foreign operations	227	461
Impairment allowance as at 31 December	5 482	15 954

The impairment allowance fully refers to receivables under contracts with customers.

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

	Total	Not overdue	Overdue but collectible				
			< 30 days	30-60 days	60-90 days	90-120 days	>120 days
As at 31 December 2022	457 032	399 413	52 226	2 401	172	248	2 573
As at 31 December 2021	359 163	332 489	21 349	3 764	155	45	1 361

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

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

The policy regarding the recognition of impairment allowances on receivables is described in Notes 9.11 and 35.4.

24. Cash and cash equivalents

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

The fair value of cash and cash equivalents at 31 December 2022 is PLN 481,930 thousand (31 December 2021: PLN 167,927 thousand).

As at 31 December 2022, the Group had unused cash under current facilities of PLN 227,286 thousand (31 December 2021: PLN 212,115 thousand).

As at 31 December 2022, the Group had a used overdraft facility of PLN 0 thousand (31 December 2021: PLN 0 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	481 930	167 824
Short-term deposits	-	107 024
Cash in transit	<u>-</u>	103
Cash and cash equivalents in the consolidated statement of financial position	481 930	167 927
Cash in bank and on hand attributable to discontinued operations	-	<u> </u>
Cash and cash equivalents in the consolidated cash flow statement	481 930	167 927

Since 2017, cash pooling in EUR and in PLN has been operating within the Arctic Paper Group companies. The operation consists in pooling cash balances held by the individual system participants and setting them off with temporary shortages of funds with the other cash-pool participants. The solution is aimed at supporting effective cash management in the Group and minimising the costs of external funding sources by using the Group's own cash.

25. Share capital and reserve capital/other reserves

25.1. Share capital

Share capital	As at 31 December 2022	As at 31 December 2021
series A ordinary shares of the nominal value of PLN 1 each	50 000	50 000
series B ordinary shares of the nominal value of PLN 1 each	44 253 500	44 253 500
series C ordinary shares of the nominal value of PLN 1 each	8 100 000	8 100 000
series E ordinary shares of the nominal value of PLN 1 each	3 000 000	3 000 000
series F ordinary shares of the nominal value of PLN 1 each	13 884 283	13 884 283
Number of shares	69 287 783	69 287 783
Value of share capital	69 287 783	69 287 783

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

In 2021 and 2021 there were no changes to the share capital of Arctic Paper S.A.

25.1.2. Nominal value of shares

The shares have a nominal value of PLN 1 and have been fully paid.

25.1.3. Shareholders' rights

Shares in all series are entitled to one vote and they have equal privileges as to dividend and capital refund.

25.2. FX differences on translation of foreign operations

The item is adjusted for FX differences on translation of financial statements of foreign operations that have a functional currency other than PLN, to the presentation currency of these financial statements being PLN. The rules of translation along with the applied FX rates are described in note 9.4.

25.3. Reserve capital

Reserve capital is made up of the issue price of shares of Arctic Paper S.A. in excess of their nominal value reduced by the costs of the issues that took place in 2009, 2010 and 2013, equal to PLN 134,257 thousand, reduction of the nominal price of the shares from PLN 10 to PLN 1 in 2012 of PLN 498,632 thousand and a portion of retained profit and accumulated loss resulting from profit distribution by Arctic Paper S.A. of PLN -224,913 thousand.

The table below presents changes to the reserve capital in the year ended on 31 December 2022 and 31 December 2021:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Reserve capital at the beginning of period	407 976	407 976
Profit/(loss) distribution Reserve capital at end of the period	407 976	407 976

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.

25.4. Other reserves

The capital reserve comprises part of the retained earnings and losses arising from the distribution of the result of Arctic Paper S.A., the reclassification between capitals in APSA and the capital from the valuation of hedging transactions.

The table below presents changes to the reserve capitals in the year ended on 31 December 2022 and 31 December 2021:

Year ended on 31 December 2022

Year ended on 31 December 2021

Other reserves at the beginning of period	201 226	160 376
Changes to cash flow hedges		
Change of measurement of financial instruments, of which:	147 549	73 092
- Forward for electricity	139 895	70 780
- interest rate SWAP	4 845	5 764
- Forward for pulp	2 810	(3 452)
Deferred income tax on the change of measurement of financial instruments, including:	(30 400)	(14 843)
- Forward for electricity	(28 811)	(14 927)
- interest rate SWAP	(941)	(606)
- Forward for pulp	(648)	690
Other changes		
Dividend disbursed to shareholders of AP SA	(5 928)	(17 399)
Other reserves at the end of period	312 447	201 226

25.5. Retained profit/accumulated loss and restrictions to dividend distribution

The item of retained profit/accumulated loss covers retained profit/accumulated loss of the financial year and actuarial gains/losses on actuarial measurement of provisions for retirement benefits.

Retained profit/accumulated loss in the consolidated financial statements may contain amounts that are not distributable – such that may not be distributed as dividend. The statutory financial statements of the entities are made in compliance with the local accounting standards and the Articles of Association of those companies. Moreover Arctic Paper Kostrzyn S.A. and Arctic Paper S.A.prepare financial statements in accordance with international financial reporting standards. Dividend to the parent entity may be distributed out of net profit disclosed in their standalone financial statements made for statutory purposes. Such local definition of undistributed profit often differs from the definition of undistributed profit resulting from EU IFRS which may restrict profit distribution. For instance, local legal regulations often require allocations to certain reserves on account of potential future losses. Application of different accounting principles may generate differences between statutory financial statements and reporting packages for consolidation purposes.

Dividend for shareholders of the parent entity may be distributed out of net profit disclosed in the standalone annual financial statements of Arctic Paper S.A. made for statutory purposes.

In connection with the term and revolving loan agreements signed on 2 April 2021, the Company's ability to pay dividends is subject to the Group meeting certain financial ratios in the period prior to payment (as that term is defined in the term and revolving credit facility agreement) and there being no event of default (as that term is defined in the term and revolving loan agreement). In 2022 there have been no restrictions concerning dividend distribution due to that reason.

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

The retained profit/accumulated loss in the balance sheet as at 31 December 2022 and 31 December 2021 is composed of the following items:

	As at 31 December 2022	As at 31 December 2021
Consolidated profit/(loss) attributable to the parent company	785 429	154 427
Consolidated profit / loss from the distribution of profit / loss of the parent company, incl.	56 717	78 504
- from the distribution of profit / loss for the last year	(21 787)	(3 387)
Profit / loss on the acquisition/sale of Rottneros AB shares from non-controlling shareholders, incl.	23 193	23 193
- profit	29 353	29 353
- loss	(6 160)	(6 160)

Actuarial profit/(loss)	(27 638)	(30 011)
Profit/(loss) retained at the end of the period	837 702	226 113

25.6. Non-controlling interests

	Year ended on 31 December 2022	Year ended on 31 December 2021
As at beginning of the period	330 859	283 056
Dividend disbursed by subsidiary entities	(20 088)	(15 179)
Share in other comprehensive income of subsidiary entities	153 792	62 981
At the end of period	464 563	330 859

Non-controlling interests cover a portion of the Group's equity attributable primarily to the non-controlling shareholders in Rottneros AB. The table below presents the main financial data for the Rottneros Group disclosed in the consolidation of the Arctic Paper Group, taking into account the settlement of the fair value of the assets acquired as at the date of taking control of the Rottneros Group:

Consolidated profit and loss account	Year ended on 31 December 2022	Year ended on 31 December 2021
	4 044 470	4 000 004
Revenues from sales of products	1 314 473	1 036 381
Operating expenses	(1 076 712)	(912 460)
Operating profit (loss)	237 761	123 921
Financial income/expenses	88 661	(1 350)
Gross profit (loss)	326 422	122 571
Income tax	(68 088)	(24 273)
Net profit/(loss)	258 334	98 298

Consolidated balance sheet	As at 31 December 2022	As at 31 December 2021
Fixed assets	548 430	490 440
Current assets, of which:	777 298	443 217
Inventories	183 687	146 692
Receivables and other assets	397 707	224 300
Cash and cash equivalents	195 905	72 225
TOTAL ASSETS	1 325 728	933 657
Equity	865 248	573 398
Long-term liabilities	184 108	159 287
Short-term liabilities	276 373	200 973
TOTAL EQUITY AND LIABILITIES	1 325 728	933 657
Consolidated cash flow statement	Year ended on 31 December 2022	Year ended on 31 December 2021
Cash flows from operating activities	244 488	135 503
Cash flows from investing activities	(54 815)	(51 350)
Cash flows from financing activities	(55 578)	(160 205)
Change in cash and cash equivalents	134 094	(76 052)
Cash and cash equivalents at the beginning of the period	72 225	151 734
Net FX differences	(10 414)	(3 457)
Cash and cash equivalents at the end of the period	195 905	72 225

During 2022, Rottneros AB paid dividends, totalling PLN 41,248 thousand (SEK 91 million) of which PLN 20,088 thousand related to non-controlling shareholders.

During 2021, Rottneros AB paid dividends, totalling PLN 31,168 thousand (SEK 69 million) of which PLN 15,179 thousand related to non-controlling shareholders.

Due to the signed loan agreement, RROS AB has a dividend restriction of 50% of net profit.

There are no other restrictions on the management of assets and capital for the Arctic Paper Group due to the non-controlling shareholders of the Rottneros Group.

25.7. Analysis of other comprehensive income by capital item

	As at 31 December 2022	As at 31 December 2021
FX differences on translation of foreign operations		
included in "FX differences on translation of foreign operations" attributable to		
equity holders of the parent company	(47 328)	(8 293)
included under "Non-controlling shareholders' equity"	(23 938)	(6 745)
Measurement of financial instruments		
Items to be reclassified to profit/(loss) in future reporting periods:		
included under "Other reserves"	252 488	44 426
included under "Non-controlling shareholders' equity"	118 137	37 613
reclassified to profit/(loss) during the reporting		
included under "Other reserves"	(135 339)	13 823
included under "Non-controlling shareholders' equity"	(66 228)	(16 640)
Actuarial profit/(loss) for defined benefit plans		
recognised under "Retained earnings"	2 373	5 836
included under "Non-controlling shareholders' equity"	-	-
TOTAL	100 166	70 020
whereof attributable to:		
The shareholders of the Parent Entity	72 195	55 792
Non-controlling shareholders	27 971	14 228

26. Bank loans and other financial liabilities

Short-term liabilities	Note	Repayment date	Interest rate	As at 31 December 2022	As at 31 December 2021
Other financial liabilities:					
Lease liabilities	17	until 31-12-2022		7 881	8 845
Hedging instruments	35.4			-	3 140
Other liabilities		until 31-12-2022		174	184
Total other short-term financial liabilities				8 055	12 170
Bank loans:					
Long-term loan from a bank consortium: Santander, Pekao, BNP (short-term portion) in PLN		31-03-2026	9,10%	14 828	16 064
Long-term loan from a bank consortium: Santander, Pekao, BNP (short-term portion) in EUR Revolving credit facility with bank consortium (Santander, Pekao, BNP)	35.3	31-03-2026	3,75%	15 497	15 556
in PLN	35.3	03-31-2024	8,54%	-	11 793
Revolving credit facility with bank consortium (Santander, Pekao, BNP) in EUR	35.3	03-31-2024	3,09%	-	6 520
Loan from Nordea Bank Abp in SEK	35.3	until 31-12-2024	NSSu+1,75%	5 062	34 556
Total short-term bank loans				35 387	84 489
Total short-term financial liabilities				43 443	96 659
Long-term liabilities	Note	Maturity		As at 31 December 2022	As at 31 December 2021
Other financial liabilities:					
Lease liabilities	17	until 31-12-2089		22 315	28 256
Other liabilities				843	897
Total other long-term financial liabilities				23 158	29 153
Bank loans:					
Long-term loan from a bank consortium: Santander, Pekao, BNP (long-term portion) in PLN	35.3	31-03-2026	9,10%	36 043	50 968
Long-term loan from a bank consortium: Santander, Pekao, BNP (long-term portion) in EUR	35.3	31-03-2026	3,75%	36 979	50 579
Loan from Nordea Bank Abp in SEK (long-term part)	35.3	do 31-12-2024	NSSu+1,75%	23 593	-
Loan from Danske Bank in SEK	35.3	14-07-2024	STIBOR 3M+1,75%	42 551	59 664
Total long-term bank loans				139 166	161 210
Total long-term financial liabilities				162 324	190 364

^{*} as at 31 December 2021, the loan is reported in accordance with the agreement in force on that date; repayment date extended according to the annex signed in the next year

26.1. Bank loans

In the period covered by this report, the Group made a partial repayment of the term loan under the loan agreement concluded on 2 April 2021 with a syndicate of banks in the amount of PLN 29,964 thousand, a full repayment of the revolving loan drawn under the aforementioned agreement in the amount of PLN 18,313 thousand and made a partial repayment of the loan with Nordea Bank in the amount of PLN 3,970 thousand and with Danske Bank in the amount of PLN 14,115 thousand.

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

26.2. Collateral to loans

2022

The collateral established in connection with the term and revolving loan agreements signed on 2 April 2021 and signed on 11 May 2021 remained unchanged as at 31 December 2022 in comparison to the status as at 31 December 2021.

Apart from the above, as at 31 December 2022 the Group disclosed:

- 1) collateral on assets related to the obligations contracted by Rottneros AB with Danske Bank this is:
 - pledge on assets for SEK 284,730 thousand (PLN 119,957);
- 2. collaterals on assets on account of AP Kraft's liabilities with Nordea Bank these are:
 - mortgage on assets for SEK 80,000 thousand (PLN 33,704 thousand).

2021

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

- 1. under Polish law Collateral Documents establishing the following Collateral:
 -) financial and registered pledges on all shares held by the Company and the Guarantors that are registered in Poland and belong to companies in the Company's group (except Rottneros AB, Arctic Paper Mochenwangen GmbH, Arctic Paper Investment GmbH and Munkedals Kraft AB), with the exception of the Company's shares; the security includes the right to exercise the voting right from the pledged shares;
 - > mortgages on all real properties located in Poland and owned by the Guarantors;
 - registered pledges on all material rights and movable assets owned by the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
 -) assignment of (existing and future) insurance policies covering the assets of the Company and the Guarantors (with the exception of insurance policies listed in the Loan Agreement);
 - > declaration by the Company and the Guarantors on voluntary submission to enforcement, in the form of a notary deed;
 -) financial pledges and registered pledges on the Company's and the Guarantors' bank accounts registered in Poland; 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;
 - > civil surety for liabilities granted by Arctic Paper S.A., Arctic Paper Kostrzyn S.A., Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB
- 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.

Apart from the above, as at 31 December 2021 the Group disclosed:

1) collateral on assets related to the obligations contracted by Rottneros AB with Danske Bank - this is:

- pledge on assets for SEK 284,730 thousand (PLN 127,730);
- 2. collaterals on assets on account of AP Kraft's liabilities with Nordea Bank these are:
 - mortgage on assets for SEK 80,000 thousand (PLN 35,888 thousand).

27. Employment benefits

27.1. Employee liabilities

The table below summarises the employee liabilities as at 31 December 2022 and 31 December 2021.

	Note	As at 31 December 2022	As at 31 December 2021
	Note		
Provision for pensions and similar benefits	27.2	47 286	119 844
Payable to employees as salaries		13 701	8 735
Personal Income Tax		6 147	5 084
Tax on repaid provision for pensions and similar benefits		13 908	-
Social benefit liabilities		17 010	19 197
Unused leave		42 690	46 549
Bonuses		34 050	9 341
Other employee liabilities		1 921	10 271
TOTAL		176 712	219 021
- short-term		133 165	107 028
- long-term		43 547	111 993

27.2. Retirement benefits and other post-employment benefits

Group entities pay post-employment benefits to its retiring employees in amounts set forth in Poland's Labour Code in case of Arctic Paper Kostrzyn S.A. and on the basis of existing agreements with trade unions in case of Arctic Paper Munkedals AB, Arctic Paper Kostrzyn S.A and Arctic Paper Grycksbo AB which additionally has set up a Social Fund for future retirees. In the fourth quarter of 2022, AP Munkedals and AP Grycksbo, pursuant to the signed agreement with the pension fund in Sweden, PRI fully repaid their liabilities in this respect. Moreover, due to legal regulations, Arctic Paper Mochenwangen GmbH is still obliged to recognize the provision for retirement benefits.

In this connection, on the basis of measurement performed in each country by professional actuarial companies, the Group establishes a provision for future benefits.

Re-measurement of employee benefits related to defined benefit plans, covering actuarial gains and losses, is recognised in other comprehensive income and is not later re-classified to profit or loss.

The Group recognises the following changes to its net liabilities relating to defined benefit plans within costs of sales, administrative expenses or selling and distribution costs, composed of:

- service costs (including inter alia the current service costs, future service costs)
- net interest on the net liability under the defined benefit plans.

The net cost of employee benefits is presented in the table below:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Current headcount costs	1 778	9,378
Interest expense on employee benefit liabilities	508	1 032
Actuarial (profit)/loss	(1 935)	(6,251)
Total costs of benefit in the plan of which:	351	4 159
recognised in the income statement recognised in other comprehensive income	2 286 (1 935)	10 410 (6 251)

The justification presenting changes in the provisions for the years ended on 31 December 2022 and 31 December 2021 is presented in the table below.

	Defined benefit plan in Sweden (AP SA branch)	Defined benefit plan in Sweden (Munkedals)	Defined benefit plan in Sweden (Grycksbo)	Defined benefit plan in Sweden (Rottneros Group)	Defined benefit plan in Poland (Kostrzyn)	Defined benefit plan in Germany	Total
Provisions for pensions and similar benefits as at 01 January 2022	3 117	33 553	37 289	23 327	11 166	11 392	119 844
Current headcount costs	(34)	-	-	1 264	548	-	1 778
Interest expense	-	(358)	358	-	335	174	508
Actuarial Loss (Profit)	-	-	(58)	-	2 377	(4 254)	(1 935)
Benefits paid	-	-	(381)	-	(514)	(417)	(1 313)
Repayment of liability to the pension fund	-	(31 153)	(34 435)	-	-	-	(65 588)
FX differences on translation of foreign plans	-	(2 042)	(2 773)	(1 420)	-	225	(6 009)
Liability from pensions and similar benefits as at 31 December 2022	3 083	-	-	23 172	13 912	7 120	47 286
	Defined benefit plan in Sweden (AP SA branch)	Defined benefit plan in Sweden (Munkedals)	Defined benefit plan in Sweden (Grycksbo)	Defined benefit plan in Sweden (Rottneros Group)	Defined benefit plan in Poland (Kostrzyn)	Defined benefit plan in Germany	Total
Provisions for pensions and similar benefits as at 01 January 2021	benefit plan in Sweden (AP SA	plan in Sweden		plan in Sweden	benefit plan in Poland	benefit plan	Total 136 634
	benefit plan in Sweden (AP SA branch)	plan in Sweden (Munkedals)	in Sweden (Grycksbo)	plan in Sweden (Rottneros Group)	benefit plan in Poland (Kostrzyn)	benefit plan in Germany	
benefits as at 01 January 2021	benefit plan in Sweden (AP SA branch)	plan in Sweden (Munkedals)	in Sweden (Grycksbo) 51 835	plan in Sweden (Rottneros Group)	benefit plan in Poland (Kostrzyn)	benefit plan in Germany 15 346	136 634
benefits as at 01 January 2021 Current headcount costs	benefit plan in Sweden (AP SA branch)	plan in Sweden (Munkedals) 35 238	in Sweden (Grycksbo) 51 835 4 051	plan in Sweden (Rottneros Group) 19 771 4 050	benefit plan in Poland (Kostrzyn) 11 607 613	benefit plan in Germany 15 346 384	136 634 9 378
benefits as at 01 January 2021 Current headcount costs Interest expense	benefit plan in Sweden (AP SA branch)	plan in Sweden (Munkedals) 35 238 - 276	51 835 4 051 409	plan in Sweden (Rottneros Group) 19 771 4 050	benefit plan in Poland (Kostrzyn) 11 607 613 178	benefit plan in Germany 15 346 384 169	136 634 9 378 1 032
benefits as at 01 January 2021 Current headcount costs Interest expense Actuarial Loss (Profit)	benefit plan in Sweden (AP SA branch)	plan in Sweden (Munkedals) 35 238 - 276 (137)	51 835 4 051 409 (1 170)	plan in Sweden (Rottneros Group) 19 771 4 050	benefit plan in Poland (Kostrzyn) 11 607 613 178 (917)	15 346 384 169 (4 027)	136 634 9 378 1 032 (6 251)

The core assumptions made by actuary as at each balance sheet date to calculate the amounts of the obligations are as follows:

	As at 31 December 2022	As at 31 December 2021
Discount rate (%)		
Programme in Sweden**	n.a.	1,7%
Programme in Poland	6,0%	1,5%
Programme in Germany	4,2%	1,3%
Anticipated salary growth rate (%)		
Programme in Sweden**	n.a.	0,0%
Programme in Poland	7,0%	3,0%
Programme in Germany*	n.a.	n.a.
Remaining employment period (in years)		
Programme in Sweden**	n.a.	15,5
Programme in Poland	12,3	11,4
Programme in Germany*	12,9	16,3

^{*} AP Mochenwangen is not a business operator and therefore changes in interest rates and the duration of employment do not affect the value of the provision for retirement benefits in Germany.

The table below presents a sensitivity analysis of the provision for retirement benefits:

Change in the adopted discount rate by 1 percentage point

	Increase by 1 p.p.	Decrease by 1 p.p.
31 December 2022	PLN thousand	PLN thousand
Impact on the defined benefit obligation (not including Swedish tax)	(13 391)	17 008
31 December 2021		
Impact on the defined benefit obligation (not including Swedish tax)	(18 274)	11 416
Change to the anticipated salary growth rate by 1 percentage point		
	Increase by 1 p.p.	Decrease by 1 p.p.
31 December 2022	PLN thousand	PLN thousand
Impact on the liabilities under defined benefit plans	1 798	(1 501)
31 December 2021		
Impact on the liabilities under defined benefit plans	1 397	(1 171)

^{**} In the fourth quarter of 2022, AP Munkedals and AP Grycksbo, under a signed agreement with the pension fund in Sweden, PRI made a full repayment of the provision for pensions and similar benefits.

28. Provisions

28.1. Change in provisions

The table below presents changes to provisions in for 2022-2021:

	Provisions
As at 01 January 2022	1 840
Established during the financial year	8 797
Applied	(63)
Reversed	-
Adjustment due to FX differences	(107)
As at 31 December 2022, of which:	10 467
- short-term	9 202
- long-term	1 265
	-
As at 01 January 2021	1 496
Established during the financial year	494
Applied	(116)
Reversed	-
Adjustment due to FX differences	(34)
As at 31 December 2021, of which:	1 840
- short-term	494
- long-term	1 346

Other provisions as at 31 December 2022 and 31 December 2021 cover mainly a provision for rights to emit CO2.

28.2. Restructuring provision

Short-term provisions as at 31 December 2022 mainly comprise a provision for restructuring in the Rottneros Group of PLN 8,797 thousand (the restructuring was described in more detail in note 30). It is linked to the decision to cease production of one of the mechanical pulp grades, wood pulp, at the Rottneros plant due to the lack of further prospects for long-term and sustainable profitability. The provision includes severance pay for redundant employees in the amount of PLN 2,477 thousand and the costs of dismantling machinery and equipment in the amount of PLN 6,320 thousand. In addition, a write-down of PLN 4,411 thousand (disclosed under inventories) and a write-down of PLN 4,411 thousand (disclosed under property, plant and equipment) were recognised in connection with the above decision. In addition, part of the forward contracts for the purchase of electricity with a term of 2023-2024 related to the production of this grade of pulp does not meet the conditions of hedge accounting and their positive valuation was recognised in financial income in the amount of PLN 72,781 thousand.

29. Trade and other payables, grants and deferred income

29.1. Trade and other payables (short-term)

	As at 31 December 2022	As at 31 December 2021
Trade payables, of which:		
Due to related entities	56	396
Due to other entities	521 717	475 701
	521 773	476 096
Taxes, duties and other liabilities		
VAT	12 118	10 764
Excise tax	586	1 167
Real estate tax	4 171	633
	16 874	12 565
Other liabilities		
Investment commitments	9 303	13 875
Liabilities related to environmental protection	1 486	1 521
Prepayments	1 774	2 756
	12 563	18 152
TOTAL	551 211	506 813

Principles and payment terms of the liabilities presented above:

- the terms and conditions of transactions with related entities are presented in note 32.3;
- trade payables are interest free and are usually payable within 60 days;
- other liabilities are interest free and the usual payment term is 1 month;
- the amount of the difference between VAT payable and receivable is paid to the relevant tax authorities on a monthly basis.

29.2. Grants and deferred income

	As at 31 December 2022	As at 31 December 2021
Subsidies/Grants from Ekofundusz	5 704	6 891
Subsidies/Grants from NFOŚiGW	4 071	4 970
Grants in Sweden	1 264	1 794
Deferred income	14 316	7 373
TOTAL	25 355	21 028
- short-term	14 843	7 158
– long-term	10 512	13 870

30. Restructuring of Rottneros Bruk

The following costs and revenues were recognised in connection with the decision of the Management Board of Rottneros AB in August 2022 to cease production of one of the mechanical pulp grades, wood pulp, at the Rottneros mill:

	Year ended on 31 December 2022
Disbursed severance pay for employees	(11 910)
Impairment allowance to inventories	(3 970)
Impairment allowance to machinery and equipment	(4 411)
Provision for other restructuring costs, of which:	(8 797)
severance pay for employees	(2 477)
dismantling costs of machinery and equipment	(6 320)
Sum of costs	(29 088)
Valuation of forward contracts recognised in the profit/loss in connection with the restructuring	72 781
Cumulative impact of restructuring on profit	43 694

The valuation of forward contracts relates to forward contracts for the purchase of energy that do not meet hedge accounting rules and the remaining forward contacts for the sale of energy that were closed due to the restructuring (surplus of forward contracts for electricity in excess of estimated consumption for 2023 and 2024).

31. Contingent liabilities

As at 31 December 2022, the Company held the following contingent liabilities:

- a bank guarantee in favour of Skatteverket Ludvika for SEK 135 thousand (PLN 61 thousand);
- a contingent liability of Arctic Paper Munkedals AB related to a surety for the obligations of Kalltorp Kraft HB in the amount of SEK 434 thousand (PLN 183 thousand).

31.1. Legal claims

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

31.2. 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.

Tax settlements may be subject to inspections for five years from the end of the year in which the tax was paid. As a result of inspections, the tax liability of the Group may be increased by additional tax liability. In the Group's opinion, tax liabilities as at 31 December 2022 were adequate to the recognised and quantifiable task risk and therefore there is no need to establish additional provisions.

32. Information on related entities

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

- Thomas Onstad majority shareholder,
- Nemus Holding AB parent company for Arctic Paper SA,
- Munkedal Skog a subsidiary of Nemus Holding AB,
- Key management personnel company related to the CEO

The top management staff is composed of the President and Members of the Management Board of the Parent Entity. The related party may also include the Chairperson and Members of the Supervisory Board of the Parent Entity when in office.

The table below presents the total values of transactions with related parties in 2022-2021:

Data for the period from 01 January 2022 to 31 December 2022 and as at 31 December 2022

Related Entity	Sales of services to related entities	Purchases of services from related parties/ remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	444	64	-	-	2 716	-	7
Thomas Onstad	-	-	-	-	-	-	-
Munkedals Skog	-	244	-	-	-	-	-
Key management personnel	-	1 191	-	-	-	-	49
Total	444	1 499	-	-	2 716	-	56

The receivables from Nemus Holding AB are overdue as at 31 December 2022 but they will be settled in 2023.

Data for the period from 01 January 2021 to 31 December 2021 and as at 31 December 2021

Related Entity	Sales of services to related entities	Purchases of services from related parties/ remuneration	Interest – financial income	Interest – financial expense	Receivables from related entities	Loan receivables	Liabilities to related entities
Nemus Holding AB	442	864	_	_	3 239	_	354
Thomas Onstad	-	-	_	_	-	-	-
Munkedals Skog	-	212	-	-	-	-	-
Key management personnel	<u>-</u>	1 087	-	-	-	-	42
Total	442	2 163	-	-	3 239	-	396

32.1. Ultimate Parent Entity of the Group

The ultimate parent entity of the Group that prepares the consolidated financial statements is Nemus Holding AB. During the financial year ended 31 December 2022 and 31 December 2021, there were transactions between the Group and Nemus Holding AB listed in note 32.

32.2. Parent Entity

Nemus Holding AB is the Parent Entity for the Arctic Paper S.A. Group which as at 31 December 2022 held 58.28% ordinary shares in Arctic Paper S.A.

32.3. Terms and conditions of transactions with related entities

Trade receivables and payables usually have a payment term of between 14 and 30 days for related entities. Transactions with related entities are carried out at arm's length.

32.4. Remuneration of top management staff and Supervisory Board of the Parent Entity

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

The remuneration of the management staff in the year ended on 31 December 2022 amounted to PLN 2,615 thousand (PLN 2,996 thousand in the year ended on 31 December 2021).

The table below presents the remuneration of the Company's key management staff in the Parent Entity:

Management Board	Year ended on 31 December 2022	Year ended on 31 December 2021
Short-term employee benefits	2 280	2 613
Post-employment retirement and medical benefits	335	353
Total remuneration of the Management Board	2 615	2 966
Supervisory Board		
Short-term employee benefits	1 098	1 034
Total amount of remuneration of top managerial staff and Supervisory Board	3 713	4 000

Short-term employee benefits include costs incurred by the Company for key management personnel services provided for a related entity in the amount of PLN 1,484 thousand.

32.5. Loan granted to members of the Management Board

In 2021-2022 neither the Parent Entity, nor its subsidiary companies granted any loans to Members of the Management Board.

32.6. Other transactions with the involvement of Members of the Management Board

In the period covered with these Consolidated Financial Statements there were no other transactions between the subsidiary companies and Members of the Management Board.

33. Information on the agreement and remuneration of the statutory auditor or entity authorised to audit 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 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:

	Year ended on 31 December 2022	Year ended on 31 December 2021
Service type		
Statutory audit of the annual financial statements	307	195
Review of interim financial statements	98	83
Other services (audit of proforma financial statements and covenants for the banks for 2021)	42	-
Total	447	278

The remuneration above do not include services provided to the other Group companies.

34. Financial risk management objectives and policies

The main financial instruments used by the Group include bank loans. The main purpose of those financial instruments is to raise finance for the Group's operations. The Group companies also conclude lease agreements.

The Group also uses factoring without recourse for trade receivables. The main purpose for using the financial instrument is to quickly raise funds. The receivables covered with factoring were derecognised from the consolidated balance sheet since conditions have been met to derecognise the assets in compliance with IFRS 9.

The Group has various other financial instruments such as trade receivables and payables which arise directly from its operations. The core risks arising from the Group's financial instruments include: interest rate risk, liquidity risk, FX risk and credit risk. The Management Board reviews and approves policies for managing each of those risks.

In 2022, in the opinion of the Management Board – in comparison to the annual consolidated financial statements made as at 31 December 2021 there have been no significant changes of the financial risk. There have been no changes to the objectives and policies of the management of the risk.

34.1. Interest rate risk

The Group is exposed to interest rate changes primarily with respect to its long-term financial liabilities. The Group had no bank deposits as at 31 December 2022 and 31 December 2021.

The following table shows the carrying amount of the Group's financial instruments exposed and not exposed to interest rate risk.

		As at 31	December 2022		As at 31	December 2021
	The value of the financial liability, including:	The value of liability subject to fixed interest rate	The value of liability subject to variable interest rate	The value of the financial liability, including:	The value of liability subject to fixed interest rate	The value of liability subject to variable interest rate
Other financial liabilities:						
Lease liabilities	30 196	-	30 196	37 101	-	37 101
Loans and borrowings:						
Long-term loan from a consortium of banks: Santander, Pekao, BNP in PLN	50 872	50 872	_	67 031	67 031	-
Long-term loan from a consortium of banks: Santander, Pekao, BNP in EUR	52 476	52 476	-	66 135	66 135	-
Revolving loan syndicate of banks (Santander, Pekao, BNP) PLN Revolving loan syndicate of banks (Santander, Pekao, BNP)	-	-	-	11 793	11 793	-
EUR	-	-	-	6 520	6 520	-
Loan from Nordea Bank Abp in SEK	28 655	-	28 655	34 556	-	34 556
Loan from Danske Bank in SEK	42 551	-	42 551	59 664	-	59 664
Total floating rate loans and bonds	174 554	103 347	71 206	245 699	151 479	94 220
TOTAL FIXED AND VARIABLE INTEREST RATE LIABILITIES	204 750	103 347	101 403	282 801	151 479	131 321

The fixed interest rates for bank loans result from the concluded SWAP instruments.

Interest rate risk - sensitivity to fluctuations

The table below presents the sensitivity of gross profit to rationally feasible interest rate changes assuming no change to other factors (related to liabilities based on variable interest rates). Variable rate loans and leases as at 31 December 2022 and 31 December 2021 are included in the calculation. For each currency the same growth of interest rate was assumed by 1 percentage point. At the end of each reporting period, the loans in each currency and lease contracts were grouped and on the sums a growth by 1 percentage point was calculated.

As at 31 December 2022	PLN	SEK	EUR
Long-term portion of loans	36 043	66 144	36 979
Long-term portion of lease liabilities	12 035	6 824	2 978
Less loans covered by SWAP	(36 043)	-	(36 979)
The basis for calculating the impact of a change in the interest rate	12 035	72 968	2 978
Effect on profit before tax of a 1 percentage point increase in interest rates	(120)	(730)	(30)
As at 31 December 2021	PLN	SEK	EUR
Long-term portion of loans and bonds	50 968	92 412	50 579
Long-term portion of lease liabilities	12 617	11 268	3 929
Less loans covered by SWAP	(50 968)	-	(50 579)
The basis for calculating the impact of a change in the interest rate	12 617	103 680	3 929
Effect on profit before tax of a 1 percentage point increase in interest rates	(126)	(1 037)	(39)

The basis for calculating the impact of interest rate changes at 31 December 2021 for the long-term part of the SEK loans takes into account the extended maturity for the loan with Nordea Bank Abp.

Note 35.3 presents loans, bonds and leases with variable and fixed interest rates as at 31 December 2022 and 31 December 2021.

34.2. FX risk

The Group is exposed to transactional FX risk. This risk also takes place in the case of transactions in other currencies than the entity's measurement currency.

The table below presents the sensitivity of the financial result and comprehensive income to rationally feasible fluctuations of USD, EUR, GBP and SEK rates assuming no changes to any other factors. The calculations cover only the impact of FX rate fluctuations on FX balance sheet items and a rate increase or decrease for each currency of 5% was applied. At the end of each reporting period, assets and liabilities were grouped by currency and a rate increase or decrease by 5% was calculated on the net position in each currency – assets minus liabilities. During the year, FX assets and liabilities remained stable.

As at 31 December 2022	Basis for the calculation	FX rate growth	Total impact	FX rate drop	Total impact
Impact of FX rate changes on gross profit	the effect of FX rate change	1 X Tate growth	Total impact	1 X Tate Grop	Total Impact
PLN – EUR	89 332	+5%	4 467	-5%	(4 467)
PLN – USD	(68 453)	+5%	(3 423)	-5%	3 423
PLN – GBP	17 865	+5%	893	-5%	(893)
PLN – SEK	(18 495)	+5%	(925)	-5%	925
SEK – EUR	379 187	+5%	18 959	-5%	(18 959)
SEK – USD	91 148	+5%	4 557	-5%	(4 557)
SEK – GPB	23 273	+5%	1 164	-5%	(1 164)
Impact of financial instruments on other comprehensive income (due to differences on translation of foreign operations)		FX rate growth	Total impact	FX rate drop	Total impact
operations)		1 X Tate growth	rotal impact	1 X Tale Grop	rotal impact
PLN – SEK		+5%	34 412	-5%	(34 412)
PLN – EUR		+5%	87	-5%	(87)
As at 31 December 2021	Basis for the calculation				
Impact of FX rate changes on gross profit	growth/drop of FX rates	FX rate growth	Total impact	FX rate drop	Total impact
PLN – EUR	(45 879)				
. 2.1	(40 07 0)	+5%	(2 294)	-5%	2 294
PLN = LISD	(59 171)	+5% +5%	(2 294) (2 959)	-5%	2 294 2 959
PLN – USD PLN – GBP	, ,	+5%	(2 959)	-5%	2 959
PLN – GBP	(59 171)	+5% +5%	(2 959) 622	-5% -5%	2 959 (622)
PLN – GBP PLN – SEK	(59 171) 12 447	+5% +5% +5%	(2 959) 622 (1 251)	-5% -5% -5%	2 959 (622) 1 251
PLN – GBP PLN – SEK SEK – EUR	(59 171) 12 447 (25 023)	+5% +5% +5% +5%	(2 959) 622 (1 251) 8 200	-5% -5% -5% -5%	2 959 (622) 1 251 (8 200)
PLN – GBP PLN – SEK	(59 171) 12 447 (25 023) 164 000	+5% +5% +5%	(2 959) 622 (1 251)	-5% -5% -5%	2 959 (622) 1 251
PLN – GBP PLN – SEK SEK – EUR SEK – USD SEK – GBP	(59 171) 12 447 (25 023) 164 000 56 110	+5% +5% +5% +5% +5%	(2 959) 622 (1 251) 8 200 2 805	-5% -5% -5% -5%	2 959 (622) 1 251 (8 200) (2 805)
PLN – GBP PLN – SEK SEK – EUR SEK – USD SEK – GBP	(59 171) 12 447 (25 023) 164 000 56 110	+5% +5% +5% +5% +5%	(2 959) 622 (1 251) 8 200 2 805	-5% -5% -5% -5%	2 959 (622) 1 251 (8 200) (2 805)
PLN – GBP PLN – SEK SEK – EUR SEK – USD SEK – GBP Impact of financial instruments on other comprehensive income (due to differences on translation of foreign	(59 171) 12 447 (25 023) 164 000 56 110	+5% +5% +5% +5% +5% +5%	(2 959) 622 (1 251) 8 200 2 805 706	-5% -5% -5% -5% -5% -5%	2 959 (622) 1 251 (8 200) (2 805) (706)

34.3. Product and raw material price risk

The Group is exposed to the risk of decreasing sales prices as a result of intensifying competition in the market and the risk of growing prices of raw materials due to restricted supply of raw materials in the market.

The Group uses derivative instruments to manage market risk. The Rottneros Group is hedging against changes in the price of its product, cellulose. The Group hedges the risk of changes in energy prices to limit their impact on the volatility of the result. Details of all hedges used in the Group are set out in note 35.4.

34.4. Credit risk

Credit risk is the risk of financial loss by the Group when a customer or a counterparty to a financial instrument contract defaults under the contract. Credit risk is primarily related to receivables.

The Group enters into transactions solely with companies of a good financial standing. All customers who wish to use merchant credit are subject to preliminary verification procedures. Additionally, due to monitoring of the status of receivables on an ongoing basis, the Group's exposure to the risk of uncollectible receivables is limited. The majority of Group's trade receivables are covered by insurance

The Group recognises an impairment allowance on financial assets (allowance for expected credit losses) classified as financial assets measured at amortised cost or financial assets measured at fair value through profit or loss. If credit risk related to a specific financial instrument has increased materially since initial recognition, the Group estimates the allowance for anticipated credit losses related to the financial instrument equal to anticipated credit losses throughout the lifetime of the instrument. If as at the reporting date, credit risk related to a financial instrument has not increased materially since its initial recognition, the Group assesses the allowance for anticipated losses related to that financial instrument in an amount equal to 12-month anticipated credit losses. Due to the fact that the Group's trade receivables do not contain a material funding component, the impairment allowance for trade receivables is calculated on the basis of the anticipated credit losses throughout the lifetime of the financial instrument.

The table below presents the calculation of the allowance for trade receivables in terms of expected credit losses and specific risk (allowance):

As at 31 December 2022	Weighted average percentage of the expected loss for uninsured receivables	Gross value of uninsured receivables	Weighter average percentage of expected cred losses insured receivable	e of it Gross value d insur	ed ' unins	s on expected ured on ins	l loss sured S _l	pecific wance	Total allowance for receivables
Not overdue	0,00%	97 742	0,019	6 301 6	96	4	21	-	25
< 30 days	0,01%	7 179	0,019	⁶ 45 0	53	1	6	-	6
30-60 days	0,28%	237	0,119	6 21	68	1	2	-	3
60-90 days	3,70%	114	1,29%	6	64	4	1	-	5
90-120 days	36,59%	21	7,86%	6 2	54	8	20	-	28
120-360 days	84,08%	259	14,25%	6 29	52	218	421	-	639
>360 days		4 776			-	-	-	4 776	4 776
		110 328		352 1	87	235	471	4 776	5 482
As at 31 December 2021	Weighted average percentage of the expected loss for uninsured receivables	Gross value of uninsured receivables	Weighted average percentage of expected credit losses insured receivables	Gross value of insured receivables	Allowance for expected loss on uninsured receivables	Allowance for expected loss on insured receivables	Specifi allowance		Total wance for ceivables
Not overdue	0.03%	92 350	0,01%	240 181	24	18		_	42
< 30 days	0,02%	2 333	0,02%	19 020	0	4		_	4
30-60 days	0,28%	273	0,02%	3 493	1	1		_	1
60-90 days	3,10%	138	2,39%	22	4	. 1		_	5
00-00 days	5, 10 70	130	2,5570	22	4	'		-	3

The weighted average percentage of expected loss was determined on the basis of historical data for 2019-2021 and took into account an analysis of macro-ecomonic factors possible in the future.

4,45%

10,95%

16

616

12 911

108 637

56

3 710

266 480

2

406

432

1

119

149

24

2 439

12 911

15 373

27

2 965

12 911

15 954

5,99%

19,39%

90-120 days

120-360 days

>360 days

The Group treats all receivables that are not overdue and are not subject to any impairment allowance, as collectible.

With respect to other financial assets of the Group such as cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty.

The Group has no major concentration of credit risk. Concentration of risk is assessed separately for insured and uninsured receivables. In addition, when determining the credit risk for a given group of receivables, the Group takes into account the grade of paper/cellulose being sold and the currency of the transaction, as well as the geographical location of the counterparties and their rating.

The maximum amount exposed to credit risk is equal to the carrying value of the financial instruments held.

34.5. Liquidity risk

The Group monitors its risk of a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial investments and financial assets (e.g. accounts receivables, other financial assets) and projected cash flows from operating activities.

The Group aims to maintain a balance between continuity and flexibility of financing through the use of various sources of funding, such as overdrafts, bank loans and leasing agreements.

The table below summarises the Group's financial liabilities at 31 December 2022 and as at 31 December 2021 by maturity based on contractual undiscounted payments.

As at 31 December 2022	Book value	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank loans	174 554	_	3 567	40 684	155 503	_	199 755
Leases	30 196	-	3 084	5 453	14 316	46 137	68 989
Trade and other payables for the purchase of property, plant and equipment and intangible assets	521 773	452	525 299	5 326	-	-	531 076
Other financial liabilities	1 017	174	-	-	843	-	1 017
	727 540	626	531 950	51 463	170 661	46 137	800 837

As at 31 December 2021	Book value	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Bank loans	245 699	-	1 153	53 263	201 660	-	256 075
Leases	37 101	-	2 733	6 705	17 225	47 824	74 488
Trade and other payables for the purchase of property, plant and equipment and intangible assets	476 096	1 212	485 806	2 954	-	-	489 972
Other financial liabilities	4 222	184	2 177	963	897	-	4 222
	763 119	1 396	491 869	63 885	219 782	47 824	824 757

The table above as at 31 December 2021 takes into account the extension of the term of the loan with Nordea Bank Abp.

The Group has contractual commitments to acquire property, plant and equipment amounting to PLN 36,522 thousand as at 31 December 2022 (PLN 16,753 thousand as at 31 December 2021).

The table below shows the reconciliation of the items in the table above to the data from the balance sheet or note

		Value according to	Interest	Value
31 December 2022	Note/balance	the note or balance	payable until repayment	according to the table
Bank loans	26	174 553	25 201	199 755
Leases	17	30 197	38 792	68 989
Trade and other payables for the purchase of property, plant and equipment and intangible		-	-	-
assets	29.1	531 076	na	531 076
Other financial liabilities	27	1 017	na	1 017
		Value		
		according to	Interest payable until	Value according to
31 December 2021	Note/balance	balance	repayment	the table
Bank loans	26	245 699	10 376	256 075
Leases	17	37 101	37 387	74 488
Trade and other payables for the purchase of property, plant and equipment and intangible		-	-	-
assets	29.1	489 972	na	489 972
Other financial liabilities	27	4 222	na	4 222

There is no significant concentration of liquidity risk in the Group. Concentrations of risk are assessed separately for loan agreements, leases, trade and other payables by maturity of the liability. In addition, the Group takes into account the type and currency of the transaction and the geographical location of the counterparty when determining liquidity risk.

35. Financial instruments

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

35.1. 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 v	ralue	Fair value		
	Category in compliance with IFRS 9	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020	
Financial assets						
Trade and other receivables	WwZK	464 949	369 520	***	***	
Hedging instruments*	IRZ	312 705	109 343	***	***	
Derivatives measured at fair value through profit or loss		45 433	-	***	***	
Receivables from pension fund	WwZK	22 829	25 472	***	***	
Settlement of realised forward contracts	WwZK	37 641	18 811	***	***	
Other financial assets **	WwWGpWF	72 853	3 589	***	***	
Cash and cash equivalents	WwZK	481 930	167 927	***	***	
Financial liabilities						
Loans	WwZK	174 553	245 699	181 237	249 738	
	WwZK	00.400	07.404	***	***	
Leasing liabilities, of which:		30 196	37 101	***	***	
- long-term		22 315	28 256	***	***	
- short-term		7 881	8 845	***	***	
Trade and other payables for the purchase of property, plant and equipment and intangible assets	WwZK	532 092	491 053	***	***	
Hedging instruments*	IRZ	-	3 140	***	***	

Abbreviations used:

WwZK - Financial assets/liabilities measured at amortised cost

IRZ - hedge accounting instruments measured at fair value therough OCI (if effective)

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

Electricity forward derivatives are valued using the market comparison method. The fair value of these instruments is determined by comparing the value of these instruments on the active market as at the valuation date with the price of electricity hedged in concluded contracts.

The fair value of loans is estimated using an internal model based on discounting financial flows.

The fair value of SWAP contracts is calculated as the present value of estimated future cash flows. Estimates of future variable-rate cash flows are based on quoted swap rates, future prices and interbank lending rates. The estimated cash flows are discounted using a yield curve constructed on the basis of similar sources, which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the group and the counterparty; this is calculated on the basis of credit spreads derived from current CDS prices or bond prices.

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

^{*} derivative hedging instruments meeting the requirements of hedge accounting

^{**} primarily investments in equity instruments

^{***} financial assets and liabilities at fair value close to carrying amount

35.2. Changes to liabilities resulting from financing activity

Year ended on 31 December 2020	Note	01 January 2022	Changes resulting from cash flows from financing activity	Effects of currency exchange rate fluctuations	Changes in fair value or amortised cost	Changes due to acquisition/disposal	31 December 2022
Liabilities resulting from financing activity							
Loans (short-term and long-term)	27	245 699	(66 362)	(5 385)	601	-	174 554
Lease liabilities (short-term and long-term)	27	37 101	(6 790)	(1 245)	-	1 130	30 196
Financial derivatives and hedges (short-term and long-term)	27	3 140	-	-	-	(3 140)	-
Other (short-term and long-term)	27	1 082	1	(66)	-	-	1 017
Total liabilities resulting from financing activity		287 022	(73 151)	(6 696)	601	(2 010)	205 766
Assets resulting from financing activity							
Financial derivatives (assets)	20.1	3 192	2 016	-	2 936	-	8 144
Total assets resulting from financing activity		3 192	2 016	-	2 936	-	8 144

35.3. Collateral

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

- Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in EUR on a bank loan in EUR.
- Arctic Paper S.A. designated SWAP derivatives to hedge accounting to hedge interest payments in PLN on a bank loan in PLN
- Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB and the companies of the Rottneros Group designated for cash flow hedge accounting the forward derivatives in order to hedge future purchases of electricity,
- the Companies of the Rottneros Group designated for cash flow hedge accounting the FX forward derivatives for the sale of pulp in order to hedge the sale prices of pulp in SEK.

35.3.1. Cash flow hedges

As at 31 December 2022, the Group's cash flows were hedged with a forward contract for purchase of electricity, a forward contract for sale of pulp, an interest rate SWAP.

Hedge accounting of cash flows from sales of pulp

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

Type of hedge	Cash flow hedge related to sales of pulp
Hedged position	The hedged position is a part of highly likely future cash inflows for pulp sales
Hedging instruments	Forward contracts are used as the hedging item wherein the Company agrees to sell pulp for SEK

Contract parameters:

Contract conclusion date

Maturity date: depending on the contract; until 31.12.2023

Hedged quantity of pulp 12 000 tonnes

Term price SEK 13 638 /tonne

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

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

Type of hedge	Cash flow hedge related to planned purchases of electricity			
Hedged position	The hedged position is a part of highly likely future cash flows for electricity purchases			
Hedging instruments Forward contract for the purchase of electricity at Nord Pool Exchange				
Contract parameters:				
Contract conclusion date	depending on the contract; from 2016			
Maturity date:	depending on the contract; until 31.12.2026			
Hedged quantity of electricity	955 816 MWh			
Term price	from 29,78 to 41,89 EUR/MWh			

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

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

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged position	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Cumanay	Data	Loan amount PLN as of 31.12.2022
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 secured	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 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 effectiveness of hedging instruments such as electricity forwards is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, particularly in terms of the type and quantity of energy purchased and the dates of cash flows associated with energy payments. The effectiveness of hedging instruments such as forwards for the sale of pulp is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, in particular with regard to the grade and quantity of the pulp sold and the dates of the cash flows associated with receiving payment for the pulp.

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.

35.3.2. Other information on derivative instruments

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

Status as at 31 December 2022 Status as at 31 December 2021

	Assets	Equity and liabilities	Assets	Equity and liabilities
Forward on pulp sales	2 528	-	-	3 140
SWAP	8 144	-	3 192	-
Forward for electricity	302 033	-	106 152	<u> </u>
Total hedging derivative instruments	312 705	-	109 343	3 140

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
Forward for electricity:				
Purchased energy (in PLN '000)	55 752	84 908	-	140 660
Forward on pulp sales				
Pulp sold (in PLN'000)	68 948	-	-	68 948
interest rate SWAP				
principal repayment (in PLN '000)	30 325	73 022	-	103 347

The table below presents the amounts related to hedge accounting that were recognised in 2022 by the Group in profit and loss and in the total comprehensive income statement:

Year ended on 31 December 2021

Year ended on 31 December

Other reserves in the part related to revaluation as at 31 December 2022 – changes of fair value measurement of hedging derivative instruments due to the hedged risk, corresponding to effective	
hedging, net of tax effect	176 935
whereof regarding:	
forward contracts	172 922
SWAP contracts	4 013
Ineffective part of the change in fair value measurement due to the hedged risk, recognised in financial income or expenses	72 782
The period of the anticipated hedged flows	01 January 2023 – 31 December 2026

The table below presents changes to other reserves in the part related to measurement under hedge accounting in 2022:

	2021
Other reserves in the part related to revaluation as at 01 January 2021	59 785
Deferral to changes of fair value measurement of the hedging derivative instruments due to the hedged risk, corresponding to the effective hedge, net of tax effect	174 938
The amount of the deferred changes of fair value measurement of the hedging derivative instruments due to the hedged risk, removed from other reserves and transferred to financial income, net of tax effect	
Other reserves in the part related to revaluation as at 31 December 2021	(57 789) 176 935

The amounts in the table disclose the effect of deferred income tax.

36. Capital management

The primary objective of the Group's capital management is to maintain a adequate credit rating and healthy capital ratios in order to support the Group's business operations and maximise the shareholder value. The Group has not established a specific level of credit rating and capital ratios that it considers appropriate as it depends on the current market conditions and the situation of the Group.

The Group manages its capital structure and makes adjustments to it, in light of changes in the economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to its shareholders, return capital to the 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.

The Group monitors its equity using a leverage ratio, which is net debt divided by total equity plus net debt. The Group's rules stipulate that this ratio should be within a range of up to 0.55. The Group includes interest bearing loans, trade and other payables, net of cash and cash equivalents within its net debt.

Arctic Paper Group	As at 31 December 2022	As at 31 December 2021	
Bank loans and other financial liabilities	205 766	287 022	
Trade and other payables	551 211	506 812	
Minus cash and cash equivalents	(481 930)	(167 927)	
Net debt	275 048	625 907	
Equity	2 052 182	1 242 996	
Equity and net debt	2 327 229	1 868 903	
Leverage ratio	0,12	0,33	

Compared to the 2021 annual report, the leverage ratio decreased as a result of an increase in cash and cash equivalents and equity as at 31 December 2022.

37. Employment structure

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

	Year ended on 31 December 2022	Year ended on 31 December 2021	
Management Board of the Parent Entity	2	2	
Management Boards of Group entities	35	40	
Administration	124	99	
Sales Department	77	105	
Production Division	1 118	1 093	
Other	153	164	
Total	1 509	1 503	

38. Certificates in cogeneration

Property rights to certificates of origin confirming the cogeneration of electricity are held by AP Grycksbo and companies in the Rottneros Group.

For the cogeneration of electricity, in 2022 the AP Grycksbo acquired the following rights: green certificates 10,497 MWh (2021: 11.341 MWh In 2022, revenue generated from the sale of certificates amounted to PLN 3 thousand (2021: PLN 9 thousand).

For the cogeneration of electricity, in 2022 the companies in the Rottneros Group acquired the following rights: green certificates 118.023 MWh (2021: 20.669 MWh In 2022, revenue generated from the sale of certificates amounted to PLN 10 thousand (2021: PLN 16 thousand).

Revenues related to the certificates in cogeneration are recognised as a reduction of internal costs of sales in the profit and loss account

39. Grants

In the current year, the Group companies have not received any material grants..

40. Material events after the balance sheet date

40.1. 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

Position	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

Statement 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 consolidated financial statements of the Arctic Paper Capital Group for the year ended on 31 December 2022 and the comparable data were prepared in compliance with the applicable accounting principles and they reflect the economic and financial condition of the Capital Group and its financial result for 2022 in a true, reliable and clear manner.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	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