



ARCTIC PAPER

**ARCTIC PAPER SA
ANNUAL REPORT
2023**

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 2023 annual financial report in the European Single Electronic Format (ESEF) which is the electronic reporting format in which issuers on EU regulated markets shall prepare their annual financial reports from 1 January 2020 based on Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format as amended.

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

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**SELECTED
STANDALONE
FINANCIAL DATA**

Selected standalone financial data

	Period from 01.01.2023 to 31.12.2023 PLN thousand	Period from 01.01.2022 to 31.12.2022 PLN thousand	Period from 01.01.2023 to 31.12.2023 EUR thousand	Period from 01.01.2022 to 31.12.2022 EUR thousand
Sales revenues	195 486	72 460	43 169	15 455
Operating profit/(loss)	248 537	224 463	54 885	47 877
Gross profit/(loss)	249 158	218 975	55 022	46 707
Net profit/(loss) from continuing operations	251 216	222 906	55 476	47 545
Net profit/(loss) for the financial year	251 216	222 906	55 476	47 545
Net cash flows from operating activities	298 125	277 871	65 835	59 267
Net cash flows from investing activities	(26 624)	(50)	(5 879)	(11)
Net cash flows from financing activities	(218 489)	(79 515)	(48 249)	(16 960)
Change in cash and cash equivalents	53 011	198 306	11 707	42 298
Weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted weighted average number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
EPS (in PLN/EUR)	3.63	3.22	0.80	0.69
Diluted EPS (in PLN/EUR)	3.63	3.22	0.80	0.69
Mean PLN/EUR exchange rate*			4.5284	4.6883

	As at 31 December 2023 PLN thousand	As at 31 December 2022 PLN thousand	As at 31 December 2023 EUR thousand	As at 31 December 2022 EUR thousand
Total assets	1 287 686	1 144 888	296 156	244 118
Long-term liabilities	44 668	75 036	10 273	15 999
Short-term liabilities	405 043	292 883	93 156	62 450
Equity	837 975	776 970	192 727	165 669
Share capital	69 288	69 288	15 935	14 774
Number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Diluted number of ordinary shares	69 287 783	69 287 783	69 287 783	69 287 783
Book value per share (in PLN/EUR)	12.09	11.21	2.78	2.39
Diluted book value per share (in PLN/EUR)	12.09	11.21	2.78	2.39
Declared or paid dividend (in PLN/EUR)	187 077 014	27 715 113	43 025 992	5 909 532
Declared or paid dividend per share (in PLN/EUR)	2.70	0.40	0.62	0.09
PLN/EUR exchange rate at the end of the period**			4.3480	4.6899

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



MANAGEMENT BOARD'S REPORT

from operations of Arctic Paper SA for 2023

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

Dear Sirs,

I am pleased to present to you the Arctic Paper SA Annual Report 2023.

It was another year in which we had to operate in a dynamically changing economic environment. The economic climate, which was very much in our favour in 2022, has changed dramatically and the industry as a whole has seen a significant drop in demand and a deterioration in performance. Nevertheless, thanks to the rapid adaptation measures taken, even with significantly reduced production we achieved very good results. Focusing on the margins achieved rather than on production volumes has had the desired effect. The EBITDA achieved is the second best result in the Group's history. It is worth noting the Group's very strong financial position, strong balance sheet and high level of cash flow. This has the dual benefit of both reducing financial expenses, especially at the current high interest rate levels, and enabling the ambitious investment plan associated with the implementation of the next steps of the 4P strategy.

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

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

Sincerely yours,

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

Description of the business of Arctic Paper

General information

Arctic Paper S.A. is a holding company set up in April 2008. As a result of capital restructuring carried out in 2008, the Paper Mills Arctic Paper Kostrzyn (Poland) and Arctic Paper Munkedals (Sweden), Distribution Companies and Sales Offices have become the properties of Arctic Paper S.A. Previously they were owned by Trebruk AB (formerly Arctic Paper AB), the parent entity of the Issuer. In addition, under the expansion, the Group acquired the Paper Mill Arctic Paper Mochenwangen (Germany) in December 2008 and the Paper Mill Grycksbo (Sweden) in March 2010.

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

Since 23 October 2009, Arctic Paper S.A. has been listed on the primary market of the Warsaw Stock Exchange and since 20 December 2012 on the NASDAQ stock exchange in Stockholm, Sweden.

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations are conducted through Paper Mills and Pulp Mills as well as Sales Offices and Procurement Office. The description of the Arctic Paper Capital Group was provided in the Management Board's Report from operations of the Arctic Paper S.A. Capital Group for the year ended on 31 December 2023.

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

Business activity

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

Subsidiaries

As at 31 December 2023, Arctic Paper S.A. held investments in the following subsidiaries:

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

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

Changes in the capital structure of the Arctic Paper Group

As at 31.12.2022, all shares in the share capital of Kostrzyn Packaging Sp. z o.o. were held by Arctic Paper S.A. Due to the establishment of the joint venture in 2023 and the capital additions, Arctic Paper S.A.'s share in the share capital of Kostrzyn Packaging Sp. z o.o. was 74.5% (direct share of 50%, additional indirect share of 24.5% resulting from 51% share held in Rottneros AB) at the end of 2023.

Services provided

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

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

The range of products manufactured by the Arctic Paper Group's paper mills is described in the Management Board's Report from operations of the Arctic Paper S.A. Capital Group for 2023.

Modifications to the core management principles

In 2023, there were no material modifications to the core management principles.

Shareholding structure

Nemus Holding AB, a company under Swedish law (a company owned indirectly by Mr Thomas Onstad), is the majority shareholder of Arctic Paper S.A., holding (as at 31 December 2023) 40,981,449 shares of our Company, which constitutes 59.15% of its share capital and corresponds to 59.15% 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 5,623,658 shares representing 8.12% 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 2023 was 68.13% and has not changed until the date hereof.

as at 31.12.2023

Shareholder	Number of shares	Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 205 107	68.13%	47 205 107	68.13%
- indirectly via	41 581 449	60.01%	41 581 449	60.01%
Nemus Holding AB	40 981 449	59.15%	40 981 449	59.15%
other entity	600 000	0.87%	600 000	0.87%
- directly	5 623 658	8.12%	5 623 658	8.12%
Other	22 082 676	31.87%	22 082 676	31.87%
Total	69 287 783	100.00%	69 287 783	100.00%
Treasury shares	-	0.00%	-	0.00%
Total	69 287 783	100.00%	69 287 783	100.00%

The data in the above table are shown as at the date of approval of this report, which has not changed as compared to 31 December 2023, and the date of publication of the quarterly report for Q3 2023, i.e. as at 7 November 2023.

Market environment

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

Information on the core products offered by the Group with details of their value and quantities and the share of each product in total sales of the Group as well as information on markets with a split into domestic and foreign markets and information on procurement sources of materials for production and services, are all provided in the consolidated annual report for 2023.

Development directions and strategy

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

For details, please refer to the Report from operations of the Group.

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

Sales structure

In 2023, the sales structure by main sources of the Company's revenues was as follows:

<i>PLN thousand</i>	2023	% share	2022	% share
Services	14 321	7%	12 754	18%
Dividend	179 235	92%	57 416	79%
Interest income on loans	1 930	1%	2 290	3%
Total	195 486	100%	72 460	100%

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

<i>PLN thousand</i>	2023	% share	2022	% share
Arctic Paper Kostrzyn S.A.	137 705	70%	38 713	53%
Rottneros AB	44 083	23%	21 160	29%
Arctic Paper Munkedals AB	5 779	3%	4 888	7%
Arctic Paper Grycksbo AB	6 314	3%	6 882	9%
Other	1 604	1%	817	1%
Total	195 486	100%	72 460	100%

Below, revenue from contracts with customers and other revenue by geography:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Revenues from contracts with customers		
- Poland	4 126	3 274
- Sweden	10 194	9 480
- other	-	-
	14 321	12 754
Other income (dividends and interest)		
- Poland	133 578	35 797
- Sweden	46 001	23 450
- other	1 585	459
	181 165	59 706
Total	195 486	72 460

Information on the seasonal or cyclical nature of business

The demand for the Group's products is subject to slight variations throughout the year. Reduced demand for paper occurs each year during summer holidays and around Christmas when some printing houses, in particular in Western Europe are closed. Global graphic paper markets are also subject to structural decline due to digitalisation in society, but thanks to its efficient sales process and strong brands, Arctic Paper manages its market shares and overall paper decline better than its competitors.

Research and development

The Company has no direct expenses on research and development.

The Arctic Paper Group mainly carries out development work aimed at streamlining and modernizing production processes, improving cost and energy efficiency and improving the quality of the products offered. In the period covered with this report, the Paper Mills and Pulp Mills carried out development works to improve production processes, in particular to shorten the idle time of paper machines as well as works aimed at improving the paper/pulp quality and extending the assortment and to improve the quality of products and decrease costs.

An important goal of development works last year was the development of new products, especially packaging and barrier papers. In the area of packaging papers, the work focused on obtaining a product with increased resistance to water and fats. The global trend of replacing plastic packaging with cellulose and paper packaging, especially in the food packaging segment, is expected to have a positive impact on the company's operations.

Natural environment

The description of the impact of environmental regulations on the operations of the Paper and Pulp Mills controlled by the Company is provided in a separate report on non-financial information – Sustainability Report 2023.

Summary of financial results

Selected items of the statement of profit and loss

<i>PLN thousand</i>	2023	2022	Change % 2023/2022
Sales revenues	195 486	72 460	170%
<i>of which:</i>			
<i>Sales of services</i>	14 321	12 754	12%
<i>Interest income on loans</i>	1 930	2 290	-16%
<i>Dividend income</i>	179 235	57 416	212%
Costs of sales of logistics services	(7 311)	(7 350)	-1%
Costs from borrowings received	(5 447)	(1 506)	-262%
Profit on sales	182 727	65 109	181%
<i>% of sales revenues</i>	<i>93.47</i>	<i>89.86</i>	<i>3.6 p.p.</i>
Administrative expenses	(13 131)	(17 938)	-27%
Other operating income	78 987	177 673	-56%
Other operating expenses	(46)	(381)	-88%
EBIT	248 537	224 463	11%
<i>% of sales revenues</i>	<i>127.14</i>	<i>309.78</i>	<i>(182.6) p.p.</i>
EBITDA	248 220	224 692	10%
<i>% of sales revenues</i>	<i>126.98</i>	<i>310.09</i>	<i>(183.1) p.p.</i>
Financial income	5 439	3 316	6403%
Financial expenses	(4 818)	(7 298)	-34%
Gross profit	249 158	218 975	14%
Income tax	2 058	3 931	-48%
Net profit	251 216	222 906	13%
<i>% of sales revenues</i>	<i>128.51</i>	<i>307.63</i>	<i>(179.1) p.p.</i>

Revenues, costs of sales and profit on sales

The main statutory activity of the Company is the activity of a holding company, consisting in managing of entities belonging to the controlled Capital Group. The operations of the Group are conducted through Paper Mills and Pulp Mills as well as Sales Offices and Procurement Office. In 2023, the standalone sales revenues reached PLN 195,486 thousand and comprised: dividend income (PLN 179,235 thousand), services provided to Group companies (PLN 14,321 thousand) and interest income on loans (PLN 1,930 thousand). In 2022, the Company's standalone revenues amounted to PLN 72,460 thousand and included: dividend income (PLN 57,416 thousand), services provided to Group companies (PLN 12,754 thousand) and interest income on loans (PLN 2,290 thousand).

In 2023 and in 2022, the Company did not provide services to the Pulp Mills of the Rottneros Group.

The costs of sales (PLN -12,758 thousand) include the own cost of providing logistics services (PLN -7,311 thousand) and interest on cash-pooling (PLN -5,447 thousand).

Administrative expenses

In 2023, the administrative expenses amounted to PLN 13,131 thousand. They cover costs of the administration of the Company operation, costs of services provided to the companies in the Group and all costs incurred by the Company for the purposes of pursuing holding company activities. The above costs include a group of costs that are related solely to statutory activities and cover, inter alia: audit costs of financial statements, functioning costs of the Supervisory Board, costs of periodic owners' inspections in the Company, etc.

Selling and distribution costs

The company has not recognised any selling and distribution costs in 2023 and 2022.

Other operating income and expenses

Other operating income amounted to PLN 78,987 thousand in 2023, a decrease compared with the same period of the previous year. The decrease in revenue in 2023 was due to the reversal of the impairment allowance on the shares in Arctic Paper Investment AB in the amount of PLN 178,805 thousand in 2022, and in 2023 the reversal of the impairment allowance amounted to PLN 80,208 thousand.

At the same time there was a slight decrease of other operating expenses that reached the level of PLN -46 thousand (in 2022 it was PLN -381 thousand).

Financial income and financial expenses

In 2023, the financial income amounted to PLN 5,439 thousand and was by PLN 2,123 thousand higher than generated in the equivalent period last year. The increase in financial income was mainly due to a higher value of interest on funds in bank accounts. At the same time, there was a decrease of financial expenses from PLN 7,298 thousand in 2022 to PLN 4,818 thousand. The decrease in finance costs is mainly due to the result from realised forward contracts and lower interest on loans.

Profitability analysis

EBITDA in 2023 was PLN 248,220 thousand, while in was PLN 224,692 thousand in 2022.

EBIT in 2023 amounted to PLN 248,537 thousand as compared to PLN 224,463 thousand in the previous year.

The net profit in 2023 amounted to PLN 251,216 thousand as compared to the net profit of PLN 222,906 thousand in 2022.

<i>PLN thousand</i>	2023	2022	Change % 2023/2022
Profit on sales	182 727	65 109	181%
<i>% of sales revenues</i>	<i>93.47</i>	<i>89.86</i>	<i>3.6 p.p.</i>
EBITDA	248 220	224 692	10%
<i>% of sales revenues</i>	<i>126.98</i>	<i>310.09</i>	<i>(183.1) p.p.</i>
EBIT	248,537	224,463	11%
<i>% of sales revenues</i>	<i>127.14</i>	<i>309.78</i>	<i>(182.6) p.p.</i>
Net profit	251 216	222 906	13%
<i>% of sales revenues</i>	<i>128.51</i>	<i>307.63</i>	<i>(179.1) p.p.</i>
Return on equity / ROE (%)	30.0	28.7	1.3 p.p.
Return on assets / ROA (%)	19.1	19.5	0.4 p.p.

The Company uses alternative performance measurements when describing its financial position. In the opinion of the Management Board, these selected indicators provide valuable information on the financial and operational situation (in addition to the data provided by the Company in its financial statements), as well as facilitating the analysis and evaluation of the Company's financial results over the individual reporting periods.

The Company presents alternative performance measurements as they represent standard measures and ratios commonly used in financial analysis, however, these ratios may be calculated and presented differently by different companies. Therefore, the Issuer provides the exact definitions used by the Company in its reporting process. The selection of alternative performance measures was preceded by a thorough analysis of their usefulness in terms of providing shareholders, analysts and investors with useful information on financial position and financial efficiency, which the Company believes allows for an optimal assessment of its financial results.

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

*EBITDA – Operating profit from continuing operations plus depreciation and amortisation and impairment allowances from continuing operations

* Return on equity, return on equity, ROE – net profit/(loss) to equity

* Return on assets, return on assets, ROA – the ratio of net profit/(loss) to total assets

In 2023, return on equity was 30.0% while in 2022 it was 28.7%. Return on assets decreased by 0.4 p.p., where the return on assets was 19.5% in 2022 and 19.1% in 2023.

Selected items of the statement of financial position

<i>PLN thousand</i>	31.12.2023	31.12.2022	Change 31.12.2023 -31.12.2022
Fixed assets	989 972	894 074	95 898
<i>of which:</i>			
<i>shares in subsidiaries</i>	25 356	-	25 356
Receivables	18 126	18 997	(871)
Other current assets	15 436	18 545	(3 109)
Cash and cash equivalents	264 150	213 272	50 878
Total assets	1 287 686	1 144 888	168 153
Equity	837 975	776 970	61 006
Short-term liabilities	405 043	292 883	112 160
<i>of which:</i>			
<i>interest-bearing debt</i>	380 057	263 752	116 305
Long-term liabilities	44 668	75 036	(30 368)
<i>of which:</i>			
<i>interest-bearing debt</i>	42 080	73 022	(30 942)
Total equity and liabilities	1 287 686	1 144 888	142 798

As at 31 December 2023, total assets amounted to PLN 1,276,686 thousand as compared to PLN 1,144,888 thousand at the end of 2022.

Fixed assets

At the end of December 2023 fixed assets accounted for about 76.9% of total assets and their share in total assets decreased as compared to December 2022 (78.1%).

Current assets

As at the end of December 2023, current assets amounted to PLN 297,712 thousand as compared to PLN 250,814 thousand at the end of 2022.

Equity

At the end of December 2023, the equity amounted to PLN 837,975 thousand as compared to PLN 776,970 thousand at the end of 2022.

The increase in equity is due to the net profit generated in 2023 offset by the valuation of derivatives recognised in equity and the dividend paid, as well as the agio adjustment from 2010 and 2012 and exchange rate differences from the translation of the financial data of the Swedish branch

Short-term liabilities

As at the end of September 2023, short-term liabilities amounted to PLN 405,043 thousand (31.5% of balance sheet total) as compared to PLN 292,883 thousand as at the end of 2022 (25.6% of balance sheet total). The significant increase in short-term liabilities is due to an increase in cash-pool liabilities.

Long-term liabilities

As at the end of March 2023, long-term liabilities amounted to PLN 44,668 thousand (3.5% of balance sheet total) as compared to PLN 75,036 thousand as at the end of 2022 (6.6% of balance sheet total).

Debt analysis

	2023	2022	Change % 2023/2022
Debt to equity ratio (%)	53,7	47.4	6,3 p.p.
Equity to fixed assets ratio (%)	84,6	86.9	(2,3) p.p.
Interest-bearing debt-to-equity ratio (%)	50,4	43.3	7,0 p.p.

* Equity debt ratio (%) – total liabilities to equity ratio

* Equity to fixed assets ratio – equity to non-current assets ratio

* Equity debt to interest-bearing debt – the ratio of interest-bearing debt and other financial liabilities to equity

As at the end of December 2023, the equity debt ratio was 53.7% and was lower by 6.3 p.p. compared to the end of December 2022. The equity to asset ratio decreased from 86.9% as at the end of 2022 to 84.6% as at the end of December 2023. The equity debt to interest-bearing debt stood at 50.4% at the end of 2023, and was higher by 7.0 p.p. versus to 2022.

Liquidity analysis

	2023	2022	Change % 2023/2022
Current ratio	0.80	0.86	(0.1)
Quick ratio	0.74	0.86	(0.1)
Cash solvency ratio	0.65	0.73	(0.1)

* Current ratio – the ratio of current assets to short-term liabilities

* Quick ratio – the ratio of current assets minus inventory and short-term accruals and deferred income to short-term liabilities

* Cash solvency ratio – the ratio of the sum of cash assets and other cash assets to short-term liabilities

The current ratio and quick ratio were 0.80 and 0.74 respectively at the end of December 2023, 0.6 and 1.2 lower than at the end of December 2022. The cash ratio decreased versus December 2022 and was 0.65 at the end of 2023.

Selected items of the statement of cash flow

PLN thousand	2023	2022	Change % 2023/2022
Cash flows from operating activities	298 125	277 871	7%
of which:			
Gross profit	249 158	218 975	14%
Depreciation/amortisation	317	228	39%
Changes to working capital	(4 534)	5 905	-177%
Net interest and dividends	3 713	2 821	32%
Change in loans granted to subsidiaries	130 626	218 086	-40%
Impairment (reversal)	(80 208)	(175 745)	-54%
Other adjustments	(948)	7 600	-112%
Cash flows from investing activities	(26 624)	(50)	53149%
Cash flows from financing activities	(218 489)	(79 515)	175%
Total cash flows	53 011	198 306	(407)

Cash flows from operating activities

In 2023, net cash flows from operating activities amounted to PLN 298,125 thousand as compared to PLN 277,871 thousand in 2022. The positive cash flow from operations in 2023 was significantly influenced by the gross profit generated, dividends received from subsidiaries and the change in cashpooling.

The change in the presentation of the dividend received is shown in note 30.1.

Cash flows from investing activities

In 2022, the flows amounted to minus PLN 50,000 and were related to the increase in shares in Kostrzyn Packaging Sp. z o.o. In 2023, flows from investing activities amounted to PLN -26,624 thousand and were associated with a capital surcharge to Kostrzyn Packaging Sp. z o.o. in the amount of PLN 25,940 thousand and the sale of shares in Arctic Finance AB in the amount of PLN 68 thousand.

Cash flows from financing activities

In 2023, cash flows from financing activities amounted to PLN -218,489 thousand as compared to PLN -79,515 thousand in 2022. In 2023, flows from financing activities were related to the dividend payment and repayment of existing bank loans.

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

Key factors affecting the performance results

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

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

The impact of the factors on the Group's business was described in detail in the consolidated annual report for 2023.

Unusual events and factors

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

Other material information

Joint investment by Arctic Paper and Rottneros

As at 31.12.2022, all shares in the share capital of Kostrzyn Packaging Sp. z o.o. were held by Arctic Paper S.A. On 17 February 2023, Arctic Paper S.A. and Rottneros AB ("Rottneros") concluded an agreement on the establishment of a joint venture company and an agreement on a joint-venture company under the name Kostrzyn Packaging Sp. z o. o. ("Joint-Venture").

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

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

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

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

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

The aim of the Joint-Venture is to build a moulded cellulose fibre packaging plant in Kostrzyn nad Odrą, Poland. Production at the new plant will begin in Q3 2024. The estimated value of the investment will be PLN 100 million, of which the Issuer's share will be 50%. According to the Issuer's estimates, the investment will generate annual revenue of around PLN 60 million.

The joint venture between the Company and Rottneros AB will allow the synergy of Rottneros Packaging AB's know-how in the commercialisation of biodegradable packaging technology, existing operational experience and the favourable location of the

Joint-Venture in Kostrzyn nad Odrą. The expansion of the Arctic Paper Group's product portfolio will help strengthen its position in the fast-growing green packaging market and is an important part of the implementation of the Arctic Paper 4P strategy.

Conclusion of an amendment agreement to a significant financing agreement for the Issuer Group

On 8 November 2023, the Company, as borrower, and its selected subsidiaries, as guarantors, concluded an agreement with a syndicate of banks consisting of: Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A. and Santander Bank Polska S.A. an amending agreement to the term and revolving loan agreement of 2 April 2021 pursuant to which the Lenders granted an additional term loan on the terms and conditions described in current report no. 14/2023 of 9 August 2023 up to a total amount of EUR 20,000.000 of additional loan to finance the construction costs of the biomass drying and pellet production facility to be located in Grycksbo on the property owned by Arctic Paper Grycksbo AB, and extended the repayment date of the revolving loan under the Loan Agreement to 31 March 2026 as the so-called "RCF Repayment Term Extension".

The Additional Loan, representing 67.5% of the amount of the Additional Loan disbursed, will be repaid in semi-annual instalments starting from May 2026. The remaining amount of the Additional Loan will be repaid on the final repayment date of the Additional Loan. Disbursement of the Additional Loan and the RCF Term Extension will be made subject to the satisfaction of the standard conditions precedent provided for in the Amending Agreement. The terms and conditions of the Additional Loan agreement do not differ from those commonly used for this type of agreement.

Factors affecting the development of the Company

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

Risk factors

Risk factors related to the environment in which the Company operates

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

Risk of changing legal regulations

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

Risk related to disadvantageous global economic situation

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

FX risk

Revenues, expenses and results of the Company are exposed to FX risk, in particular relating to exchange rates of PLN and SEK to EUR, GBP and other currencies. Our Group exports a majority of its produced paper to European markets, generating a material part of its sales revenues in EUR, GBP, PLN and SEK. Sales revenues of pulp in the Pulp Mills are subject to USD fix risk. The purchase costs of materials for paper production, in particular pulp for paper mills are paid primarily in USD and EUR. By making APSA's income dependent on dividends from subsidiaries, the Group's situation affects APSA's results. Additionally, we hold loan liabilities mainly in PLN, EUR and SEK. The currency used in the financial statements is PLN, and therefore the revenues, costs and results of the subsidiaries located abroad (and the fact that the company has a Swedish branch, whose financial figures are translated from SEK to PLN) are dependent on the development of exchange rates. Thus FX rate fluctuations may have a strong adverse effect on the results, financial conditions and prospects of the Company.

Interest rate risk

The Company is exposed to interest rate risk in view of the existing interest-bearing debt. The risk results from fluctuations of such interest rates as WIBOR for debt in PLN, EURIBOR for debt in EUR. The interest rate for the PLN funds made available under the cash management system agreement for the group of accounts was set at WIBOR 1M+1.50% per annum if the subrogation creditor is the Pool Leader and WIBID O/N x 0.5 per annum if the subrogation creditor is a Participant other than the Pool Leader. The interest rate for funds in EUR under the cash concentration agreement was set at EURIBOR 1M+1.90% per annum if the subrogation creditor is the Pool Leader and 0% per annum if the subrogation creditor is a Participant other than the Pool Leader. Unfavourable changes of interest rates may adversely affect the results, financial condition and prospects of the Company.

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

Risk factors relating to the business of the Company

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

Risk related to maintaining and retaining of management staff and qualified staff

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

Risk related to the debt of the Company

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

Failure to meet the Company's obligations, including the level of agreed financial ratios (covenants) under the loan agreements, results in an event of default. Events of default may in particular result in demand for repayment of our debt, banks taking control over important assets like Paper Mills or Pulp Mills and loss of other assets which serve as collateral, deterioration of creditworthiness and lost access to external funding which will be converted into lost liquidity and which in turn may materially adversely affect our business and development prospects and our stock prices.

Risk related to the capacity of the Company to pay dividend

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

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

Supplementary information

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

The Management Board of Arctic Paper S.A. did not publish projections of financial results for 2023 and has not published and does not intend to publish projections of financial results for 2024.

Principles for the preparation of annual financial statements

The Company's financial statements for the period from 1 January 2023 to 31 December 2023 have been prepared on the basis of International Financial Reporting Standards and related interpretations promulgated as regulations of the European Commission. The financial statements have been prepared on a going concern basis for the foreseeable future. As at the date of the financial statements, there are no circumstances indicating a threat to the Issuer's going concern. Details of the preparation of the standalone and consolidated financial statements are discussed in note 10 to the 2023 Standalone Financial Statements.

Dividend information

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

In accordance with provisions of the Code of Commercial Partnerships and Companies, the parent entity is obliged to establish supplementary 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 Company has complied with this requirement. The use of supplementary capital and reserve funds is determined by the General Meeting; however, a part of reserve capital equal to one third of the share capital can be used solely to cover the losses disclosed in the standalone financial statements of the parent entity and cannot be distributed to other purposes.

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the annual report for 2023.

On 15 February 2024, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Group for 2023, 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 2023, in the total amount of PLN 69,287.783, i.e. PLN 1.00 gross per share. The Management Board's recommendation will be reviewed by the Supervisory Board and will be submitted to the Annual General Meeting for resolution. The final decision on the distribution of the Company's 2023 profit and the payment of the dividend will be taken by the Annual General Meeting.

Changes to the bodies of Arctic Paper S.A.

As at 31 December 2023, the Parent Entity's Supervisory Board (appointed on 22 June 2021) was composed of:

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

- Zofia Dzik – Member of the Supervisory Board appointed on 22 June 2021;
- Anna Jakubowski – Member of the Supervisory Board appointed on 22 June 2021;

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

As at 31 December 2023, the Parent Company's Management Board (appointed by resolution of 9 May 2023) comprised:

- Michał Jarczyński – President of the Management Board appointed on 10 December 2018, with effect from 1 February 2019;
- Katarzyna Wojtkowiak – Member of the Management Board appointed on 29 May 2023.
- Fabian Langenskiöld – Member of the Management Board appointed on 14 August 2023.

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

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

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

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

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

In 2023 there were no changes to the Company's share capital.

Purchase of treasury shares

In 2023 and 2022 the Company did not acquire any treasury stock.

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

The table below presents information on the total amount of remuneration and other benefits paid or payable to members of the Management Board and of the Supervisory Board of the Parent Entity in the period from 1 January 2023 to 31 December 2023 (data in PLN).

Managing and supervising persons	Remuneration for the functions performed at Arctic Paper S.A.	Retirement plan	Other	Total
Management Board				
Jarczyński Michał	1 026 511	-	477 765	1 504 276
Wojtkowiak Katarzyna*	416 679	-	-	416 679
Langenskiöld Fabian**	463 559	141 930	-	605 489
Göran Eklund***	963 157	122 896	-	1 086 053
Supervisory Board				
Per Lundeen	353 167	-	-	353 167
Roger Mattsson	247 417	-	-	247 417
Thomas Onstad	176 583	-	-	176 583
Zofia Dzik	216 121	-	-	216 121
Anna Jakubowski	180 946	-	-	180 946

* for the period 29.05.2023-31.12.2023

** for the period 14.08.2023-31.12.2023

*** for the period 01.01.2023-29.05.2023

Agreements with Members of the Management Board guaranteeing financial compensation

As at 31 December 2023 and as at the approval date of this annual report, Members of the Management Board are entitled to compensation in case of their resignation or dismissal from their respective positions with no valid reason or when they are dismissed or their employment is terminated as a result of a merger of the Issuer by take-over. The amount of such compensation will correspond to their remuneration for 6 to 24 months.

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

Managing and supervising persons	Number of shares or rights to shares as at 31.12.2023	Number of shares or rights to shares as at 30.09.2023	Number of shares or rights to shares as at 10.08.2023	Change
Management Board				
Michał Jarczyński	5 572	5 572	5 572	-
Katarzyna Wojtkowiak	-	-	-	-
Fabian Langenskiöld	900	900	n.a.	-
Supervisory Board				
Per Lundeen	34 760	34 760	34 760	-
Thomas Onstad	5 623 658	5 623 658	6 223 658	-
Roger Mattsson	-	-	-	-
Zofia Dzik	-	-	-	-
Anna Jakubowski	-	-	-	-

Management of financial resources

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

Capital investments

In 2023, the Company used short-term deposits with a maturity of up to six months.

Information on financial instruments

Information on financial instruments on:

- the risks of: price changes, credit, material disruption of cash flows and loss of liquidity to which the Company is exposed; and
- the entity's financial risk management objectives and policies, including its methods of hedging significant types of forecast transactions for which hedge accounting is used,

are presented in the financial statements in notes 26 and 27.

Information on sureties, guarantees and contingent liabilities

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

1. under Polish law – Collateral Documents establishing the following Collateral:
 - › financial and registered pledges on all shares or interests held by the Company and Arctic Paper Kostrzyn SA registered in Poland, with the exception of the Company's shares;
 - › mortgages on all real properties located in Poland and owned by the Guarantors;
 - › registered pledges on all material rights and movable assets owned by the Company and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
 - › assignment of (existing and future) insurance policies relating to the assets of the Company Arctic Paper Kostrzyn S.A. (with the exception of the insurance policies listed in the Loan Agreement);
 - › declarations by the Company and Arctic Paper Kostrzyn S.A. on voluntary submission to enforcement, in the form of a notary deed;
 - › financial pledges and registered pledges on the bank accounts of the Company and Arctic Paper Kostrzyn S.A. registered in Poland (the pledges relate to current and future bank accounts; in the event of an event of default, in the event that the pledged receivable or part thereof becomes due, the Company may not draw funds from the pledged receivable, nor may it instruct the bank maintaining the account to disburse the funds);
 - › powers of attorney to the Polish bank accounts of the Company and Arctic Paper Kostrzyn S.A.;
 - › 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 over all the Company's and Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB shares or interests registered in Sweden
 - › mortgages on all real properties located in Sweden and owned by Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB, 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 Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB (with the exception of insurance policies listed in the Loan Agreement);
 - › pledges on Swedish bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

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

Material off-balance sheet items

Information on off-balance sheet items is provided in the Company's standalone financial statements for 2023 in note 23.

Assessment of the feasibility of investment plans

Arctic Paper S.A. plans no material investments to be made in 2024. Material investments are carried out by the Issuer's subsidiaries, in particular the Paper Mills as described in the Consolidated Annual Report for 2023.

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

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

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

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

Information on agreements resulting in changes to the proportions of share holdings

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

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

On 22 February 2023, the Company's Supervisory Board decided to appoint PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper S.A. Group to audit the financial statements for 2023 and 2024.

On 22 February 2023, the Company's Supervisory Board, based on the Audit Committee's recommendation on the selection of an auditor, decided to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper S.A. Group to audit the financial statements for 2023 and 2024. The recommendation of the Audit Committee was issued as a result of the selection procedure in compliance with the "Policy and procedure for the selection of the audit firm for the statutory and voluntary audit of the consolidated and standalone financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odrą". On 13 July 2023, an agreement was concluded with PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k. on the audit of the Employer's financial statements for the financial periods from 1 January 2023 to 31 December 2023 and for the financial periods from 1 January 2024 to 31 December 2024.

Headcount

Information on the headcount is provided in note 29 to the standalone financial statements for 2023.

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

The Company has prepared the non-financial information referred to in Article 49b(2) to (8) of the Accounting Act in the form of a separate document entitled "Sustainability Report 2023" of the Arctic Paper S.A. Capital Group. (hereinafter referred to as the CSR Report), in accordance with the requirements set out in this Act. This document, once published, together with the Annual Report and the Consolidated Annual Report for 2023, will be posted on the Company's website in accordance with Article 49b(6) of the aforementioned Act .

Statement on the application of the Corporate Governance Rules

Corporate governance rules

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

Best Practice 2021 came into force on 1 July 2021.

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

The text of the “Best Practice of WSE Listed Companies 2021” is available on the websites of the Stock Exchange S.A. and the Company:

https://www.gpw.pl/pub/GPW/files/PDF/dobre_praktyki/DPSN21_BROSZURA.pdf

https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/dpsn21_broszura_wersja_do_druku.pdf

Information on the extent the Issuer waived the provisions of the corporate governance rules

Arctic Paper S.A. was striving at applying corporate governance rules as set forth in the document “Best Practice of GPW Listed Companies 2021”. In 2023, Arctic Paper S.A. did not apply the following rules:

Best practice – information policy, communication with investors

Rule 1.3.2

“The company also includes ESG topics in its business strategy, in particular covering:

social and labour matters, concerning, inter alia, measures taken and planned to ensure gender equality, sound working conditions, respect for employees’ rights, dialogue with local communities, customer relations.”

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

Rule 1.4.2

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

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

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

Best practice – systems and internal functions

Rule 3.3

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

Explanation:

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

Rule 3.10

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

Explanation:

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

Best practice – General Meeting and relations with shareholders

Rule 4.1

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

Explanation:

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

Rule 4.3

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

Explanation:

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

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

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

system. The Management Board closing of the books for each calendar month analyses the financial results of the company compared to their budgets and the results generated in the previous reporting period.

The Company's Management Board systematically assesses the quality of internal control and risk management systems with reference to the preparation process of financial statements. On the basis of such review, the Company's Management Board found that as at 31 December 2023 there were no weaknesses that could materially affect the effectiveness of internal control with respect to financial reporting.

Shareholders that directly or indirectly hold significant packages of shares

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

Shareholder	Number of shares	as at 31.12.2023		
		Share in the share capital [%]	Number of votes	Share in the total number of votes [%]
Thomas Onstad	47 205 107	68.13%	47 205 107	68.13%
- indirectly via	41 581 449	60.01%	41 581 449	60.01%
<i>Nemus Holding AB</i>	40 981 449	59.15%	40 981 449	59.15%
<i>other entity</i>	600 000	0.87%	600 000	0.87%
- directly	5 623 658	8.12%	5 623 658	8.12%
Other	22 082 676	31.87%	22 082 676	31.87%
Total	69 287 783	100.00%	69 287 783	100.00%
Treasury shares	-	0.00%	-	0.00%
Total	69 287 783	100.00%	69 287 783	100.00%

Securities with special control rights

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

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

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

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

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

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

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

Description of the functioning of the General Meeting

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

The Company's Articles of Association are available at:

https://www.arcticpapergroup.pl/globalassets/arcticpapergroup.com/02-about/04-corporate-governance/corporate-documents/pl/arctic_paper_statut_tekst_jednolity_aktualny_2019_pl.pdf

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

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

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

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

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

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

Management Board

Composition of the Management Board

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

Core competences of the Management Board

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

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

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

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

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

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

- Michał Jarczyński – President of the Management Board appointed on 1 February 2019;
- Katarzyna Wojtkowiak – Member of the Management Board appointed with effect from 9 May 2023;
- Fabian Langenskiöld – Member of the Management Board appointed with effect from 14 August 2023.

The Management Board was appointed for a new term of office by resolution of 9 May 2023.

Supervisory Board

Composition and organisation of the Supervisory Board

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

Competences of the Supervisory Board

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

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

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

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

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

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

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

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

By resolution of 22 June 2021, the Supervisory Board was appointed for a new term.

In 2023, the Supervisory Board held meetings on: 18 January, 22 February, 9 May, 9 August, 17 October and 12 December.

Audit Committee

Composition and organisation of the Audit Committee

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

Competences of the audit committee

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

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

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

In 2023, the Audit Committee held meetings on: 20 February, 28 March, 9 August and 11 December.

As at 5 August 2021, the Audit Committee was composed of:

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

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

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

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

- After analysing the submitted offers, the Audit Committee shall develop a recommendation with conclusions from the selection procedure to be approved by the Audit Committee and shall submit a recommendation on the selection of the audit firm to the Supervisory Board within such time that will support a resolution on audit firm selection;
- The Supervisory Board shall select the audit firm on the basis of the submitted offers and after becoming acquainted with the Audit Committee's opinion and recommendation;
- If the Supervisory Board's decision differs from the recommendation of the Audit Committee, the Supervisory Board shall justify the reasons for its failure to comply with the Audit Committee's recommendation and shall submit such justification to the body approving the financial statements.
- The Company's Management Board shall enter into a contract with the selected audit firm for the audit of financial statements of the Company.
- The first contract is concluded for minimum 2 years and it may be extended for another two or three years. The duration of the cooperation shall be counted from the first financial year covered by the audit contract, in which the authorised auditor was appointed for the first time to carry out the consecutive statutory audits of the Company.
- After expiry of the maximum period of the cooperation, the authorised auditor or, where applicable, any member of its network, may not undertake a statutory audit of the Company's financial statements for further 4 years.
- The key statutory auditor may not perform a statutory audit in the Company for a period longer than 5 years. The key statutory auditor may conduct a statutory audit again after the expiry of 3 years.
- The maximum period of uninterrupted performance of statutory audits by the same audit firm or an audit firm related to that audit firm or any member of the network operating in the European Union of which the audit firms are members, may not exceed 10 years.

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

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

- Provision of the above services is possible solely to the extent not related to the entity's tax policies after a review by the Audit Committee of hazards and mitigants of the audit firm's independence as referred to in Article 69-73 of the Act on Certified Auditors, Audit Firms and Public Supervision.

On 22 February 2023, the Company's Supervisory Board, based on the Audit Committee's recommendation on the selection of an auditor, decided to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper S.A. Group to audit the financial statements for 2023 and 2024. The recommendation of the Audit Committee was issued as a result of the selection procedure in compliance with the "Policy and procedure for the selection of the audit firm for the statutory and voluntary audit of the consolidated and standalone financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odrą". The audit firm and members of its team performing the audit comply with the requirements to make an impartial and independent report from the audit of the annual consolidated and standalone financial statements of the Arctic Paper Group and of the Company in compliance with the applicable regulations, professional standards and the rules of professional ethics.

Remuneration Committee

Composition and organisation of the Remuneration Committee

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

Competences of the Remuneration Committee

- The basic task of the Remuneration Committee is advisory support to the Supervisory Board on issues related to remuneration policy, bonus policy and other issues related to the remuneration of the employees, members of the Company's authorities and the authorities of Capital Group companies;
- The tasks of the Remuneration Committee resulting from supervision over the Company's remuneration policy and ensuring the effective functioning of the Company's remuneration policy, is to provide recommendations to the Supervisory Board in particular with respect to:
 - › approval and changes to the remuneration principles of members of the Company's bodies;
 - › the amount of total remuneration to members of the Company's Management Board;
 - › legal disputes between the Company and Members of the Management Board with respect to the tasks of the Committee;
 - › proposing remuneration and approving additional benefits to individual members of the Company's bodies, in particular under management option plans (convertible into shares of the Company);
 - › strategy of the Company's remuneration and bonus policies and HR policies;
- The Remuneration Committee may resort to advisory services and assistance by external legal or other advisers if it finds it necessary to perform its duties;
- The Remuneration Committee is obliged to file annual reports from its operations to the Supervisory Board by 30 September in each calendar year.

On 31 August 2020, the General Meeting of the Company, bearing in mind Article 90d(1) in connection with Article 90c(2)(1) of the Act of 29 July 2005 on public offerings and conditions for the introduction of financial instruments into the organised trading system and on public companies (i.e. Journal of Laws of 2022, item 2554 as amended) adopted the "Remuneration Policy for Members of the Management Board and Members of the Supervisory Board of Arctic Paper SA") Under the above-mentioned Acts of public companies, including the Company, were obliged to adopt, by resolution, the Remuneration Policy of Management Board and Supervisory Board Members, which is the rules for determining the remuneration of Members of the Management Board and Supervisory Board, by the General Meeting of Shareholders, and to publish a remuneration report. The Company shall pay remuneration to the Members of the Management Board and the Supervisory Board solely in compliance with the adopted Policy. The policy prepared by the Company was drawn up in accordance with the principles set out in the above-mentioned Act and refers to the required elements related to remuneration and other terms of employment for Members of the Management Board and Members of the Supervisory Board. The policy received an opinion from the Remuneration Committee operating at the Supervisory Board, as well as by the Supervisory Board.

On 6 June 2023, the General Meeting of the Company gave a positive opinion on the remuneration report for 2022 prepared by the Supervisory Board. The resolution of the General Meeting on the aforementioned issue is advisory in nature. The report was reviewed by the auditor. The independent auditor's report on the performance of a service providing reasonable assurance on the assessment of the remuneration report was attached as Appendix 2 to current report No. 9/2023 – "Resolutions adopted by the Annual General Meeting of Arctic Paper S.A. on 6 June 2023".

Remuneration Committee meetings were held on: 2 February, 8 February, 21 March, 5 April, 8 May, 11 December.

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

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

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

Risk Committee

Composition and organisation of the Risk Committee

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

Competences of the Risk Committee

- The basic task of the Risk Committee is advisory support to the Supervisory Board on issues related to the proper identification, assessment and control of potential risks, i.e. opportunities and threats to realization of the Company's strategic goals, with particular consideration for financial risk, related to both external factors (such as volatility of FX rates,

interest rates, general international economic condition) and internal factors (such as cash flows, liquidity management, variation of budget and financial forecasts);

- The tasks of the Risk Committee resulting from the supervision over the risk management process, include in particular:
 - › Supervision over correct identification, analysis and assigning priority to types of risk inherent in the operational strategy and business pursued;
 - › Confirmation to the identified risk appetite of the Company;
 - › Verification if actions used to mitigate risk are planned and implemented so that the risk is mitigated to a level acceptable by the Company;
 - › Monitoring verifying correct risk assessment by the Management Board and the effectiveness of control tools;
 - › Supervision over correct notification of stakeholders on the risks, risk strategies and control tools.
- The Risk Committee may resort to advisory services and assistance by external advisers if it finds it necessary to perform its duties;

Since 5 August 2021 the Risk Committee has been operating in the following composition:

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

The Risk Committee held a meeting on 12 December 2023.

Information compliant with the requirements of Swedish regulations concerning corporate governance

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

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

Arctic Paper S.A. follows the principles set forth in the "Best Practice of GPW Listed Companies 2021" (hereinafter the "Best Practice") that may be applied by companies listed at the Warsaw Stock Exchange and not the Swedish Code. As a result, the conduct of Arctic Paper S.A. is different from the one set forth in the Swedish Code in the following material aspects.

General Meeting of Shareholders

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

Appointment of governing bodies of the company

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

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

Tasks of the bodies of the Company

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

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

Size and composition of the Company's bodies

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

Chairpersons of the bodies of the Company

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

Procedures of the bodies of the Company

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

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

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

Information on corporate governance

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

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

Based on the statement of the Supervisory Board of Arctic Paper S.A. on the selection of the auditing firm to audit the annual consolidated financial statements of the Arctic Paper Group and the annual standalone financial statements of the Company for the financial year ended 31 December 2023 in accordance with the regulations and based on the statement received from PricewaterhouseCoopers Polska spółka z ograniczoną odpowiedzialnością Audyt sp.k., a decision was made to select PricewaterhouseCoopers Polska Spółka z ograniczoną odpowiedzialnością Audyt Sp.k. as the auditor of the Company and the Arctic Paper S.A. Group. to audit the financial statements for 2023 and 2024

The Management Board of the Company informs that the selection of the auditing firm by the Supervisory Board took place in accordance with the regulations and the "Policy and procedure for the selection of the audit firm for the statutory and voluntary audit of the consolidated and standalone financial statements of Arctic Paper S.A. with its registered office in Kostrzyn nad Odrą".

The audit firm and members of the audit team complied with the criteria to issue an impartial and independent report on the audit of the annual consolidated financial statements of the Company for the financial year ended on 31 December 2023, in compliance with the applicable laws, professional standards, and the principles of professional conduct.

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

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Executive Vice-President for Sales and Marketing	Fabian Langenskiöld	4 April 2024	signed with a qualified electronic signature

Statements of the Management Board

Accuracy and reliability of the presented reports

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

- The financial statements of Arctic Paper S.A. for the year ended on 31 December 2023 and the comparable data were prepared in compliance with the applicable accounting principles and they reflect Company's economic and financial condition and its financial result for 2023 in a true, reliable and clear manner.
- The Management Board's Report from operations of Arctic Paper S.A. in 2023 contains a true image of the development, achievements and condition of Arctic Paper S.A., including a description of core hazards and risks.

Signatures of the Members of the Management Board

Position	First and last name	Date	Signature
President of the Management Board Chief Executive Officer	Michał Jarczyński	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Executive Vice-President for Sales and Marketing	Fabian Langenskiöld	4 April 2024	signed with a qualified electronic signature



FINANCIAL STATEMENTS OF ARCTIC PAPER SA

for the year ended on 31st of December 2023

Standalone financial statements

Standalone statement of profit and loss

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022
Continuing operations			
Sales of services	24	14 321	12 754
Interest income on loans	24	1 930	2 290
Dividend income	24	179 235	57 416
Sales revenues	11	195 486	72 460
Costs of sales of logistics services	12.5	(7 311)	(7 350)
Costs from borrowings received		(5 447)	(1 506)
Gross profit/(loss) on sales		182 727	65 109
Other operating income		68	1 928
Selling and distribution costs	12.5	-	-
Administrative expenses	12.4	(13 131)	(17 938)
Impairment allowances to assets	12.1	78 919	175 745
Other operating expenses		(46)	(381)
Operating profit/(loss)		248 537	224 463
Financial income	12.2	5 439	3 316
Financial expenses	12.3	(4 818)	(7 298)
Gross profit/(loss)		249 158	218 975
Income tax	13.1	2 058	3 931
Net profit/(loss) for the reporting period		251 216	222 906
Earnings/(loss) per share in PLN:			
– basic earnings from the profit/(loss) for the period	14	3.63	3.22
– diluted earnings from the profit/(loss) for the period	14	3.63	3.22

Standalone statement of total comprehensive income

	<i>Note</i>	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit/(loss) for the reporting period		251 216	222 906
Items to be reclassified to profit/(loss) in future reporting periods:			
Measurement of financial instruments	27.2,27.3	(4 703)	4 954
Deferred income tax on the measurement of financial instruments		894	(941)
FX differences on translation of foreign operations	19.2	676	707
Other total comprehensive income		(3 134)	4 720
Total comprehensive income		248 083	227 626

Standalone statement of financial position

	Note	As at 31 December 2023	As at 31 December 2022
ASSETS			
Fixed assets			
Fixed assets		1 026	451
Intangible assets		1 331	1 346
Shares in subsidiaries	16.1	960 977	854 898
Other financial assets	16.3	25 356	35 514
Deferred income tax		1 283	1 865
		989 972	894 074
Current assets			
Trade and other receivables	17	15 935	17 566
Income tax receivables		2 192	1 430
Other financial assets	16.3	7 519	12 728
Other non-financial assets	16.4	7 916	5 817
Cash and cash equivalents	18	264 150	213 272
		297 712	250 814
TOTAL ASSETS		1 287 686	1 144 888
EQUITY AND LIABILITIES			
Equity			
Share capital	19.1	69 288	69 288
Supplementary capital	19.3	443 808	407 979
Other capitals	19.4	138 298	142 107
FX differences on translation	19.2	2 138	1 463
Retained earnings / Accumulated losses		184 444	156 134
		837 975	776 969
Long-term liabilities			
Interest-bearing loans and borrowings	20	42 080	73 022
Other financial liabilities	22.2	17	10
Deferred income tax liability	13.3	2 570	2 003
		44 668	75 036
Short-term liabilities			
Loans payables	20	380 057	263 752
Trade payables	22.1	18 939	19 175
Other financial liabilities	22.2	38	49
Other short-term liabilities	22.1	1 488	1 383
Employee liabilities	24.4	2 960	6 895
Income tax liability		1 561	1 630
		405 043	292 883
Total liabilities		449 710	367 919
TOTAL EQUITY AND LIABILITIES		1 287 686	1 144 888

Standalone statement of cash flow

	Note	Year ended on 31 December 2023	Year ended on 31 December 2022 (restated)
Cash flows from operating activities			
Gross profit/(loss)		249 158	218 975
<u>Adjustments for:</u>			
Depreciation/amortisation	12.6	317	228
Loss on exchange rate differences		(741)	1 421
Impairment of interests	12.2	(80 208)	(175 745)
Net interest and dividends		3 713	2 821
Profit/(loss) from investing activities		(2)	90
Change in receivables and other non-financial assets		(468)	9 963
Change in liabilities excluding loans and borrowings and other financial liabilities		(4 066)	(4 058)
Change in provisions			
Income tax		3 271	2 722
Change to liabilities due to cash-pooling		120 023	214 745
Change in loans granted to subsidiaries	16.3	10 604	3 342
Interest received on loans granted and cash-pooling		1 972	2 336
Interest paid under cash-pooling		(5 447)	(1 506)
Other		-	2 537
Net cash flows from operating activities		298 125	277 871
Cash flows from investing activities			
Sale of tangible fixed assets and intangible assets		-	-
Purchase of tangible fixed assets and intangible assets		(752)	-
Investments from subsidiaries (dividends)		-	-
Increase of interests in subsidiaries		(25 940)	(50)
Sale of shares to non-controlling shareholders		68	-
Acquisition of shares in new subsidiaries		-	-
Short-term deposit		-	-
Other		-	-
Net cash flows from investing activities		(26 624)	(50)
Cash flows from financing activities			
Issue of debt securities		-	-
Repayment of leasing liabilities		(126)	(180)
Proceeds from loans		-	-
Repayment of liabilities from loans and borrowings		(29 257)	(48 235)
Change in working capital loans		-	-
Loans received	20	-	-
Dividend received		-	-
Interest paid		(2 028)	(3 384)
Dividend paid		(187 077)	(27 715)
Other financial proceeds		-	-
Other financial expenses		-	-
Net cash flows from financing activities		(218 489)	(79 515)
Cash at the beginning of the period	18	213 272	14 966
Change in cash and cash equivalents		53 011	198 306
Net FX differences		(2 135)	-
Cash at the end of the period	18	264 149	213 272

Standalone statement of changes in equity

	Note	Share capital	Supplementary capital	FX differences on translation of investments in foreign entities	Other capitals	Retained earnings /Accumulated losses	Total
As at 1 January 2023		69 288	427 502	1 463	145 771	171 993	776 969
Equity adjustment	30.2	-	(19 523)	-	35 382	(15 859)	-
As of 1 January 2023, after presentation adjustment		69 288	407 979	1 463	181 153	156 134	776 969
Net profit/(loss) for the period		-	-	-	-	251 216	251 216
Other total comprehensive income for the period		-	-	676	(3 809)	-	(3 134)
Total comprehensive income for the period		-	-	676	(3 809)	251 216	248 083
Profit distribution	19.4	-	35 829	-	-	(35 829)	-
Dividend distribution		-	-	-	-	(187 077)	(187 077)
As at 31 December 2023		69 288	443 808	2 138	177 344	184 444	837 975

	Note	Share capital	Supplementary capital	FX differences on translation of investments in foreign entities	Other capitals	Retained earnings /Accumulated losses	Total
As at 1 January 2022		69 288	427 502	756	124 500	(44 986)	577 059
Adjustment of the breakdown of the result resolution	19.3	-	(19 523)	-	19 523	-	-
As of 1 January 2022, after presentation adjustment		69 288	407 979	756	144 023	(44 986)	577 059
Net profit/(loss) for the period		-	-	-	-	222 906	222 906
Other total comprehensive income for the period		-	-	707	4 012	-	4 718
Total comprehensive income for the period		-	-	707	4 012	222 906	227 625
Dividend distribution		-	-	-	(21 787)	(5 928)	(27 715)
Dividend distribution adjustment					15 859	(15 859)	
Equity published as at 31.12.2022		69 288	427 502	1 463	145 771	171 993	776 969
Equity 31.12.2022 after adjustments	30.2	69 288	407 979	1 463	181 153	156 134	776 969

Accounting principles (policies) and additional explanatory notes

1. General information

The financial statements of Arctic Paper S.A. cover the year ended 31 December 2023 and include comparative data for the year ended 31 December 2022. These financial statements include the financial data of Arctic Paper S.A. (head office) and the financial data of the Swedish branch independently reporting in SEK. Due to the translation of the Swedish branch report into the functional currency, "FX differences on translation" arise. Comparable figures for the financial year ended 31 December 2022 have been adjusted with regard to the value of the company's detailed Equity items. Further details are described in note no 30.2.

Arctic Paper S.A. (hereinafter: ("Company", "Entity")) is a joint stock company established with Notary deed on 30 April 2008 with its stock publicly listed. The Company's registered office is located in Kostrzyn nad Odrą, ul. Fabryczna 1. The Company also has a foreign branch in Göteborg, Sweden.

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

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

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

2. Identification of the consolidated financial statements

The Company prepared its consolidated financial statements for the year ended on 31 December 2023 which were approved for publishing on 4 April 2024.

3. Composition of the Company's Management Board

As at 31 December 2023, the Company's Management Board was composed of:

- Michał Jarczyński – President of the Management Board appointed on 10 December 2018, with effect from 1 February 2019;
- Katarzyna Wojtkowiak – Member of the Management Board appointed on 29 May 2023;
- Fabian Langenskiöld – Member of the Management Board appointed on 14 August 2023.

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

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

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

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

From 31 December 2023 until the publication date of the financial statements no other changes in the composition of the Management Board of the Company occurred.

4. Approval of the financial statements

These financial statements were approved for publication by the Management Board on 4 April 2024.

5. Investments by the Company

The Company holds interests in the following subsidiaries:

Unit	Registered office	Business activity	Share	
			31.12.2023	31.12.2022
Arctic Paper Kostrzyn S.A.	Poland, Fabryczna 1 66-470 Kostrzyn nad Odrą	Paper production	100%	100%
Arctic Paper Munkedals AB	Sweden, SE 455 81 Munkedal	Paper production	100%	100%
Arctic Paper UK Limited	United Kingdom, 8 St Thomas Street SE1 9RR London	Trading company	100%	100%
Arctic Paper Baltic States SIA	Latvia, K. Valdemara iela 33-20, Riga LV-1010	Trading company	100%	100%
Arctic Paper Deutschland GmbH	Germany, Am Sandtorkai 71, D- 20457 Hamburg	Trading company	100%	100%
Arctic Paper Benelux S.A.	Belgium, Interleuvenlaan 62 bus 14, B-3001 Heverlee	Trading company	100%	100%
Arctic Paper Schweiz AG	Switzerland, Gutenbergstrasse 1, CH-4552 Derendingen	Trading company	100%	100%
Arctic Paper Italia srl	Italy, Via Chiaravalle 7, 20 122 Milano	Trading company	100%	100%
Arctic Paper Danmark A/S	Denmark, Korskiødelund 6 DK-2670 Greve	Trading company	100%	100%
Arctic Paper France SAS	France, 30 rue du Chateau des Rentiers, 75013 Paris	Trading company	100%	100%
Arctic Paper Espana SL	Spain, Avenida Diagonal 472-474, 9-1 Barcelona	Trading company	100%	100%
Arctic Paper Papierhandels GmbH	Austria, Hainborgerstrasse 34A, A-1030 Vienna	Trading company	100%	100%
Arctic Paper Polska Sp. z o.o.	Poland, Okrężna 9, 02-916 Warszawa	Trading company	100%	100%
Arctic Paper Norge AS	Norway, Eikenga 11-15, NO-0579 Oslo	Trading company	100%	100%
Arctic Paper Sverige AB	Sweden, SE 455 81 Munkedal	Trading company	100%	100%
Arctic Power Sp. z o.o. (formerly Arctic Paper East Sp. Z o.o.)	Poland, Fabryczna 1 66-470 Kostrzyn nad Odrą	Energy projects	100%	100%
Arctic Paper Investment GmbH	Germany, Am Sandtorkai 71, D- 20457 Hamburg	Activities of holding companies	100%	100%
Arctic Paper Finance AB	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	0%	100%
Arctic Paper Investment AB **	Sweden, Box 383, 401 26 Göteborg	Activities of holding companies	100%	100%
Munkedals Kraft AB	Sweden, 455 81 Munkedal	Production of hydropower	100%	100%
Kostrzyn Packaging Spółka z o.o.	Poland, ul. Fabryczna 1, 66-470 Kostrzyn nad Odrą	Production of packaging	50.00%	100%
Rottneros AB	Sweden, Box 144, Sunne	Activities of holding companies	51.27%	51.27%

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

6. Material values based on professional judgement and estimates

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

6.1. Impairment of assets in subsidiaries

As at 31 December 2023, an impairment test was carried out by the Company on its interest in Arctic Paper Grycksbo AB (100% of which is held by Arctic Paper Investment AB, which is a direct subsidiary of Arctic Paper S.A.) using the discounted cash flow method for the value of the investment in both companies (note 16.2).

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

7. Basis of preparation of the financial statements

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

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

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

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

7.1. Compliance statement

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

7.2. Functional currency and presentation currency

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

8. Changes in the applied accounting principles

The accounting policies used in the preparation of the financial statements are consistent with those used in the preparation of the Company's financial statements for the year ended 31 December 2022, except for the change presented in note 30.

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

9. New and amended standards and interpretations applied

The following new standards and amendments to existing standards, which become effective in 2023, have been applied for the first time in these financial statements:

The accounting principles (policies) applied to prepare the interim abbreviated consolidated financial statements are compliant with those applied to the annual consolidated financial statements of the Group for the year ended on 31 December 2022, except for those presented below.

a) IFRS 17 "Insurance contracts" and amendments to IFRS 17

IFRS 17 "Insurance Contracts" was issued by the International Accounting Standards Board on 18 May 2017, while the amendments to IFRS 17 were published on 25 June 2020. The new standard is effective for annual periods beginning on or after 1 January 2023.

IFRS 17 Insurance Contracts will replace the current IFRS 4, which allows for a variety of practices in accounting for insurance contracts. The new standard will fundamentally change the accounting for all entities that deal with insurance contracts and investment contracts; however, the scope of the standard is not limited to insurance companies only, and contracts entered into by entities other than insurance companies may also contain an element that meets the definition of an insurance contract (as defined in IFRS 17).

b) Amendment to IFRS 17 "Insurance Contracts"

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

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

c) Amendments to IAS 1 "Presentation of Financial Statements" and the IFRS Board's guidance on disclosure of accounting policies in practice

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

d) Amendments to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors":

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

e) Amendments to IAS 12 "Income Taxes"

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

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

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

In May 2023 the Management Board published amendments to IAS 12 "Income Tax" in response to the Pillar Two global minimum income tax regulations issued by the Organisation for Economic Co-operation and Development (OECD) in connection with international tax reform. The amendment to IAS 12 provides a temporary exemption from the requirement to recognise deferred tax arising from enacted tax law that implements the Pillar Two model rules. Companies can apply the guidance of the revised IAS 12 standard immediately, while specific disclosures are required for annual periods beginning on or after 1 January 2023. At the date of these consolidated financial statements, this amendment has not yet been approved by the European Union. The Company did not decide to adopt earlier any other standards, interpretations or amendments that were issued but are not yet effective for periods commencing on 1 January 2023.

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

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

a) Amendment to IFRS 16 "Leases"

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

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

b) Amendments to IAS 1 "Presentation of Financial Statements"

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

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

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

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

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

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

d) IAS 21 "The Effects of Changes in FX Rates"

In August 2023 the Supervisory Board published amendments to IAS 21 "The Effects of Changes in FX Rates". The changes introduced are intended to make it easier for entities to determine whether a currency is convertible into another currency and to estimate the immediate FX rate when a currency is not convertible. In addition, the amendments to the standard introduce additional disclosures when currencies are not convertible on how the alternative FX rate is determined.

The published amendments are effective for financial statements for periods beginning on or after 1 January 2025.

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

e) IFRS 14 "Regulatory accruals"

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

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

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

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

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

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

g) Reform of the interest rate reference index (IBOR reform)

On 1 January 2018, Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 on indices to be used as benchmarks in financial instruments and contracts ("IBOR Reform") entered into force. An amendment to the regulation was issued in February 2021. The regulation introduced a new standard for the determination and application of reference rates used in the financial market. Consequently, the approach to setting WIBOR and EURIBOR rates has been reformed. The LIBOR rates for the British pound, Swiss franc, yen and euro ceased to be quoted from 1 January 2022 and were replaced by alternative rates. At the same time, the 1W and 2M LIBOR rates for the US dollar ceased to be quoted. In line with the current decisions of the reform appointees, the remaining USD LIBOR rates are likely to exist until 30 June 2023.

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

10. Significant accounting principles (policies)

10.1. Foreign currency translation

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

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

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

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

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

The following exchange rates were used for book valuation purposes:

	31 December 2023	31 December 2022
USD	3.9350	4.4018
EUR	4.3480	4.6899
SEK	0.3919	0.4213
DKK	0.5833	0.6307
NOK	0.3867	0.4461
GBP	4.9997	5.2957
CHF	4.6828	4.7679

	01.01 – 31.12.2023	01.01 – 31.12.2022
USD	4.2030	4.4615
EUR	4.5437	4.6876
SEK	0.3962	0.4411
DKK	0.6098	0.6301
NOK	0.3984	0.4643
GBP	5.2230	5.4989
CHF	4.6753	4.6700

For translation of assets and liabilities of the foreign branch as at 31 December 2023, the exchange rate SEK/PLN of 0.3919 was applied (31 December 2022: 0.4213). For translation of the items of comprehensive income for the year ended on 31 December 2023, the exchange rate SEK/PLN of 0.3962 was applied (for the year ended on 31 December 2022: 0.4411) which is an arithmetic mean of NBP's mean exchange rates published by NBP in 2023.

10.2. Impairment of non-financial fixed assets

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

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

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

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

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

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

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

10.4. Financial assets

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

- measured at amortised cost: To measure its financial assets measured at amortised cost, the Group applies the effective interest rate method; those are trade receivables, loans granted, other financial receivables and cash and cash equivalents. After initial recognition, trade receivables are measured at amortised cost with the effective interest rate method subject to impairment allowances' trade receivables due within 12 months of the day of their origin (without financing elements) and not forwarded to factoring, are not discounted and are measured at nominal value; interest income, exchange differences and impairment allowances are recognised in profit or loss; profits or losses on derecognition of a financial instrument are recognised in profit or loss for the period;
- measured at fair value through 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 (interest rate SWAPs) are measured in accordance with hedge accounting principles recognised under IFRS 9.

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

The Company reports loans granted and interest on loans in the statement of cash flows under cash flows from operating activities.

10.5. Impairment of financial assets

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

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

In accordance with IFRS 9, the Company measures allowances for expected credit losses in the amount equal to the 12-month expected credit losses or expected credit losses in the life of the financial instrument. In the case of trade receivables, the Company applies a simplified approach and measures an allowance for expected credit losses at the amount equal to the expected credit losses over the whole life of the asset.

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

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

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

The Company only holds trade receivables and financial assets from related entities, so in determining expected credit losses it analyses the budgets of these companies, which also take into account macroeconomic factors

In determining whether the credit risk of a financial asset has increased significantly since initial recognition and in estimating expected credit losses, the Company 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 Company 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)
- Significant negative variance in performance against budgets and forecasts
- Commencement of a formal restructuring, bankruptcy or liquidation process
- No possibility to obtain financial information about the entity, etc.

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

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

10.6. Financial derivatives and hedges

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

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.

In hedge accounting, hedges held by the Company are classified as 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.

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship as well as the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and the assessment method of the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the

hedged risk. Hedges are expected to be highly effective in offsetting the exposure to changes in the fair value or cash flows attributable to the hedged risk. Hedge effectiveness is assessed on a regular basis to check if the hedge is highly effective throughout all reporting periods for which it was designated.

Cash flow hedge

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

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

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

10.7. Trade and other receivables

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

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

Budgetary receivables are presented within trade and other receivables, except for corporate income tax receivables that constitute a separate item in the statement of financial position. These are income tax receivables from an entity within the Tax Group.

10.8. Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less, as well as deposits with a longer maturity, provided that they are payable on demand.

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

10.9. Interest-bearing bank loans

At initial recognition, all bank loans are recognised at fair value less costs associated with obtaining the loan, split into long-term and short-term portions.

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

In determining amortised cost, the costs associated with obtaining the loan are taken into account.

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

Cash-pooling (group cash management) is a core activity of the company and therefore cash-pooling-related flows are presented in the operating section of the statement of cash flows.

10.10. Trade and other payables

In accordance with IFRS 9, the Company classifies financial liabilities (trade payables, loans and leases) as measured at amortised cost:

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.

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

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

10.11. Revenues

Provision of services

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

The company provides services to companies in the Group and these are mainly consulting and logistics services. Revenue is recognised over time as services are provided. Since the Company is entitled to receive remuneration from customers in an amount that corresponds directly to the value to the customers of the service already rendered by the entity, the Company recognises revenue in the amount that it is entitled to invoice.

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

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

The following criteria are also applicable to recognition of revenues.

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. The Company recognises interest only on loans and cash-pooling granted to related companies (as opposed to interest on deposits and other interest related to financing activities and reported in financing activities) in its core operating income.

Dividend

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

10.12. FX differences

In the income statement, exchange rate differences are presented "per balance", i.e. the excess of positive exchange rate differences over negative exchange rate differences is shown in financial income, while the excess of negative exchange rate differences over positive exchange rate differences is shown in financial expenses.

10.13. Taxes

Current tax

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

Deferred income tax

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

Deferred tax provision is recognised for all positive temporary differences:

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

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

- except where the deferred tax asset relating to the negative temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of negative temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, the deferred income tax asset is recognised in the statement of financial position 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 Company does not expect any reversal of the deductible temporary differences associated with its investments in subsidiaries in the foreseeable future.

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

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

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

Value added tax

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

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

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

10.14. Net profit per share

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

11. Revenues

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

The table below presents a geographical split of revenues from sales of services, revenues from contracts with customers as well as dividend and interest income in 2022-2023.

	Year ended on 31 December 2023	Year ended on 31 December 2022
Revenues from contracts with customers		
- Poland	4 126	3 274
- Sweden	10 194	9 480
- other	-	-
	14 321	12 754
Other income (dividends and interest)		
- Poland	133 578	35 797
- Sweden	46 001	23 450
- other	1 585	459
	181 165	59 706
Total	195 486	72 460

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

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

12. Other revenues and expenses

12.1. Impairment allowances to assets

		Year ended on 31 December 2023	Year ended on 31 December 2022
Impairment allowance to financial assets (Arctic Paper Mochenwangen GmbH)		(1 289)	(468)
Reversal of impairment allowance to assets (Arctic Paper Sverige AB)	16.1	80 208	178 805
Impairment allowance to financial assets (Arctic Paper Mochenwangen GmbH)		-	(2 592)
		78 919	175 745

12.2. Financial income

	Year ended on 31 December 2023	Year ended on 31 December 2022
Interest income on funds in bank accounts	2 946	985
Financial services	2 493	2 331
	5 439	3 316

12.3. Financial expenses

	Year ended on 31 December 2023	Year ended on 31 December 2022
Interest on loans and other liabilities	840	2 177
FX losses	516	1 875
Bank charges	-	-
Warranty costs	2 645	2 645
Other financial expenses	817	602
	4 818	7 298

12.4. Prime costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Depreciation/amortisation	317	228
Materials	173	134
Third party services	8 816	11 838
Taxes and charges	100	84
Wages and salaries	7 896	10 696
Employee benefits	1 672	1 233
Other prime costs	1 468	1 076
Interest recognised in operating activities	5 447	1 506
	25 890	26 795

12.5. Depreciation/amortisation

	Year ended on 31 December 2023	Year ended on 31 December 2022
Depreciation of tangible fixed assets	294	226
Depreciation of intangible assets	23	2
	317	229
Attributable to:		
- continuing operations	317	229

12.6. Employee benefit costs

	Year ended on 31 December 2023	Year ended on 31 December 2022
Wages and salaries	7 924	10 696
Social insurance premiums	1 644	1 233
	9 568	11 929

13. Income tax

From 1 January 2022, the Company is part of the Arctic Paper Tax Group (PGK). The Tax Group was concluded for a period of three fiscal years starting from 1 January 2022. PGK comprises Arctic Paper S.A. as the parent company and Arctic Paper Kostrzyn S.A. as a subsidiary.

13.1. Tax liability

The major components of income tax liabilities for the year ended on 31 December 2023 and on 31 December 2022 are as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Current income tax liability (benefit)	4 101	2 522
Deferred income tax (charge)	(2 043)	-
Creation and reversal of temporary differences	-	1 409
Tax charge disclosed in the profit and loss account	2 058	3 931

The current income tax charge of PLN 4,101 thousand represents the Company's benefit on the utilisation of the current year's tax loss in the settlement of the Group's tax result.

13.2. Recognition of effective tax rate

A reconciliation of income tax expense applicable to gross profit/(loss) before income tax at the statutory income tax rate, to income tax expense at the Company's effective income tax rate for the year ended on 31 December 2023 and 31 December 2022 is as follows:

	Year ended on 31 December 2023	Year ended on 31 December 2022
Gross profit/(loss) before tax	249 158	218 975
Tax at the statutory rate in Poland of 19%	(47 340)	41 605
Benefit of accounting for tax losses within the Tax Group	303	2 522
Dividend income	34 055	(10 909)
Impact of the amortised cost of the loan on interest calculations	173	-
Costs that are permanently non-tax deductible	(234)	550
Realisation of SWAP by result (valuation by capital)	106	(376)
Impairment allowances for interests and loans	14 995	(33 392)
Income tax (charge) recognised in profit or loss	2 058	3 931

13.3. Deferred income tax

Deferred income tax relates to the following items:

	Balance sheet		Profit and loss	
	31 December 2023	31 December 2022	Year ended on 31 December 2023	Year ended on 31 December 2022
<i>Deferred income tax liability</i>				
Valuation of loans at amortised cost	552	-	552	-
FX gains	1 108	-	1 108	-
Amortisation of right-of-use assets	10	456	446	(320)
Gross deferred income tax provision	1 670	456	2 106	(320)

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.

	Balance sheet		Profit and loss	
	31 December 2023	31 December 2022	Year ended on 31 December 2023	Year ended on 31 December 2022
Deferred income tax assets				
Uninvoiced liabilities and holiday and salary provisions	1 261	1 612	350	(595)
FX losses	-	198	198	58
Other	21	55	34	79
Gross deferred income tax asset	1 283	1 865	583	(458)
Deferred income tax liability			4 795	(1 098)
Amount of deferred tax asset not recognised in the balance sheet	-	-	-	-
Net deferred tax liability recognised in other comprehensive income				
	31 December 2023	31 December 2022	Year ended on 31 December 2023	Year ended on 31 December 2022
of which:				
Measurement of financial instruments	894	941	894	941

	2023	2023	2022	2022
	Gross value	Tax effect	Gross value	Tax effect
Impairment allowances on shares in subsidiaries	(238 861)	(45 384)	319 069	60 623
Tax losses	20 829	3 958	34 076	6 474
	(218 032)	(41 426)	353 145	67 098

Tax losses for which deferred income tax have not been recognised expire in the years 2024-2027.

In 2022, the company has formed a tax equity group ("PGK") with Arctic Paper Kostrzyn SA, and therefore losses incurred by the company are used on an ongoing basis within the PGK.

14. Earnings/(loss) per share

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

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

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Net profit/(loss) for the reporting period	251 216	222 906
Number of ordinary shares – A series	50 000	50 000
Number of ordinary shares – B series	44 253 500	44 253 500
Number of ordinary shares – C series	8 100 000	8 100 000
Number of ordinary shares – E series	3 000 000	3 000 000
Number of ordinary shares – F series	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783
Weighted average number of shares	69 287 783	69 287 783
Weighted average diluted number of shares	69 287 783	69 287 783
Profit per share (in PLN)	3.63	3.22
Diluted profit per share (in PLN)	3.63	3.22

15. Dividend paid and proposed

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

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

The possibility of disbursement of potential dividend by the Company to its shareholders depends on the level of payments received from its subsidiaries. The risk associated with the Company's ability to disburse dividend was described in the part "Risk factors" of the annual report for 2023.

On 15 February 2024, the Management Board of the Company, taking into account the preliminary financial results of the Company and the Arctic Paper S.A. Capital Group for 2023, 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 2023, in the total amount of PLN 69,287.783, i.e. PLN 1.00 gross per share. The Management Board's recommendation will be reviewed by the Supervisory Board and will be submitted to the Annual General Meeting for resolution. The final decision on the distribution of the Company's 2023 profit and the payment of the dividend will be taken by the Annual General Meeting.

16. Other assets

16.1. Shares in subsidiaries

	As at 31 December 2023	As at 31 December 2022
Arctic Paper Kostrzyn S.A.	442 535	442 535
Arctic Paper Munkedals AB	88 175	88 175
Rottneros AB	101 616	101 616
Arctic Paper Investment AB, of which:	285 792	205 584
<i>Arctic Paper Investment AB (shares)</i>	307 858	307 858
<i>Arctic Paper Investment AB (loans)</i>	82 709	82 709
<i>Arctic Paper Investment AB (impairment allowance)</i>	(104 775)	(184 983)
Arctic Paper Investment GmbH	-	-
<i>Arctic Paper Investment GmbH (shares)</i>	120 031	120 031
<i>Arctic Paper Investment GmbH (impairment allowance)</i>	(120 031)	(120 031)
Arctic Paper Sverige AB	2 936	2 936
<i>Arctic Paper Sverige AB (shares)</i>	11 721	11 721
<i>Arctic Paper Sverige AB (impairment allowance)</i>	(8 785)	(8 785)
Arctic Paper Danmark A/S	2 947	2 947
<i>Arctic Paper Danmark AB (shares)</i>	5 539	5 539
<i>Arctic Paper Danmark A/S (impairment allowance)</i>	(2 592)	(2 592)
Arctic Paper Deutschland GmbH	4 977	4 977
Arctic Paper Norge AS	516	516
<i>Arctic Norge AS (shares)</i>	3 194	3 194
<i>Arctic Paper Norge AS (impairment allowance)</i>	(2 678)	(2 678)
Arctic Paper Italy srl	738	738
Arctic Paper UK Ltd.	522	522
Arctic Paper Polska Sp. z o.o.	406	406
Arctic Paper Benelux S.A.	387	387
Arctic Paper France SAS	326	326
Arctic Paper Espana SL	196	196
Arctic Paper Papierhandels GmbH	194	194
Arctic Paper Power Sp. z o.o. (formerly Arctic Paper East Sp. z o.o.)	2 602	2 602
Arctic Paper Baltic States SIA	64	64
Arctic Paper Schweiz AG	61	61
Kostrzyn Packaging Spółka z o.o.	25 990	50
Arctic Paper Finance AB	-	68
Total	960 978	854 898

The value of investments in subsidiaries was disclosed on the basis of historic costs. In 2023, there was a reversal of the impairment loss on the shares of Arctic Paper Investment AB in the amount of PLN 80,208 thousand, the sale of the shares of Arctic Paper Finance AB in the amount of PLN 68 thousand and a surcharge on the shares of Kostrzyn Packaging Sp. z o.o. in the amount of PLN 25,940 thousand. An adjustment was also made to the value of the shares in Arctic Paper Investment AB in the amount of PLN 5,280 thousand and Rottneros AB in the amount of PLN 3,107 thousand

16.2. Impairment test of investments in subsidiaries

As at 31 December 2023 and 31 December 2022, and in earlier periods, the Company performed impairment tests in respect of its interest in Arctic Paper Grycksbo AB.

As a result of the analysis, it was decided that it was necessary to carry out an impairment test of the investment in the subsidiary Arctic Paper Grycksbo AB (directly and solely controlled by Arctic Paper Investment AB, in which the Parent Company holds 100% of the shares). The need to test the investment in Arctic Paper Grycksbo was determined by the achievement of higher results than expected by the Company's Management Board, realised as a result of market conditions, such as macroeconomic factors and higher demand in the paper segment produced by Arctic Paper Grycksbo AB.

As at 31 December 2023 the Company held impairment tests to the value of its holding in Arctic Paper Investment AB, which is a direct shareholder of Arctic Paper Grycksbo AB. The shares in Arctic Paper Grycksbo AB are the main component of the net assets of Arctic Paper Investment AB. The estimated value of the investment (recoverable amount) of the shares in Arctic Paper Investment AB was determined as the value in use of Arctic Paper Grycksbo AB determined by the discounted cash flow method as at 31 December 2023, which amounted to PLN 146,371 thousand. . In addition, the value in use of Arctic Paper Grycksbo AB was reduced by financial liabilities (including the financial liabilities of Arctic Paper Grycksbo AB to the Parent Company) and increased by the cash and cash pool, which is recognized in receivables of Arctic Paper Grycksbo AB. The total value in use of the investment in shares in Arctic Paper Investment AB was PLN 280,512 thousand as at the balance sheet date, while the carrying amount of the investment in Arctic Paper Investment AB as at 31 December 2023 was PLN 200,304 thousand.

As a result of the impairment test carried out as at 31 December 2023, it was decided to partially reverse the impairment allowances to the shares in Arctic Paper Investment AB recognised in previous years, amounting to PLN 80,207 thousand. The reversal of the impairment allowance is disclosed under Impairment allowances in the statement of profit and loss.

The total impairment allowance on this investment as at 31 December 2023 amounted to PLN 104,775 thousand (31 December 2022: PLN 184,983 thousand).

The key assumptions of the impairment test performed at 31 December 2023 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 9.7% (the rate applied as at 31 December 2022: 9.4%). 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 2023. The individual values represent the Management 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	2023
Approved projections based on	2024-2028
Income tax rate	20.6%
Weighted average cost of capital (WACC)	9,7%
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 an analysis of an impairment test held on 31 December 2023:

Parameter	Average annual change of the parameter by	Impact on the value of assets in use PLN
31 December 2023		
Weighted average cost of capital (WACC)	+0.1 p.p.	(917)
Growth rate in the residual period	+0.1 p.p.	(198)
Sales volume only in the first year of the projection	1%	9 551
Sales prices only in the first year of the projection	1%	7 458
Pulp purchase prices only in the first year of the projection	1%	(2 344)
Energy purchase prices only in the first year of the projection	-	(3 770)
Weighted average cost of capital (WACC)	-0.1 p.p.	934
Growth rate in the residual period	-0.1 p.p.	194
Sales volume in the first year of the projection	-1%	(9 659)
Sales prices only in the first year of the projection	-1%	(7 473)
Pulp purchase prices in the first year of the projection	-1%	2 344
<i>Energy purchase prices in the first year of the projection</i>	<i>-10%</i>	<i>3 770</i>

In the case of other companies, no grounds for conducting an impairment test were identified.

16.3. Other financial assets

	Repayment date	As at 31 December 2023	As at 31 December 2022
Short-term			
Loans granted to Paper Grycksbo AB - amount: EUR 8,400 thousand	2024*	7 519	8 154
Loans granted to Arctic Paper Benelux - amount: EUR 80 thousand	2023	-	375
Loans granted to Arctic Paper Mochenwangen GmbH - amount: EUR 6,443 thousand		28 856	27 567
Loan granted to Arctic Paper Investment GmbH - amount: EUR 6,992 thousand		30 269	30 269
Impairment allowances on assets - applies to Arctic Paper Investment GmbH and Arctic Paper Mochenwangen GmbH		(59 125)	(57 836)
Measurement of financial instruments		-	4 199
		7 519	12 728
Long-term			
Loans granted to Paper Grycksbo AB - amount: EUR 8,400 thousand		21 914	31 516
Loan granted to Arctic Paper Investment GmbH - amount: EUR 990 thousand		4 286	4 286
Impairment allowances on assets - applies to Arctic Paper Investment GmbH		(4 286)	(4 286)
Measurement of financial instruments		3 442	3 945
Employee Fund		-	52
		25 356	35 514
Total other financial assets		32 875	48 242

*the possibility of repayment on demand within 14 days

16.3.1. Change on loans in 2023

	1 December 2023	Proceeds	Expenditure	FX differences	Accrued interest	Creation of an allowance	31 December 2023
Arctic Paper Grycksbo AB	39 671	(7 615)	-	(2 562)	(61)	-	29 433
Arctic Paper Italy	375	(373)	-	(2)	-	-	-
Arctic Paper Mochenwangen	-	-	1 289	-	-	(1 289)	-

16.4. Other non-financial assets

	As at 31 December 2023	As at 31 December 2022
Insurance	204	76
VAT refundable	4 747	2 702
Accounting for costs related to financing	1 985	2 078
Other	980	961
Total	7 916	5 817
- long-term	-	-
- short-term	7 916	5 817
	7 916	5 817

17. Trade and other receivables

	Note	As at 31 December 2023	As at 31 December 2022
Trade receivables from related entities	25	38 317	39 875
Trade receivables from other entities		148	223
Total (gross) receivables		38 466	40 097
Impairment allowances to receivables		(22 531)	(22 531)
Net receivables		15 935	17 566

The Company has no receivables payable after 12 months.

As at 31 December 2023, the cumulative value of short-term write-downs of receivables from AP Investment GmbH amounts to PLN 11,415 thousand and receivables from AP Mochenwangen GmbH: PLN 11,116 thousand)

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

Ageing of trade receivables as at 31 December 2023

Ageing of trade receivables as at 31 December 2023		current	1-30	31-90	91-180	181-365	over 365
Trade receivables from related entities	15 786	15 386	-	-	-	-	400
Trade receivables from other entities	148	144	144	4	-	-	-
Net receivables	15 935	15 530	144	4	-	-	-

18. Cash and cash equivalents

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

Short-term deposits are made for varying periods of between one day to six months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates. As at 31.12.2023, the Company had short-term deposits of PLN 97,830 thousand.

The fair value of cash and cash equivalents at 31 December 2023 is PLN 264,150 thousand (31 December 2022: PLN 213,272 thousand).

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

	As at 31 December 2023	As at 31 December 2022
Cash in bank and on hand	166 320	213 272
Short-term deposits	97 830	-
	264 150	213 272

19. Share capital and other capitals

19.1. Share capital

<i>Share capital</i>	As at 31 December 2023	As at 31 December 2022
Ordinary series A shares	50 000	50 000
Ordinary series B shares	44 253 500	44 253 500
Ordinary series C shares	8 100 000	8 100 000
Ordinary series E shares	3 000 000	3 000 000
Ordinary series F shares	13 884 283	13 884 283
Total number of shares	69 287 783	69 287 783
Value of share capital (in PLN)	69 287 783	69 287 783

Nominal value of shares

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

Purchase of treasury shares

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

Major shareholders

	As at 31 December 2023		As at 31 December 2022	
	Share in the share capital	Share in the total number of votes	Share in the share capital	Share in the total number of votes
Thomas Onstad	68.13%	68.13%	68.13%	68.13%
indirectly via	60.01%	60.01%	59.15%	59.15%
Nemus Holding AB	59.15%	59.15%	58.28%	58.28%
other entity	0.87%	0.87%	0.87%	0.87%
directly	8.12%	8.12%	8.98%	8.98%
Other	31.87%	31.87%	31.87%	31.87%

19.2. FX differences on translation of investments in foreign entities

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

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

As at 31 December 2023, FX differences on translation of the foreign branch recognised in capital amounted to PLN 2,138 thousand (as at 31 December 2022: PLN 1,463 thousand). The FX differences on translation of the foreign branch, recognised in the statement of total comprehensive income, amounted to PLN 676 thousand in 2022 and PLN 707 thousand in 2022.

19.3. Supplementary capital

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

	As at 31.12.2023	As at 31.12.2022
Excess of issue price over nominal value (agio)	134 257	134 257
Capitals under Article 396 of the Code of Commercial Partnerships and Companies	19 771	19 771
Decrease of share capital	498 632	498 632
Capital created from company profits	35 829	-
Coverage of losses with supplementary capital	(244 683)	(244 683)
TOTAL	443 806	407 977

Pursuant to Article 396 of the Code of Commercial Partnerships and Companies, the company also includes in the item of supplementary capital an amount of profits representing 8% to cover losses in the amount of PLN 19,771 thousand.

As at 31 December 2023, the total value of the Company's supplementary capital is PLN 443,806 thousand (31 December 2022: PLN 407,977 thousand). The changes in the value of the supplementary capital resulted from a correction in the presentation of the distribution of the company's profit for 2018 – a transfer of PLN 19,523 thousand from the supplementary capital to capital. The increase in the supplementary capital by PLN 35,829 thousand resulted from the distribution of profit for 2022 in accordance with the resolution of the General Meeting of Shareholders of Arctic Paper S.A.

19.4. Other capitals

As at 31 December 2023, the total value of the Company's other reserves is PLN 138,298 thousand (31 December 2022: PLN 142,107 thousand, note 30.2). The increase in reserves was due to the adjustment of the profit distribution for 2022 in the amount of PLN 15,859 and the transfer of an amount of PLN 19,523 from supplementary capital (adjustment of the profit distribution for 2018). The negative valuation of financial instruments in the amount of PLN 3,809 thousand also contributed to the change in other reserves.

19.5. Retained profit/(loss) and restrictions to dividend distribution

Dividend payment restrictions were described in note 15.

20. Interest-bearing bank loans and cash-pooling

	<i>Repayment date</i>	<i>Interest rate *</i>	As at 31 December 2023	As at 31 December 2022
Short-term				
Long-term loan syndicate of banks (Santander, Pekao, BNP) PLN short-term part	2026	* 7.68%	13 383	14 828
Long-term loan syndicate of banks (Santander, Pekao, BNP) EUR short-term part	2026	* 5.71%	13 225	15 497
Cashpooling Arctic Paper Grycksbo AB			148 064	56 449
Cashpooling Arctic Paper Kostrzyn S.A.			183 227	164 163
Cashpooling Arctic Paper Munkedals AB			22 159	12 816
			380 057	263 752

	<i>Repayment date</i>	<i>Interest rate</i>	As at 31 December 2023	As at 31 December 2022
Long-term				
Long-term loan syndicate of banks (Santander, Pekao, BNP) PLN long-term part	2026	* 7.68%	21 417	36 044
Long-term loan syndicate of banks (Santander, Pekao, BNP) EUR long-term part	2026	* 5.71%	20 663	36 979
			42 080	73 022

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

20.1. Collateral to loans

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

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

- › financial and registered pledges on all shares or interests held by the Company and Arctic Paper Kostrzyn SA registered in Poland, with the exception of the Company's shares;
- › mortgages on all real properties located in Poland and owned by the Guarantors;
- › registered pledges on all material rights and movable assets owned by the Company and the Guarantors, constituting an organised part of enterprise, located in Poland (with the exception of the assets listed in the Loan Agreement);
- › assignment of (existing and future) property insurance policies relating to the assets of the Company Arctic Paper Kostrzyn S.A.;
- › declarations by the Company and Arctic Paper Kostrzyn S.A. on voluntary submission to enforcement, in the form of a notary deed;
- › financial pledges and registered pledges on the bank accounts of the Company and Arctic Paper Kostrzyn S.A. registered in Poland (the pledges relate to current and future bank accounts; in the event of an event of default, in the event that the pledged receivable or part thereof becomes due, the Company may not draw funds from the pledged receivable, nor may it instruct the bank maintaining the account to disburse the funds);
- › powers of attorney to the Polish bank accounts of the Company and Arctic Paper Kostrzyn S.A.;
- › 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 over all the Company's and Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB shares or interests registered in Sweden
- › mortgages on all real properties located in Sweden and owned by Arctic Paper Munkedals AB, Arctic Paper Grycksbo AB, 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 Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB (with the exception of insurance policies listed in the Loan Agreement);
- › pledges on Swedish bank accounts of Arctic Paper Munkedals AB and Arctic Paper Grycksbo AB, as long as such collateral is without prejudice to free management of funds deposited on bank accounts until an event of default specified in the Loan Agreement.

21. Long-term employee liabilities

As at 31 December 2023, the Company has no long-term provisions.

22. Trade and other payables and other financial liabilities

22.1. Trade and other payables (short-term)

	Note	As at 31 December 2023	As at 31 December 2022
Trade payables			
Due to related entities	24	471	587
Due to other entities		18 468	18 587
		18 939	19 175
Other liabilities			
Liabilities towards the budget		610	569
Advisory services		470	232
Other liabilities		408	582
		1 488	1 383

The terms and conditions of financial liabilities presented above:

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

22.2. Other financial liabilities

	As at 31 December 2023	As at 31 December 2022
Other financial liabilities		
Measurement of financial instruments	-	-
Lease liabilities	55	59
	55	59
Other financial liabilities		
Long-term	17	10
Short-term	38	49
	55	59

23. Contingent liabilities

As at 31 December 2023, the Company had no contingent liabilities.

23.1. Tax settlements

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

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

23.2. Uncertainties related to tax settlements

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

Tax settlements may be audited by the authorities, who have the power to impose heavy fines and penalties, and any additional tax liabilities resulting from the audit must be paid with high interest. As a result, tax risk in Poland is higher than in countries with more mature tax systems.

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

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

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

In the opinion of the Management Board, such risk does not exist as at 31 December 2023 and therefore the Company has not established any provision for recognised and quantifiable tax risk.

24. Information on related entities

Related Entity		Sales to related entities	Purchases from related entities	Interest – operational income	Dividend received	Interest – financial expense	Guarantees obtained – other financial expenses	Receivables from related entities	including overdue	Loan receivables, including cash-pooling	Liabilities to related entities	including overdue, after the payment date	Loans liabilities, including cash-pooling
Parent entity:													
Nemus Holding AB	2023	2	-	-	-	-	-	-	-	-	-	-	-
	2022	2	-	-	-	-	-	2 674	-	-	-	-	-
Subsidiaries													
	2023	14 321	(1 169)	1 930	179 235	5 447	2 645	38 317	22 531	175 553	471	-	353 450
	2022	12 754	2 547	2 290	57 416	1 506	2 645	38 631	22 531	180 590	587	-	233 427
Total	2023	14 322	(1 169)	1 930	179 235	5 447	2 645	38 317	22 531	175 553	471	-	353 450
	impairment allowances	-	-	-	-	-	-	(22 531)	-	(63 411)	-	-	-
	presentation as interests in subsidiaries	-	-	-	-	-	-	-	-	(82 709)	-	-	-
	2023 following impairment allowances and changes to presentation	14 322	(1 169)	1 930	179 235	5 447	2 645	15 786	22 531	29 433	471	-	353 450
	2022	12 756	2 547	2 290	57 416	1 506	2 645	41 305	22 531	180 590	587	-	233 427
	impairment allowances	-	-	-	-	-	-	(22 531)	-	(57 836)	-	-	-
	presentation as interests in subsidiaries	-	-	-	-	-	-	-	-	(82 709)	-	-	-
	2022 following impairment allowances and changes to presentation	12 756	2 547	2 290	57 416	1 506	2 645	18 774	22 531	40 045	587	-	233 427

24.1. Transactions with parent entities

No transactions between the Company and Nemus Holding AB took place during the year ended on 31 December 2023 and 31 December 2022.

24.2. Terms and conditions of transactions with related entities

Related entity transactions are made at arm's length.

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

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

24.3. Loan granted to members of the Management Board

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

24.4. Remuneration of the Company's management staff and of the Supervisory Board

Management staff of the Company as at 31 December 2023 comprised three persons: President of the Management Board and Members of the Management Board.

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

	Year ended on 31 December 2023	Year ended on 31 December 2022
Management Board		
Short-term employee benefits	2 418	2 280
Post-employment payments	265	335
	2 683	2 615
Supervisory Board		
Short-term employee benefits	1 174	1 098
Total	3 857	3 713

Short-term employee benefits (PLN 2,418 thousand) include costs incurred by the Company for management services provided by a separate management unit in the amount of PLN 1,427 thousand.

As at the balance sheet date, there were no outstanding balances with management staff.

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

The table below presents the remuneration of the statutory auditor, paid or payable for the year ended on 31 December 2023 and 31 December 2022 by category of services:

Service type	Year ended on 31 December 2023	Year ended on 31 December 2022
Statutory audit of the annual financial statements	335	307
Review of interim financial statements	115	98
Other services (examination of the proforma report and correct calculation of covenants in accordance with the loan agreements)	-	50
Total	450	455

26. Financial risk management objectives and policies

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

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

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

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

26.1. Interest rate risk

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

Interest rate risk – sensitivity to fluctuations

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

Financial instruments	31.12.2023 carrying amount	31.12.2022 carrying amount
- with a fixed interest rate		
Trade receivables	15 935	17 566
Loans granted and the employee fund	29 433	40 045
Other financial assets	3 442	8 144
Cash and cash equivalents	264 150	213 272
Trade payables	(18 939)	(19 175)
	294 021	259 853
- with a variable interest rate *		
Interest-bearing bank loans	(68 687)	(103 348)
Lease liabilities	(55)	(59)
	(68 743)	(103 407)

* cash-pool settlement is not included in the analysis, as it is only between participants, i.e. affiliated companies (negligible risk)

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

Impact on profit before tax 2023

	interest rate	interest of the financial year	(+) 1%	(-) 1%
bank loans in EUR	5.71%	1 302	228	(228)
bank loans in PLN	7.68%	3 021	393	(393)
leases	5.70%	3	1	(1)
SWAP settlement	fixed interest rate	(4 147)	n/a	n/a

26.2. FX risk

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

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

31.12.2023

	PLN	EUR	SEK	Other
Trade receivables	9 645	2 856	3 175	259
Loans granted	-	29 433	-	-
Cash	51 332	203 770	8 519	529
Employee Fund	-	-	-	-
Bank loans	34 800	33 888	-	-
Trade payables	9 912	3 708	5 033	286
Net exposure	16 266	198 463	6 661	502

31.12.2022

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

	<i>Increase/decrease of FX rates</i>	<i>Impact on gross profit or loss</i>
31 December 2023 – SEK	+1%	67
	-1%	(67)
31 December 2023 – EUR	+1%	1 985
	-1%	(1 985)
31 December 2023 – other	+1%	5
	-1%	(5)

	<i>Increase/decrease of FX rates</i>	<i>Impact on gross profit or loss</i>
31 December 2022 – SEK	+1%	97
	-1%	(97)
31 December 2022 – EUR	+1%	1 093
	-1%	(1 093)
31 December 2022 – other	+1%	8
	-1%	(8)

26.3. Credit risk

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

	31.12.2023	31.12.2022
Other financial assets	32 875	48 242
Trade receivables	15 935	17 566
Cash and cash equivalents	264 150 *	213 272
Total	312 960	279 080

* cash in the amount of PLN 166,320 thousand serves as collateral for loan liabilities

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

The table below presents information on credit risk exposure for trade receivables and other financial assets (loans and cash-pooling) as at 31 December 2023 and 31 December 2022:

	31.12.2023		31.12.2022	
	Group 1	Group 2	Group 1	Group 2
Trade receivables – gross value	15 935	22 531	17 566	22 531
Impairment allowances		22 531	-	22 531
Trade receivables – carrying amount	15 935	-	17 566	-
Other financial assets – gross value	32 875	59 125	48 242	57 836
Impairment allowances	-	59 125	-	57 836
Other financial assets – carrying amount	32 875	-	48 242	-

The company only works with group entities. Credit risk is assessed taking into account the individual characteristics of each of the Company's counterparties. Group 2 assets were fully covered by an impairment allowance. For group 1, the default rates calculated for the previous 3 years are zero, therefore the Company did not recognize expected credit losses on these assets as at 31 December 2023 and 31 December 2022.

The Company recognises impairment allowances that correspond to the estimated values of expected credit losses. The core component of such allowances is the part covering specific losses due to exposure to a single material risk. There is a significant concentration of risk in the "Germany non-business" segment.

	Poland	Sweden	Germany	Other
carrying out economic activities				
trade receivables	6 819	8 989	-	127
allowances for trade receivables	-	-	-	-
loans granted	-	29 219	-	-
allowance for loans granted	-	-	-	-
not carrying out economic activities				
trade receivables	-	-	7 380	-
allowances for trade receivables	-	-	(7 380)	-
loans granted	-	-	2 752	-
allowance for loans granted	-	-	(2 752)	-

26.4. Liquidity risk

The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. The tool considers the maturity of both its financial investments and financial assets (e.g. receivables, other financial assets) and projected cash flows from guaranteed bank loans. Information on financial assets is included in note 16.3.

The table below presents the maturity profile of the Company's financial liabilities at 31 December 2023 based on maturities of contractual undiscounted payments.

31 December 2023	Carrying amount	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank loans	422 137	-	353 670	28 390	44 905	-	426 965
Other liabilities	18 939	-	18 948	29	17	-	18 994
		-	372 398	28 419	44 922	-	445 959
31 December 2022	Carrying amount	Upon request	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
Interest-bearing bank loans	336 775	-	233 427	32 292	77 739	-	343 458
Other liabilities	19 175	-	19 187	37	10	-	19 234
		-	252 614	32 328	77 749	-	362 692

Financial liabilities with a maturity period of less than 3 months include, among others, cash-pooling liabilities towards related entities, as at 31 December 2023 they amounted to PLN 353,450 thousand.

As at 31 December 2023, the Company held no contingent liabilities.

27. Financial instruments

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

27.1. Fair value of each class of financial instruments

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

	Category in compliance with IFRS 9	Carrying amount	
		31 December 2023	31 December 2022
Financial assets			
Other (long-term) financial assets	WwZK	21 914	31 568
Trade and other receivables	WwZK	15 935	17 566
Cash and cash equivalents	WwZK	264 150	213 272
Derivative instruments	IRZ	3 442	8 145
Other (short-term) financial assets	WwZK	7 519	8 529
Total		312 960	279 080
Financial liabilities			
Interest-bearing bank loans	WwZK	422 137	336 775
Trade payables	WwZK	18 939	19 175
Lease liabilities	WwZK	55	59
Total		441 131	356 008

WwZK – Financial assets/liabilities measured at amortised cost
 WwWGpWF – financial assets/liabilities measured at fair value through profit and loss
 IRZ – Hedge accounting instruments

Loans with the carrying amount of PLN 422,137 thousand as at 31 December 2023 have fair value of PLN 425,951 thousand.

As at 31 December 2023 and as at 31 December 2022, financial instruments as at the measurement hierarchy are qualified to level 2 and in case of derivative instruments.

27.2. Changes in assets and liabilities arising from financing activities

Year ended on 31 December 2023	Note	1 January 2023	Changes resulting from cash flows from financing activity	Effects of FX rate fluctuations	Change to fair values	Other changes	31 December 2023
Interest-bearing bank loans	20	(103 348)	29 257	3 551	-	1 855 *	(68 684)
Finance lease liabilities	22.2.	(59)	126	-	-	(123)	(55)
Derivative financial instruments (assets)	27.3.	8 144	(4 147)	-	(556)	-	3 442
Total assets and liabilities arising from financing activities		(95 262)	33 530	3 551	(556)	1 732	(65 298)

27.3. Collateral

In connection with interest rate risk as detailed in note 26.1, the Company hedges its future cash flows that may fluctuate as a result of the risk. As at 31 December 2023, the company had loans with a fair value of PLN 72,501 thousand (PLN 103,348 thousand as at 31 December 2022) bearing a variable interest rate, which were hedged with SWAP derivatives.

The effectiveness of the hedging instruments is very high due to the fact that the parameters of the hedging instruments are matched to the hedged items, particularly with regard to the denominations and dates of the cash flows, the interest rate underlying the calculation of these flows, and the interest accrual conventions. The company assesses whether the derivative designated in each hedging relationship will effectively offset changes in the cash flows of the hedged item using the notional derivative method. The hedge ratio is 100% and the only source of potential inefficiencies we identify is the two-day difference in the maturity of the hedged position and the hedging instrument. Coefficients and sources of inefficiencies are presented in the hedge accounting documentation.

Cash flow hedge

As at 31 December 2023, the Company used cash flow hedge accounting for the following hedging items:

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

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

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

SWAP on the interest rate	EUR	PLN
Type of hedge	Hedge of cash flows related to variable interest rate on the EUR long-term loan	Hedge of cash flows related to variable interest rate on the PLN long-term loan
Hedged item	The hedged item are future EUR interest flows in EUR related to a loan in EUR calculated on the basis of 3M EURIBOR	Future PLN interest flows on PLN loan calculated on the basis of 3M WIBOR
Hedging instruments	SWAP transaction under which the Company agreed to pay interest in EUR on the EUR loan on the basis of a fixed interest rate	SWAP transaction under which the Company agreed to pay interest in PLN on the PLN loan on the basis of a fixed interest rate
Currency	Date	Fair loan amount in PLN as at 31.12.2023
EUR	2021-04-02 – 2026-04-02	14 000 560
EUR	2021-04-02 – 2026-04-02	10 500 420
EUR	2021-04-02 – 2026-04-02	10 500 420
		35 001 400
PLN	2021-04-02 – 2026-04-02	15 000 000
PLN	2021-04-02 – 2026-04-02	11 250 000
PLN	2021-04-02 – 2026-04-02	11 250 000
		37 500 000
The value secured is the interest calculated on the value of the loan in the amount of		72 501 400
Interest secured by an interest rate swap		4 607 267

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

The table below presents the fair value of hedging instruments in cash flow hedge accounting as at 31 December 2023 and the comparative data:

	Status as at 31 December 2023		Status as at 31 December 2022	
	Assets	Equity and liabilities	Assets	Equity and liabilities
SWAP	3 442	-	8 144	-
Total hedging derivative instruments	3 442	-	8 144	-

The table below shows the nominal value of the amounts associated with the hedged items positions at 31 December 2023:

	Up to 1 year	1 to 5 years	Over 5 years	Total
interest rate SWAP				
interest repayments (in PLN 000)	1,783	2 824	-	4 607

The table below presents the amounts related to cash flow hedge accounting that were recognised in 2023 by the Company in the statement of profit and loss and in the statement of total comprehensive income:

	Year ended on 31 December 2023
Revaluation reserve as at 31 December 2023 – changes of fair value of hedging derivative instruments due to the hedged risk, corresponding to effective hedging, less the tax effect	(3 809)
Ineffective part of the change in fair value measurement due to the hedged risk, recognised in financial income or expenses	-
The period of the anticipated hedged flows	1 January 2024 - 2 April 2026

The table below presents changes to revaluation reserve due to cash flow hedge accounting in 2023:

	Year ended on 31 December 2023
Revaluation reserve as at 1 January 2023	6 597
Deferral to changes of fair value measurement of the hedging derivative instruments due to the hedged risk, corresponding to the effective hedge, less the tax effect	(3 809)
The amount of the changes of fair value measurement of the hedging derivative instruments due to the hedged risk, removed from the revaluation reserve and transferred to financial income or expenses – contract execution	-
Revaluation reserve as at 31 December 2023	2 788

28. Capital management

The primary objective of the Company's capital management is to ensure that it maintains an appropriate credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Company has not set a specific level of credit rating and capital ratios that it considers appropriate, as it depends on current market conditions and the Group's situation.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Company may reduce the amount of capital (through share buybacks, share redemptions or share downgrades) or increase it (e.g. by issuing new shares). No changes were made in the objectives, policies or processes during the year ended on 31 December 2023 and 31 December 2022.

	As at 31 December 2023	As at 31 December 2022
Interest-bearing bank loans and leasing liabilities	422 193	336 834
Trade and other payables	20 426	20 558
Minus cash and cash equivalents	(264 150)	(213 272)
Net debt	178 469	144 119
Equity	837 975	776 970
Equity and net debt	1 016 444	921 089
Leverage ratio	0.18	0.16

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

29. Employment structure

The average headcount in the Company in the year ended on 31 December 2023 and 31 December 2022 was as follows:

	As at 31 December 2023	As at 31 December 2022
Management Board*	2	2
Finances	4	4
Logistics	26	26
Administration	2	2
IT	1	1
Total	35	35

* Members appointed to the Management Board

30. Change in presentation due to correction of an error

30.1. Change in presentation of dividends received in the statement of cash flows

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

An error was identified in the separate statement of cash flows for the year ended 31.12.2022 in which the cash flow from dividends received occurred in H2 2022. Accordingly, an adjustment was made to the comparative figures for this period and one column of comparative figures was presented in the statement of cash flows in accordance with paragraph 42 of IAS 8 in view of the fact that the separate statement of cash flows for the year ended 31.12.2021 shows the financial figures correctly. In the separate, statement of cash flows for the year ended 31.12.2022, the impact of the adjustment is as follows:

Item of the standalone statement of cash flow	Year ended on 31 December 2022 (before restatement)	Restatement	Year ended on 31 December 2022 (restated)
Net cash flows from operating activities	220 455	57 416	277 871
Net cash flows from investing activities	(50)	-	(50)
Net cash flows from financing activities	(22 099)	(57 416)	(79 515)
Cash at the beginning of the period	14 966	-	14 966
Change in cash and cash equivalents	198 306	-	198 306
Cash at the end of the period	213 272	-	213 272

30.2. Change in presentation in equity in the statement of financial position

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

An error was identified in the separate statement of cash flows for the year ended 31.12.2022 in which the cash flow from dividends received occurred in H2 2022. Accordingly, an adjustment was made to the comparative figures for this period and one column of comparative figures was presented in the statement of cash flows in accordance with paragraph 42 of IAS 8 in view of the fact that the separate statement of cash flows for the year ended 31.12.2021 shows the financial figures correctly. In the separate, statement of cash flows for the year ended 31.12.2022, the impact of the adjustment is as follows:

Item of the standalone statement of financial position	Year ended on 31 December 2022 (before restatement)	Restatement	Year ended on 31 December 2022 (restated)
Equity			
Share capital	69 288	-	69 288
Supplementary capital	427 502	(19 523)	407 979
Other reserves	106 725	35 343	142 068
FX differences on translation	1 463	-	1 463
Retained earnings / Accumulated losses	171 993	(15 820)	156 173

In the separate statement of financial position for the year ended 01.01.2022, the impact of the adjustment is as follows:

Item of the standalone statement of financial position	Year ended on 01 January 2022 (before restatement)	Restatement	Year ended on 01 January 2022 (restated)
Equity			
Share capital	69 288	-	69 288
Supplementary capital	427 502	(19 523)	407 979
Other reserves	124 500	19 523	144 023
FX differences on translation	756	-	756
Retained earnings / Accumulated losses	(44 986)	-	(44 986)

31. Events after the balance sheet date

From the balance sheet date until the day of publishing of these standalone 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	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Chief Financial Officer	Katarzyna Wojtkowiak	4 April 2024	signed with a qualified electronic signature
Member of the Management Board Executive Vice-President for Sales and Marketing	Fabian Langenskiöld	4 April 2024	signed with a qualified electronic signature